

Auditor-General's Report 8 of 2025

## **Annual report**

for the year ended 30 June 2025

**Part C: Agency audits – October 2025**



Auditor-General's Report 8 of 2025

# Annual report

for the year ended 30 June 2025

Part C: Agency audits – October 2025

---

Tabled in the House of Assembly and ordered to be published, 14 October 2025

---

First Session, Fifty-Fifth Parliament

By authority: T. Foresto, Government Printer, South Australia

---

*The Audit Office of South Australia acknowledges and respects  
Aboriginal people as the State's first people and nations, and  
recognises Aboriginal people as traditional owners and occupants  
of South Australian land and waters.*



[www.audit.sa.gov.au](http://www.audit.sa.gov.au)

Enquiries about this report should be directed to:

Auditor-General  
Audit Office of South Australia  
Level 9, 200 Victoria Square  
Adelaide SA 5000

ISSN 0815-9157

# Contents

Agency audit reports	1
Adelaide Venue Management Corporation	4
Attorney-General's Department	8
Public Trustee	17
Audit Office of South Australia	24
Child Protection, Department for	26
Correctional Services, Department for	36
Courts Administration Authority	43
Education, Department for	50
Energy and Mining, Department for	71
Environment and Water, Department for	79
SA Health overview	80
Consolidated entity – Health	94
Health and Wellbeing, Department for	101
Barossa Hills Fleurieu Local Health Network Incorporated	109
Central Adelaide Local Health Network Incorporated	116
Eyre and Far North Local Health Network Incorporated	130
Flinders and Upper North Local Health Network Incorporated	135
Limestone Coast Local Health Network Incorporated	140
Northern Adelaide Local Health Network Incorporated	146
Preventive Health SA	162
Riverland Mallee Coorong Local Health Network Incorporated	166
SA Ambulance Service Inc	172
Southern Adelaide Local Health Network Incorporated	184
Women's and Children's Health Network Incorporated	195
Yorke and Northern Local Health Network Incorporated	201
HomeStart Finance	207
Housing and Urban Development, Department for	218
Human Services, Department of	224
Infrastructure and Transport, Department for	232
Lifetime Support Authority of South Australia	256
Premier and Cabinet, Department of the	264
Primary Industries and Regions, Department of	270
Return to Work Corporation of South Australia	276
South Australia Police	289
South Australian Fire and Emergency Services Commission	298
South Australian Government Financing Authority	307
South Australian Housing Trust	318



South Australian Tourism Commission	330
South Australian Water Corporation	335
State Development, Department of	353
Superannuation sector overview	358
Superannuation Funds Management Corporation of South Australia	362
South Australian Superannuation Board	370
Major superannuation schemes	374
Southern State Superannuation Scheme	375
Super SA Retirement Investment Fund	376
South Australian Superannuation Scheme	377
TAFE SA	380
Treasury and Finance, Department of	387
Urban Renewal Authority	401
 Annexure – Agency financial statements that we will publish on the Audit Office of South Australia’s website	 414

# Agency audit reports

*Public Finance and Audit Act 1987*

## **36—Auditor General’s annual report**

- (1) The Auditor-General must prepare an annual report that—
  - (a) states whether, in the Auditor-General’s 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 preceding financial year;
    - (ii) the financial statements of each public authority reflect the financial position of the authority at the end of the preceding financial year and the results of its operations and cash flows for that financial year

## Introduction

---

*Part C: Agency audits – October 2025* is a summary of the audit outcomes for each agency included in this report. It features a snapshot of key agency information covering financial statistics, significant events and transactions, and whether the financial report opinion is unmodified or modified (qualified). The key matters causing any modification are noted. The snapshot is followed by commentary on financial administration matters for each agency that, in my opinion, are important to the Parliament and the SA Government. It also provides selected financial commentary and details of significant financial arrangements.

The financial reports of the agencies included in this report are available on the Audit Office of South Australia’s website ([www.audit.sa.gov.au](http://www.audit.sa.gov.au)).

## Agencies not included in this report

---

Some agencies I audit have a financial year that ended before 30 June 2025. To improve the timeliness of reporting on their activities, I delivered a report to Parliament in June 2025, Report 5 of 2025 *Agency audit reports*, rather than waiting to include them in this annual report. Report 5 of 2025 summarises the audit outcomes for:

- Adelaide Oval SMA Limited
- Adelaide University
- Flinders University
- SACE Board of South Australia
- University of Adelaide
- University of South Australia.

I have published their financial statements on the Audit Office’s website.

The Auditor-General exercises the discretion to exclude some agencies from this annual report. This decision is based on many factors, including:

- the materiality of an agency’s financial operations
- its significance to the SA Government’s operations and services

- the materiality of any impact it has on the public finances
- the timeliness of information
- the materiality of audit issues raised
- the public interest
- the timely completion of this report and meeting the statutory deadline to deliver it to the presiding members of Parliament.

A list of the public sector agencies not included in this report is provided in the annexure. I will report to Parliament on them later, with particular commentary on agencies where there:

- is a modified financial report opinion
- are significant matters raised by the audit
- are other matters that, in my opinion, need to be brought to the attention of the Parliament and the SA Government.

Their financial reports will be published on the Audit Office's website as their audits are finalised.

## Independent Auditor's Report

---

Expressing an opinion on an entity's financial report by an independent professional auditor adds credibility to it and ensures that appropriate financial disclosures were made.

For the agencies that I am required to audit, I issue an Independent Auditor's Report on the financial report in line with professional requirements and standards. Our audits are performed in line with the *Public Finance and Audit Act 1987* (PFAA) and Australian Auditing Standards. The PFAA establishes the Auditor-General's independence. In conducting the audit, I ensure that the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met. I must also ensure that the audit evidence I obtain is sufficient and appropriate to provide a basis for the opinion I issue.

My audit objectives are to obtain reasonable assurance about whether a financial report as a whole is free from material misstatement and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or collectively, they could reasonably be expected to influence the economic decisions of users of the financial report. 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 controls.

I exercise professional judgement and maintain professional scepticism throughout the audit in line with Australian Auditing Standards. I also:

- identify and assess the risks of material misstatements in a financial report, design and perform audit procedures in response to those risks, and obtain sufficient and appropriate audit evidence as a basis for my opinion
- obtain an understanding of an agency's internal controls to design audit procedures, but not for the purpose of expressing an opinion on the effectiveness of those controls

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and disclosures made by chief executives
- conclude on chief executives' use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cause significant doubt about the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention to the related financial report disclosures in my auditor's report or modify my opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may also cause an agency to cease as a going concern
- evaluate whether the overall presentation, structure and content of the financial report gives a fair presentation of the underlying transactions and events.

## **Modified Independent Auditor's Reports**

The opinion I give is usually unmodified, but if circumstances warrant it I will give a modified opinion. In extreme cases it may not be possible for me to express an opinion. When a modified opinion is given, the Independent Auditor's Report explains the reasons for the modification. This is also explained in the commentary on those agencies in this report.

Treasurer's Instructions (Accounting Policy Statements) require Tier 1 agencies (agencies that apply the full disclosure requirements of Australian Accounting Standards) to report on the value of procurement with South Australian and non-South Australian businesses for 2024-25. The following agencies did not disclose this requirement and I modified their audit opinions for this:

- Barossa Hills Fleurieu Local Health Network Incorporated
- Central Adelaide Local Health Network Incorporated
- Consolidated entity – Health
- Department for Health and Wellbeing
- Eyre and Far North Local Health Network Incorporated
- Flinders and Upper North Local Health Network Incorporated
- Limestone Coast Local Health Network Incorporated
- Northern Adelaide Local Health Network Incorporated
- Riverland Mallee Coorong Local Health Network Incorporated
- SA Ambulance Service Inc
- Women's and Children's Health Network Incorporated
- Yorke and Northern Local Health Network Incorporated.

In addition, the South Australian Fire and Emergency Services Commission received a modified audit opinion as, while it included the required disclosure for procurements with South Australian and non-South Australian businesses, we found that it did not have an effective process to meet the requirements of this disclosure framework.

This is discussed further in Part A of this report.

I also drew attention to the inherent uncertainty in certain liabilities reported in the 2024-25 financial reports of the Lifetime Support Authority of South Australia and the Return to Work Corporation of South Australia, without modifying my opinions on them.



# Adelaide Venue Management Corporation (AVMC)

**Financial report  
opinion**

**Unmodified**

**Audit findings**

No significant findings.

**Financial statistics**



**\$113 million**  
Total income



**\$135 million**  
Total expenditure



**628**  
FTEs



**1,029**  
Events and functions



**1.06 million**  
Patrons

**Significant events  
and transactions**

- The AVMC experienced a net loss of \$22 million for 2025, reflecting that its profit from trading activities is insufficient to cover the costs of its property management activities.
- Income increased due to an increase in facility charges from holding higher yielding events.

## Audit findings

We communicated our audit findings in a management letter to the Chief Executive Officer. There were no significant findings.

## Interpretation and analysis of the financial report

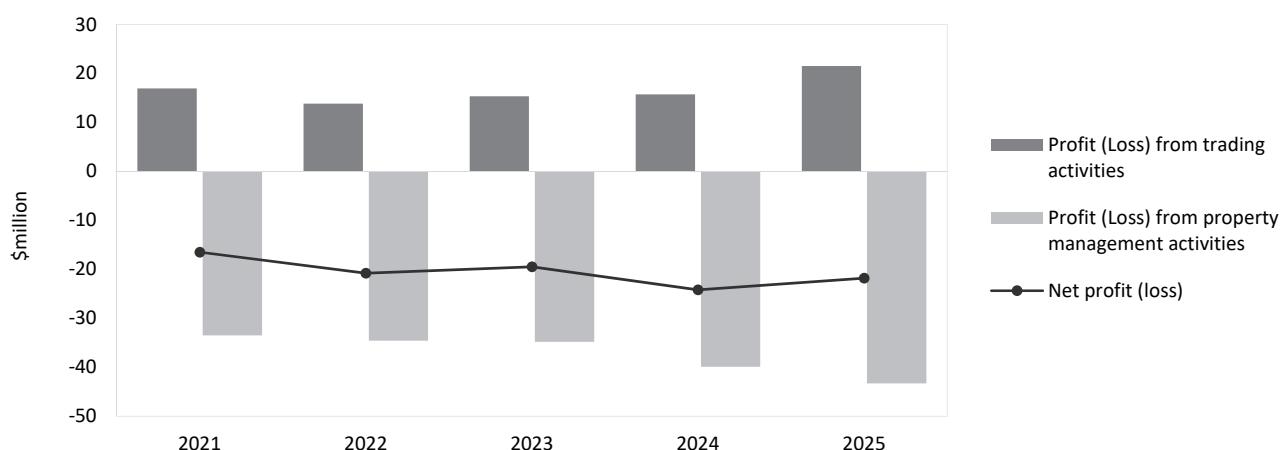
### Highlights of the financial report\*

	2025 \$million	2024 \$million
<b>Trading activities</b>		
Income	98	87
Expenses	77	71
<b>Profit (Loss) from trading activities</b>	21	16
<b>Property management activities</b>		
Income	15	18
Expenses	58	58
<b>Profit (Loss) from property management activities</b>	(43)	(40)
<b>Net profit (loss)</b>	(22)	(24)
<b>Total comprehensive result</b>	(22)	(24)
<b>Assets</b>		
Current assets	69	64
Non-current assets	547	571
<b>Total assets</b>	616	635
<b>Liabilities</b>		
Current liabilities	25	21
Non-current liabilities	405	405
<b>Total liabilities</b>	430	426
<b>Total equity</b>	186	209

\* Table may not add due to rounding.

### Statement of Comprehensive Income

The AVMC recorded a net loss of \$21.8 million (\$24.2 million). The following chart shows the AVMC's profits from trading and property management activities and net losses for the last five years.



Profits from trading activities in 2025 mainly reflect the AVMC holding higher yielding events and functions. The chart shows that the AVMC's profits are not sufficient to cover its losses from its property management activities. Its accumulated deficit increased to \$88.3 million (\$64.9 million) in 2025, reflecting that its revenues are not sufficient to cover its property management activities, notably depreciation, amortisation and borrowing costs.

### Profit from trading activities

The AVMC's income from trading activities was \$98 million, up \$11 million from 2024. It mainly comprised catering revenue of \$44.4 million, up \$5.6 million, and venue hire revenue of \$16.7 million, up by \$2.4 million. The AVMC held 1,029 events and functions in 2025, attracting over one million patrons.

Trading activity expenses were \$76.7 million, up \$5.4 million from 2024. This was mainly driven by higher employee benefits expense of \$46.5 million, up by \$2.7 million, and supplies and services expenses of \$25.2 million, up by \$1.7 million.

### Loss on property management activities

The loss on property management activities increased by \$3.4 million to \$43.3 million, mainly due to a \$2.7 million decrease in appropriation income.

The AVMC's borrowing costs are fully reimbursed through funding provided from the SA Government. In 2025, it received \$14 million from the SA Government for interest and guarantee fees and property management activities to maintain the Riverbank Precinct and Adelaide Convention Centre common areas, exhibition hall land rent, state promotion and replacement of assets.

As determined by the Treasurer, a dividend of \$1.6 million (\$1.6 million) was paid to the SA Government.

## Statement of Financial Position

Property, plant and equipment of \$546.7 million represents 89% of total assets and includes land and buildings of \$504.4 million, right-of-use land valued at \$12.6 million and plant and equipment of \$21.7 million. The AVMC's main assets are the Adelaide Convention Centre and Adelaide Entertainment Centre buildings. It leases Coopers Stadium from the Minister for Recreation, Sport and Racing for an annual payment of \$1.

Cash and cash equivalents were \$60.6 million (\$57.1 million) at 30 June 2025.

Liabilities totalled \$430.2 million (\$425.8 million) and mainly comprised borrowings from the SA Government of \$382.3 million, contract liabilities of \$15.2 million, lease liabilities of \$13.4 million and payables of \$7.5 million.

The AVMC's borrowings from the South Australian Government Financing Authority are for the Adelaide Convention Centre extension and redevelopment project. They have been fully drawn down, are interest only and are due to mature in 2030.

## Administered items

### Event funds

The AVMC administers, but does not control, gross box office receipts from its ticketing agency. These receipts are held in a separate event funds bank account. Settlement occurs after each event through the payment of funds held to promoters, the AVMC and other service providers. Total event fund administered revenues were \$52.5 million (\$46.3 million), and event fund administered expenses were \$45.9 million (\$46.6 million). The balance of event funds held in trust was \$20.1 million (\$13.4 million) at 30 June 2025.

## Functional responsibility

---

The AVMC was established by Regulations under the *Public Corporations Act 1993*. It is responsible to the Minister for Tourism.

The AVMC's main function is to manage and operate the Adelaide Convention Centre, the Adelaide Entertainment Centre and Coopers Stadium (which is subject to a lease from the Minister for Recreation, Sport and Racing).

## Scope of the audit

---

Our audit covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Specific areas of audit attention in 2024-25 included:

- revenue from events, functions, restaurant, bars and car parks
- salaries and wages
- supplies and services expenses
- cash management procedures and monthly bank reconciliations
- general ledger.

We gained an understanding of the AVMC's control environment and key financial systems, and analysed transactions to assess the risk of material misstatement to its financial statements.

We reviewed controls over asset management and the use of deposit accounts as part of our overall controls opinion, which is discussed in Part B of this report.



# Attorney-General's Department (AGD)

---


## Financial report opinion


## Unmodified

### Audit findings

- Some required Victims of Crime levy processes were not performed.
  - The births, deaths and marriages system was not reconciled to the general ledger.
  - There is no formal procedure for reconciling the OneCBS system data for the Residential Tenancies Fund.
  - There are no documents maintained for resolving OneCBS system variances.
  - The OneCBS system data reconciliation was not independently reviewed.
  - Residential bond guarantee claims have not been received from the South Australian Housing Trust since June 2024.
- 


## Financial statistics


 **\$352 million**  
Total income

 **\$319 million**  
Total expenditure

 **1,538**  
FTEs

### Administered

 **\$725 million**  
Total income

 **\$691 million**  
Total expenditure

## Significant events and transactions

- Land was purchased for the new SA Forensic Centre in June 2025.
  - The Office of the Commissioner for Public Sector Employment was transferred to the Department of the Premier and Cabinet as an attached office on 1 July 2024.
-

## Audit findings

---

We communicated our audit findings in management letters to the Chief Executive and the Commissioner, Consumer and Business Services. Our main findings and their responses are discussed below.

### **Victims of Crime levy**

Some required Victims of Crime levy processes were not performed

We found that key Victims of Crime levy processes that are in a service level agreement with the South Australia Police were not being performed. We also found that the agreement contained outdated references.

AGD advised us that the South Australia Police will provide it with monthly reports on all levies collected to ensure that they are transferred. The service level agreement will be updated.

### **Consumer and Business Services (CBS)**

The births, deaths and marriages system was not reconciled to the general ledger

We found that the revenue recorded in the births, deaths and marriages system (Promadis) had not been reconciled to the general ledger since August 2024. This increases the risk of errors not being detected.

CBS advised us that Promadis reconciliations restarted after a new finance officer was appointed and would ensure other members of the finance team can perform these reconciliations.

### **Residential Tenancies Fund**

There is no formal procedure for reconciling OneCBS data for the Residential Tenancies Fund

We found that there was no formal procedure for reconciling the Statement of Financial Position report for the Residential Tenancies Fund to the underlying OneCBS data. Without a formal procedure, there may be inconsistent reconciliation practices and an increased risk of errors.

CBS advised us that it will prepare a formal documented procedure on how the Statement of Financial Position reconciliation should be performed.

There are no documents maintained for resolving OneCBS system variances

We found that no documents were maintained for the reconciliation process between the Statement of Financial Position report for the Residential Tenancies Fund and OneCBS system data to help resolve any identified variances.

CBS advised us that since the OneCBS system reconciliations started in May 2025 notes on correcting variances have been recorded in the system, however it acknowledged that a more robust process for documenting corrections should be implemented.

## OneCBS system data reconciliations were not independently reviewed

We found that there was no independent review of the daily reconciliation between the Statement of Financial Position and OneCBS system data.

CBS advised us that the reconciliation process will be documented and include a requirement for reconciliations to be independently reviewed.

## Residential bond guarantee claims were not received from South Australian Housing Trust

We found that there are a substantial number of outstanding residential bond guarantee claims to be paid from the South Australian Housing Trust to CBS since July 2024.

CBS advised us that this is due to issues with matching bond reference numbers. CBS is working with the South Australian Housing Trust to resolve the issue.

## Interpretation and analysis of the financial report

### Highlights of the financial report – controlled items

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	152	107
Fees and charges	142	141
Recoveries	28	26
Grants, subsidies and transfers	25	25
Other income	5	4
<b>Total income</b>	<b>352</b>	<b>303</b>
<b>Expenses</b>		
Employee related expenses	189	172
Supplies and services	78	76
Grants and subsidies	37	33
Other	15	17
<b>Total expenses</b>	<b>319</b>	<b>298</b>
<b>Net result</b>	<b>33</b>	<b>5</b>
<b>Other comprehensive income</b>		
Changes in revaluation surplus	3	-
<b>Total comprehensive result</b>	<b>36</b>	<b>5</b>
<b>Assets</b>		
Current assets	92	78
Non-current assets	63	37
<b>Total assets</b>	<b>155</b>	<b>115</b>
<b>Liabilities</b>		
Current liabilities	31	30
Non-current liabilities	36	33
<b>Total liabilities</b>	<b>67</b>	<b>63</b>
<b>Total equity</b>	<b>88</b>	<b>52</b>

## Statement of Comprehensive Income

### Income

AGD collected \$142 million (\$141 million) in fees and charges and received \$152 million (\$107 million) in appropriation in 2024-25. This revenue represents 84% (82%) of its total income.

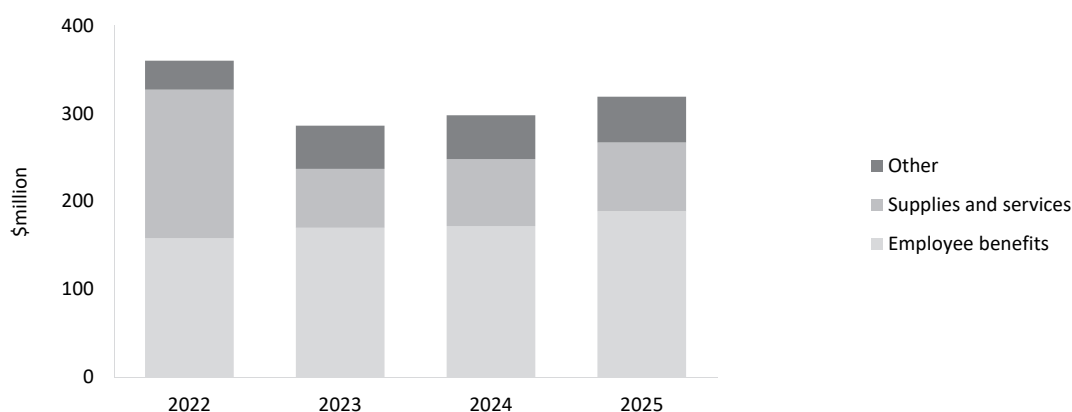
Fees and charges collected mainly comprised:

- \$57 million in licence and regulatory fees
- \$28 million in Crown Solicitor's Office legal service fees
- \$30 million for SafeWork SA prescribed fees
- \$13 million of network service fees.

The increase in appropriation is mainly for additional funding of \$19.2 million for the new SA Forensic Centre.

### Expenses

Total expenses increased by \$21 million to \$319 million in 2024-25. The following chart shows AGD's main expenses for the last four years.



Employee related expenses increased by \$16.4 million to \$188.7 million, representing 59% of total expenses in 2024-25. This is mainly due to an increase in salaries and wages of \$9.6 million for more FTEs.

Supplies and services expenses of \$78 million (\$76 million) represent 24% (25%) of the total expenses in 2024-25. This was mainly for accommodation charges of \$27.3 million (\$26 million) and ICT expenses of \$18.3 million (\$19.3 million).

## Statement of Financial Position

### Assets

Total assets increased by \$39.6 million to \$155 million, mainly due to:

- cash and cash equivalents of \$14.3 million
- property, plant and equipment of \$20.8 million mainly for the acquisition of land for the new SA Forensic Centre of \$13 million
- intangible assets of \$4.3 million due to expenses for IT projects being capitalised to work in progress.



## Liabilities

Liabilities increased by \$3.6 million to \$67 million, mainly due to increases in employee related liabilities and payables. Employee related liabilities increased by \$1.3 million due to the net effect of actuarial assumptions in the long service leave liability calculation. Payables increased by \$1.8 million to \$12 million mainly due to additional accrued expenses for the new SA Forensic Centre.

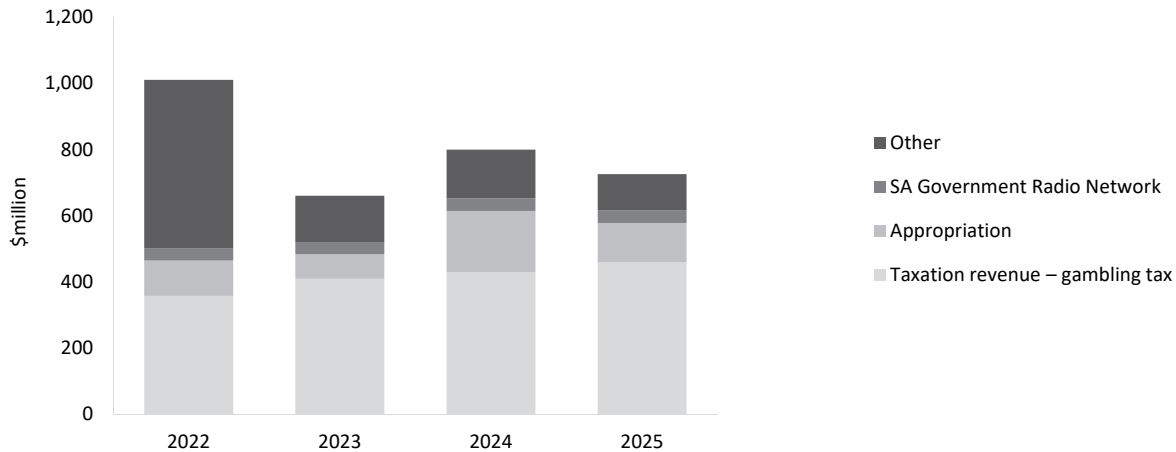
## Highlights of the financial report – administered items

	2025 \$million	2024 \$million
<b>Income</b>		
Taxation	458	429
Appropriation	120	185
Victims of Crime levies	46	42
SA Government Radio Network	39	38
Grants and subsidies	30	38
Recoveries and other income	20	19
Other	12	11
<b>Total income</b>	<b>725</b>	<b>762</b>
<b>Expenses</b>		
Payments to Consolidated Accounts	457	428
Grants and subsidies	82	74
Victims of Crime payments	29	30
SA Government Radio Network	25	24
Intra-government transfers	17	21
Other	81	129
<b>Total expenses</b>	<b>691</b>	<b>706</b>
<b>Total comprehensive result</b>	<b>34</b>	<b>56</b>
<b>Assets</b>		
Current assets	595	553
Non-current assets	131	162
<b>Total assets</b>	<b>726</b>	<b>715</b>
<b>Liabilities</b>		
Current liabilities	83	82
Non-current liabilities	37	61
<b>Total liabilities</b>	<b>120</b>	<b>143</b>
<b>Total equity</b>	<b>606</b>	<b>572</b>

## Statement of Administered Comprehensive Income

### Income

The following chart shows the main sources of AGD's administered income for the last four years.



Total administered income decreased by \$37.3 million to \$725 million (\$762 million). 80% of this income is taxation revenue (\$458 million) mainly on gaming machines and appropriation (\$120 million). Appropriations decreased by \$65.4 million due to higher funding for Native Title claims of \$59.4 million received in 2023-24. Taxation revenue increased by \$29.1 million mainly due to higher gaming machine turnover.

### Expenses

Total administered expenses decreased by \$15.3 million to \$691 million, with 78% of this for payments to the Consolidated Account (\$457 million) and grants and subsidies (\$82 million).

Payments to the Consolidated Account increased by \$29.7 million due to higher gaming machine taxation revenue. Grants and subsidies increased by \$8.1 million due to an increase in funding provided for expensive criminal cases.

## Statement of Administered Financial Position

### Assets

Total assets increased by \$11 million to \$726 million, due to an increase in cash and cash equivalents of \$39.5 million, offset by a decrease in property, plant and equipment of \$30.5 million for depreciation.

### Liabilities

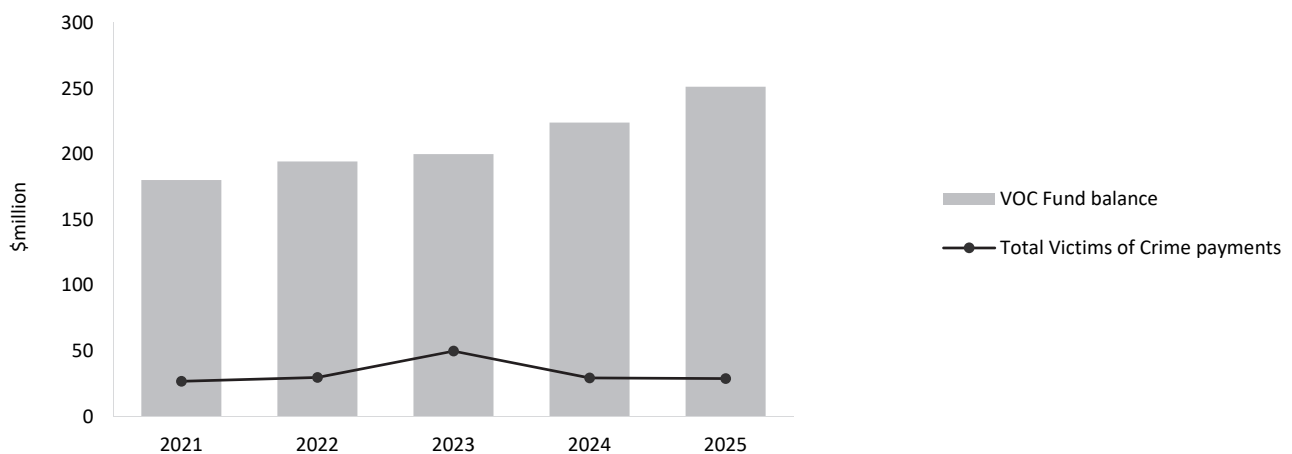
Total liabilities decreased by \$23 million to \$120 million, mainly due to a reduced lease liability for the State Rescue Helicopter Service.

## Further commentary on operations

### Victims of Crime Fund (VOC Fund)

AGD is responsible for administering the *Victims of Crime Act 2001* (VOC Act). The VOC Fund is reported in its administered financial statements, with a balance of \$251.2 million (\$223.9 million) reported as at 30 June 2025.

The following chart shows the balance of the VOC Fund and the value of total payments from the fund over the last five years.



The maximum compensation claim that can be awarded under the VOC Act is \$133,000, in addition to costs and disbursements. A claim can succeed without a known offender. Compensation is paid where an offence has been admitted or proven beyond reasonable doubt. In cases where nobody is charged with an offence, the applicant's evidence must be corroborated. Where an offence has not been established, the Attorney-General has discretion to make an ex gratia payment to the claimant.

### Recoveries from offenders

The VOC Act empowers the Attorney-General to recover the cost of compensation payments from offenders who were convicted of the related offence. Recovery is difficult, as most compensation claims are for unknown offenders or where the offender is known and their capacity to pay is limited.

The amounts recovered directly from offenders in 2024-25 totalled \$1 million (\$1.7 million). A further \$8.5 million (\$8.1 million) was recovered from offenders under the *Criminal Assets Confiscation Act 2005*.

A levy is imposed by the VOC Act on all people convicted of offences and on expiation notices. Total Victims of Crime income was \$71.1 million (\$64.9 million) and included Victims of Crime levies of \$46.3 million (\$41.5 million) and revenues from the SA Government of \$10.4 million (\$10.1 million).

## Payments from the Victims of Crime Fund

Victims of Crime expenses totalled \$42.8 million (\$42 million) and included:

- victim compensation and legal payments of \$29.2 million (\$29.6 million)
- grants of \$8.5 million (\$7.7 million)
- legal and other costs incurred in administering the VOC Fund of \$5.1 million (\$4.7 million).

There was a \$27.3 million increase in the VOC Fund balance in 2024-25.

## Taxation

Taxation revenue totalled \$457.9 million (\$428.8 million) and mainly comprised gaming machine tax of \$454 million (\$425 million).

### Gaming machine administration

The *Gaming Machine Act 1992* (GM Act) provides that the Liquor and Gambling Commissioner is responsible for scrutinising the operations of all gaming machine licensees. Under the GM Act, the operation of gaming machines in licensed premises must return winnings to players of not less than 85% for machines installed before 31 May 2001, and 87.5% for machines installed after that. A prescribed percentage of the net gambling revenue is then paid to the Treasurer (Consolidated Account).

The following table summarises gaming machine activity for the last four years.

	2022	2023	2024	2025
	Number	Number	Number	Number
Machines installed at 30 June	11,618	11,706	11,734	11,739
	\$million	\$million	\$million	\$million
Turnover	9,437	10,453	10,875	11,624
Amount won	8,606	9,536	9,920	10,616
Net gambling revenue	831	918	956	1,008
Tax	356	405	425	454

### Independent Gaming Corporation Limited (IGC)

The Liquor and Gambling Commissioner has granted the Gaming Machine Monitor licence to the IGC under the GM Act. Under this licence, the IGC monitors the operations of gaming machine licensees.

The GM Act specifically provides for the Auditor-General to audit the accounts and operations of the IGC. Our 2024-25 audit of IGC's financial report was not complete at the time of this report.

## Functional responsibility

AGD is an administrative unit established under the *Public Sector Act 2009*. Its objectives are to help create an inclusive, safe and fair South Australia. It promotes justice by protecting rights and holding people to account according to the law, improving safety and contributing to an efficient and fair justice system.



## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Specific areas of audit attention in 2024-25 included:

- payroll
- expenditure
- general ledger
- cash
- grant funding received from the Commonwealth Government
- legal services revenue
- Crown Solicitor's Trust Account receipts and payments
- corporate governance
- IT general controls
- gaming tax revenue
- births, deaths and marriages revenue
- licence and regulatory fees revenue
- bond lodgements and refunds.

We reviewed controls over bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

# Public Trustee

---

## Financial report opinion

**Unmodified**

---


## Audit findings


No significant findings.

---

## Financial statistics

### Corporate operations

 **\$39.3 million**  
Total income

 **\$31.6 million**  
Total expenditure

 **180**  
FTEs


### Trust operations

 **\$2.2 billion**  
Trust funds under management

 **8,307**  
Trusts under administration

### Common fund operations

 **\$83.8 million**  
Total net operating result

 **\$1.4 billion**  
Total assets

---

## Significant events and transactions

- A new Public Trustee was appointed on 1 July 2024.
  - The Public Trustee received an equity contribution of \$1.5 million from the Department of Treasury and Finance for its new customer financial system. The system was implemented in March 2025 at a total cost of \$7.3 million.
  - The Public Trustee provided \$6.9 million of community service obligations (non-commercial activities) for the South Australian community.
-

## Audit findings

---

We communicated our audit findings in a management letter to the Public Trustee. There were no significant findings.

Our management letter highlighted delays in obtaining transaction downloads from the Public Trustee's newly implemented customer financial system. We noted that the Public Trustee had identified system defects and limitations relating to the production of customer statements, including the reporting of asset and liability balances and in automated processes for reconciliations.

In response the Public Trustee provided an update on the status and outcome of final testing and validation processes. These included user acceptance testing, post-validation testing and reconciliations performed. This has resulted in the need for workarounds while these defects are addressed and tested.

## Interpretation and analysis of the Corporate financial report

---

### Highlights of the financial report

	2025 \$million	2024 \$million
<b>Income</b>		
Fees and charges	29	27
Community service obligations	7	7
Other revenues	3	3
<b>Total income</b>	<b>39</b>	<b>37</b>
<b>Expenses</b>		
Employee related expenses	20	19
Supplies and services	9	6
Other expenses	2	3
<b>Total expenses</b>	<b>31</b>	<b>28</b>
<b>Net result before income tax equivalents</b>	<b>8</b>	<b>9</b>
Income tax equivalent	3	3
<b>Net result after income tax equivalents and total comprehensive result</b>	<b>5</b>	<b>6</b>
<b>Assets</b>		
Current assets	18	12
Non-current assets	30	35
<b>Total assets</b>	<b>48</b>	<b>47</b>
<b>Liabilities</b>		
Current liabilities	15	7
Non-current liabilities	11	12
<b>Total liabilities</b>	<b>26</b>	<b>19</b>
<b>Total equity</b>	<b>22</b>	<b>28</b>

## Statement of Comprehensive Income

### Income

Fees and charges are the main source of income and principally comprise management fees for investments held in Common Funds and commissions for managing estates.

Community service obligations funding increased by \$350,000 due to growth in customer numbers in 2024-25. This funding is received by the Public Trustee to compensate it for providing non-commercial services to the South Australian community on behalf of the SA Government.

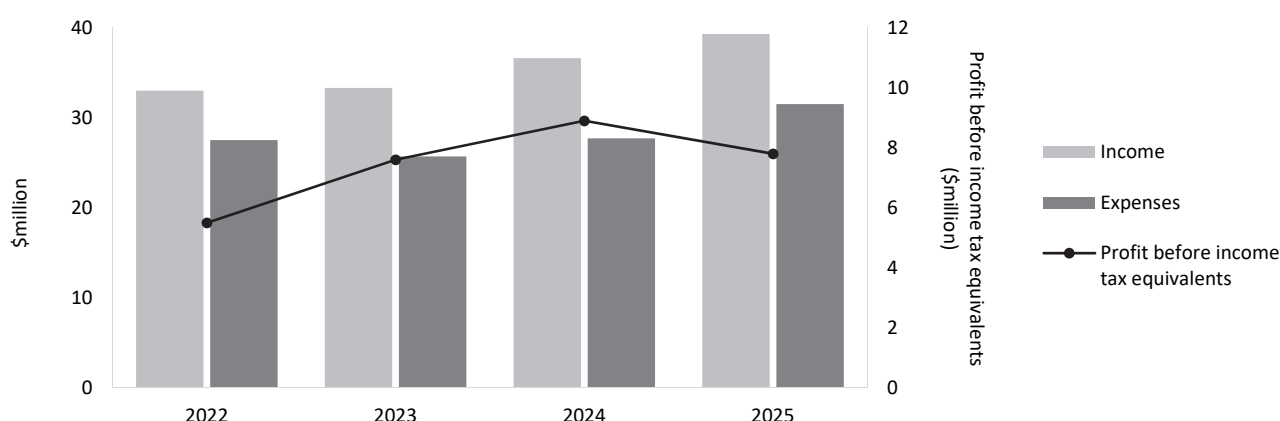
### Expenses

Employee benefits account for 64% of total expenses and increased by \$948,000 to \$20.1 million in 2024-25.

Supplies and services expense increased by \$3 million to \$9.2 million, mainly because the Public Trustee expensed implementation costs for its new customer financial system.

### Net result before income tax equivalents

The following chart shows the Public Trustee's income, expenses and profit before income tax equivalents for the four years to 2025.



The decrease in profit before income tax equivalents in 2025 reflects a \$3 million increase in supplies and services expenses, mainly due to the expensing of customer financial system implementation costs.

## Statement of Financial Position

### Assets

Financial assets of \$19.9 million represent 41% of total assets and mainly comprise Australian fixed interest (\$8.2 million), international equities (\$4.6 million) and Australian equities (\$5.7 million).

### Liabilities

Total liabilities mainly comprise other financial liabilities of \$9.3 million (36%) and payables of \$10 million (39%). The other financial liabilities are the lease liability for the accommodation lease recognised under AASB 16 *Leases*. Payables include \$6.9 million for the 2024-25 dividend.

## Interpretation and analysis of Statement of Trusts being Administered

The value of trust funds administered by the Public Trustee at 30 June 2025 was \$2.2 billion (\$2 billion). The table below shows the number and value of trust funds under administration for the last two years.

	2024 Number	2025 Number	2024 \$000	2025 \$000
Deceased estates	1,187	1,320	192,270	232,157
Trusts	1,174	1,160	161,923	173,687
Administration matters	214	208	40,336	44,105
Court award orders	728	737	467,800	490,659
Protected estates	4,375	4,685	570,681	691,130
Workers compensation awards	4	3	40	3
Power of attorney	197	190	51,865	45,764
Investors	4	4	538,015	567,579
Total	7,883	8,307	2,022,930	2,245,084

Of the total funds being administered, \$1.3 billion (59%) was invested in the Common Funds, with the remaining 41% represented by other estate assets. The two largest categories of estate assets are real estate assets of \$573 million and superannuation of \$264 million.

## Interpretation and analysis of the Common Fund operations

### Common Fund financial reports

The Public Trustee operates seven Common Funds through which client funds are invested. They are:

- Cash
- Short-term Fixed Interest
- Long-term Fixed Interest
- Overseas Fixed Interest
- Australian Shares
- Overseas Shares
- Property.

### Analysis of Common Fund key figures

The Common Funds' assets totalled \$1.3 billion in 2024-25, increasing by \$106 million from \$1.2 billion. Movements in Common Fund assets reflect movements in investment markets and total funds invested as a result of changes to the number and value of estates under administration each year.

The following table summarises the annual net operating result and value of assets held for each Common Fund at 30 June 2025 and 30 June 2024.

	Net operating result		Total assets	
	2024	2025	2024	2025
Common Fund	\$000	\$000	\$000	\$000
Cash	21,323	23,185	532,453	599,317
Short-term Fixed Interest	2,612	3,486	74,490	75,851
Long-term Fixed Interest	3,924	5,685	99,915	103,406
Overseas Fixed Interest	2,355	4,046	75,940	79,510
Australian Shares	12,755	14,539	183,898	187,842
Overseas Shares	22,395	20,774	171,049	191,233
Property	1,473	12,123	148,907	158,280

The Public Trustee invests client money in the Common Funds by purchasing units in one of five standard investment strategies (SIS). Each SIS involves investments in the various Common Funds, with the proportion invested in each fund depending on the underlying investment strategy. Allocations for each SIS are the result of strategic asset allocation decisions that aim to match client circumstances with the SIS risk profiles.

The table below details the performance of each SIS and its performance against the Public Trustee's established benchmarks at 30 June 2025. The Public Trustee's one-year investment returns ranged from 4.14% for Cash to 10.52% for Equities, net of fees. Overall the Public Trustee's investment strategies continue to perform soundly over the long term. Ten-year returns ranged from 1.88% for Cash to 7.8% for Equities, net of fees.

These figures were provided by the Public Trustee and are unaudited.

Standard investment strategy		1 year	3 years	5 years	7 years	10 years
		%	%	%	%	%
Cash	Performance	4.14	3.31	2.00	1.85	1.88
	Benchmark	3.35	2.88	1.34	1.08	1.04
Capital stable	Performance	6.58	5.06	3.32	2.81	3.18
	Benchmark	6.67	5.12	3.07	3.01	3.14
Balanced	Performance	7.91	6.37	4.93	3.89	4.55
	Benchmark	8.54	6.98	5.16	4.60	4.79
Growth	Performance	8.73	7.63	6.35	4.81	5.64
	Benchmark	9.92	8.73	7.21	5.98	6.09
Equities	Performance	10.52	11.93	9.31	6.85	7.80
	Benchmark	13.68	14.12	11.58	8.91	8.78

## Net operating result

The following table shows the net operating results for each fund for the past two years, together with the rate of return achieved by the fund.

	Net operating result		Return*	
	2024	2025	2024	2025
Common Fund	\$000	\$000	%	%
Cash	21,323	23,185	5.10	5.22
Short-term Fixed Interest	2,612	3,486	4.87	6.02
Long-term Fixed Interest	3,924	5,685	5.25	6.96
Overseas Fixed Interest	2,355	4,046	4.35	6.53
Australian Shares	12,755	14,539	8.73	9.33
Overseas Shares	22,395	20,774	16.52	13.81
Property	1,473	12,123	2.37	9.61

\* The rates of return were provided by the Public Trustee and are unaudited.

All investments for the Common Funds are valued at market value, being market price at the reporting date.

The net operating results for the Cash, Short-term Fixed Interest and Long-term Fixed Interest Common Funds were impacted by:

- increases in interest revenue to \$32.6 million (\$28.7 million) due to the higher interest rates paid on investments in 2024-25, offsetting reductions in the official cash rate by the Reserve Bank of Australia. This is consistent with the average balance of cash held during the year and increased returns available in the current market
- trust distributions of \$5.2 million (\$2.8 million) for the Long-term Fixed Interest Common Fund. Distribution amounts vary depending on individual fund manager investment and distribution strategies and market performance.

The net operating result of the Overseas Fixed Interest Common Fund was impacted by a \$1.8 million increase in the net gain on financial assets.

The net operating result of the Australian Shares Common Fund was \$14.5 million. The net gain on financial assets was \$750,000 in 2024-25 compared to a \$2.6 million net gain on financial assets in 2023-24. Trust distributions increased by \$4 million to \$15.3 million.

The net operating result of the Overseas Shares Common Fund was \$20.8 million, impacted by:

- trust distributions of \$21.7 million
- a \$270,000 net gain on financial assets in 2024-25 compared to an \$18.1 million net gain on financial assets in 2023-24.

The net operating result of the Property Common Fund increased by \$10.6 million to \$12.1 million, impacted by:

- an \$8.2 million net gain on financial assets in 2024-25 compared to a \$1.9 million net loss on financial assets in 2023-24
- trust distributions increasing by \$714,000 to \$5.5 million.

## Functional responsibility

---

The Public Trustee is a body corporate established by the *Public Trustee Act 1995*. The Public Trustee administers the estates of deceased and protected people who need asset management assistance, prepares wills, provides investment services, and arranges legal representation and advice.

## Scope of the audit

---

Our audit covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. The 2024-25 audit covered the Public Trustee's corporate, trust and Common Fund operations. Areas of audit attention included:

- corporate governance
- procurement
- expenditure
- revenue
- payroll
- customer assets
- cash and investments
- information technology.

We reviewed controls over investments and bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.





# Audit Office of South Australia


## Financial report opinion


Unmodified

## Financial statistics

 **\$19.8 million**  
Total income

 **\$20.1 million**  
Total expenditure

 **125**  
Total FTEs

 **9**  
Reports to Parliament

 **176**  
Audits

## Significant events and transactions

We changed our name from the Auditor-General's Department to the Audit Office of South Australia effective 1 July 2024.

## Audit findings

Under section 35(1) of the *Public Finance and Audit Act 1987*, the Governor appointed BDO Audit (SA) Pty Ltd as the Office's auditor on the Treasurer's recommendation.

BDO Audit (SA) Pty Ltd advised us that there were no audit findings to bring to our attention.

## Interpretation and analysis of the financial report

### Highlights of the financial report\*

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	19.7	19.2
Other	0.1	0.1
<b>Total income</b>	<b>19.8</b>	<b>19.3</b>
<b>Expenses</b>		
Employee expenses	15.7	15.0
Supplies and services	4.0	4.0
Other expenses	0.4	0.3
<b>Total expenses</b>	<b>20.1</b>	<b>19.3</b>
<b>Net result</b>	<b>(0.4)</b>	<b>0.0</b>

	2025 \$million	2024 \$million
<b>Assets</b>		
Current assets	5.4	5.6
Non-current assets	0.6	0.8
<b>Total assets</b>	<b>6.0</b>	<b>6.4</b>
<b>Liabilities</b>		
Current liabilities	2.6	2.7
Non-current liabilities	4.3	4.3
<b>Total liabilities</b>	<b>6.9</b>	<b>7.0</b>
<b>Total equity</b>	<b>(0.9)</b>	<b>(0.6)</b>

\* Table may not add due to rounding.

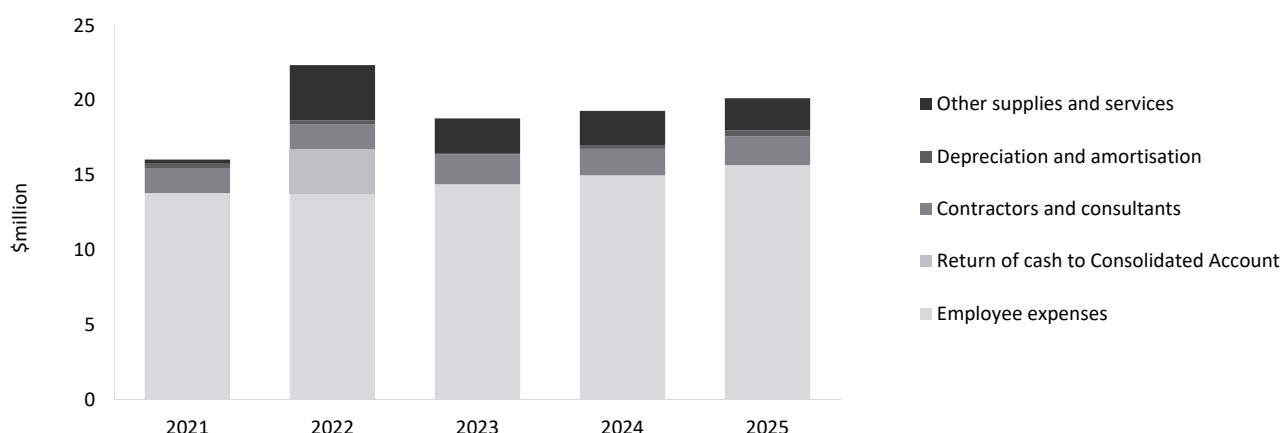
## Statement of Comprehensive Income

The Office relies on SA Government appropriations to fund its operations. We charge fees for auditing entities that are outside of the general government sector, and for a small number of general government sector entities. Those we do not charge receive a statement of services received free of charge. This is a change in approach from previous years, when we charged fees for most audits. Moving to this approach reduced administration time and simplified whole-of-government financial reporting and budgeting.

We do not retain or control the fees we raise. We pay them into the Consolidated Account as we receive them and report them as administered items in our financial statements. This year we raised \$5.9 million (\$16.8 million) in audit fees.

## Expenses

Our total expenses for 2024-25 were \$20.1 million (\$19.3 million). The following chart shows our main expenses for the five years to 2025. Our contractor and consultants expenses primarily relate to the audits we subcontract to private sector audit service providers.



## Functional responsibility

The Audit Office of South Australia operates to help the Auditor-General discharge their statutory audit mandate.

# Department for Child Protection (DCP)

## Financial report opinion

## Unmodified

### Audit findings

- Some carer reviews required by legislation were overdue.
- DCP did not have a forward plan of commissioning activity for child protection services.
- Procurement processes were not started early enough to ensure key new contracts were in place before existing arrangements expired.
- There was no documented response to manage an underperforming family-based care services provider.
- There was a long delay in developing a contract management plan for a family-based services provider.
- Incorrect overtime rates were paid to temporary agency staff.

## Financial statistics



**\$988 million**

Total income



**\$971 million**

Total expenditure



**2,460**

FTEs



**4,900**

Children and young people in care

### Significant events and transactions

- DCP's expenditure exceeded the original 2024-25 State Budget amount by \$175 million. DCP received additional funding to support cost pressures.
- The cost of child protection services continued to grow while the number of children and young people in care remained consistent with recent years.
- DCP recognised net liabilities of \$6 million. Current liabilities of \$83 million exceed current assets of \$68 million.

## Audit findings

---

We communicated our audit findings in management letters to the Chief Executive. The main findings and DCP's responses are discussed below.

### **Some carer reviews required by legislation were overdue**

The *Children and Young People (Safety) Act 2017* requires regular assessments of the provision of care by approved carers. DCP's procedure requires these reviews to be performed every two years.

We found that DCP did not regularly review all its carers as required by its procedure. DCP's internal reporting noted that 16.1% of carer reviews were overdue at 1 July 2025. Prompt assessments allow DCP to identify carers who do not meet mandatory requirements or have not received the support and training they need to provide appropriate care.

DCP accepted this finding, indicating that while it had made progress to reduce the number of overdue reviews, further action is required. It advised us that it had created a system to prioritise reviews and it would develop an action plan to ensure its staff comply with it.

### **Procurement**

DCP did not have a forward plan of commissioning activity

DCP has not performed any commissioning initiatives, activities or projects under its commissioning framework (established in April 2022). Commissioning is the structured process by which DCP plans, purchases and monitors child protection services to safeguard and support children at risk of harm. DCP does not have a forward plan of commissioning activity, despite its commissioning framework requiring it.

The framework outlines DCP's commissioning responsibility to perform early and effective planning, and prioritise and coordinate public sector initiatives based on clear and shared long-term strategic directions. These commissioning activities aim to ensure that services are delivered where and when needed, represent value for money, remain within budget, and provide sound risk management.

We recommended that DCP develop a forward plan of commissioning activity based on its strategic priorities as required by its commissioning framework.

DCP responded that it was considering a commissioning plan which will drive its procurement planning.

Procurement processes were not started early enough to ensure key new contracts were in place before existing arrangements expired

DCP's procurement processes for its temporary agency staff and general residential care services were not started early enough to ensure new contracts were in place before the existing arrangements expired. The combined cost for these services exceeds \$200 million per annum.

As a consequence DCP has extended its existing service agreements with providers to allow time for assessment, negotiations, contract execution and transition to the new arrangements.

We found that DCP notified providers of its intent to extend the existing arrangements about eight weeks before the contracts expired. Procurement SA's contract extension guide states that existing suppliers should be given a minimum of six months' notice of any extension. Short notice to providers may impact their ability to plan and resource its operations, including securing the staff needed to care for children and young people. We reported similar findings in 2023-24.

We recommended that DCP update its contract management plans to specify the required lead time for contract renewal processes.

DCP accepted this finding and advised us that it will update its contract management plans.

## **Contract management**

### **No documented response to manage an underperforming family-based care services provider**

We found that DCP had no formal, documented, response to manage an underperforming family-based services provider. The non-government organisation (NGO) was contracted to recruit, support and assess foster carers and ensure that they are skilled and meet requirements. DCP's quarterly contract management review of the provider identified key performance indicators (KPIs) that were not met and required a specific performance management response. This included the provider's failure to conduct all required face-to-face meetings with foster carers and ensuring that all active carers and household members had obtained working with children checks (WWCCs).

DCP's contract management team attributed the performance concerns of the provider to factors outside its control. The evidence for these judgements was not documented.

DCP may fail to maintain a child-safe environment if it does not ensure that required face-to-face meetings with carers are performed and all active carers and household members have WWCCs. Inconsistent management responses to unmet KPIs can also undermine provider accountability and reduce the effectiveness of the contract management process.

DCP responded that its staff monitor whether NGOs have demonstrated all possible actions to meet their obligations and described circumstances that may impact some carers' ability to meet KPIs. DCP acknowledged the finding and advised us that it would update its quarterly contract management review processes. DCP also indicated it would consider amending its KPI on face-to-face meetings to allow greater flexibility for providers while maintaining the KPI's intent.

### **Long delays in developing a contract management plan for a family-based services provider**

Last year we reported concerns that DCP had not developed and approved contract management plans for all its family-based care services. DCP accepted the finding and advised us that it would develop and complete contract management plans within its policy time frames.

This year we found that DCP did not have an approved contract management plan for one of its family-based service providers, despite the contract starting in 2022-23. We noted that DCP had performed contract management activities in 2024-25, including contract management meetings. However, it was not guided by an approved plan.

Procurement SA's *Contract Management Policy* and DCP's contract management framework require a contract management plan for all complex and strategic contracts before the contract is executed. Contract management plans are an important tool to ensure that DCP effectively manages the performance of its services providers.

DCP acknowledged the finding and advised us that a draft contract management plan was relied on to guide contract activities and performance. DCP advised us that it had since approved a contract management plan.

DCP has also advised that it recently established a new executive role for commissioning, procurement and contracts, which will have responsibility for reviewing opportunities for control improvements to DCP contract management processes.

### **Incorrect overtime rates were paid to temporary agency staff**

DCP's panel deeds with temporary agency staff providers specify that the fee arrangements for them are based on the South Australian Public Sector Enterprise Agreement.

We found instances where overtime payments to temporary agency staff were not consistent with these arrangements. In particular, there were some overtime payments paid at double-time rates where time-and-a-half rates were applicable. We reported similar findings in 2024.

DCP responded that its new deeds with temporary agency staff providers will include updated overtime rates and a guide to how to apply them. DCP advised us that a new deed for one provider was finalised and it was finalising a new deed for another.

### **Other findings**

#### **Controls over child protection costs**

We found opportunities for DCP to improve its controls over child protection payments, including:

- reviewing all carer payments to confirm their bona fide nature so that payments are only made to those caring for a child and at the correct rate. DCP responded that it would develop a monitoring process to address non-compliance
- approving service provider agreements before the services starts. We found an instance of an individual client service agreement for an NGO providing short-term targeted support was not approved until after the service had ended. DCP acknowledged the finding and advised us that it will review its controls and monitoring processes to ensure agreements are signed and executed before incurring expenses.

#### **Reviewing payroll reports was delayed**

We found that there were delays in reviewing fortnightly bona fide and leave reports. The prompt review of these reports is critical to ensure that employee payments are valid and leave taken by staff is recorded.

DCP responded that it will ensure specific escalation actions through its executive meetings.

## Interpretation and analysis of the financial report

### Highlights of the financial report\*

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	972	887
Other	16	13
<b>Total income</b>	<b>988</b>	<b>900</b>
<b>Expenses</b>		
Employee related expenses	283	274
Child protection services	614	561
Supplies and services	66	63
Other	8	9
<b>Total expenses</b>	<b>971</b>	<b>907</b>
<b>Net result</b>	<b>17</b>	<b>(7)</b>
Changes in revaluation surplus	-	5
<b>Total comprehensive result</b>	<b>17</b>	<b>(2)</b>
<b>Assets</b>		
Current assets	68	48
Non-current assets	67	72
<b>Total assets</b>	<b>135</b>	<b>120</b>
<b>Liabilities</b>		
Current liabilities	83	83
Non-current liabilities	58	63
<b>Total liabilities</b>	<b>141</b>	<b>145</b>
<b>Total equity</b>	<b>(6)</b>	<b>(25)</b>

\* Table may not add due to rounding.

### Statement of Comprehensive Income

#### Income

##### Revenue from the SA Government

DCP is mainly funded by appropriation, which accounts for 98% of its total income. Appropriation from the SA Government increased by \$86 million (10%) to \$972 million in 2025. It includes:

- \$797 million in appropriation under the *Appropriation Act 2024*
- \$175 million in appropriation from the Governor's Appropriation Fund to fund costs in excess of the original State Budget.

#### Expenses

##### Employee related expenses

Employee related expenses increased by \$9 million (3%) to \$283 million and accounted for 29% of total expenses in 2025. FTEs increased by 44 (2%) to 2,460 at 30 June 2025.

DCP also engages the services of contracted temporary agency staff to support staffing needs in its residential care facilities. Costs for these temporary agency staff are included in the child protection services expenses.

## Child protection services

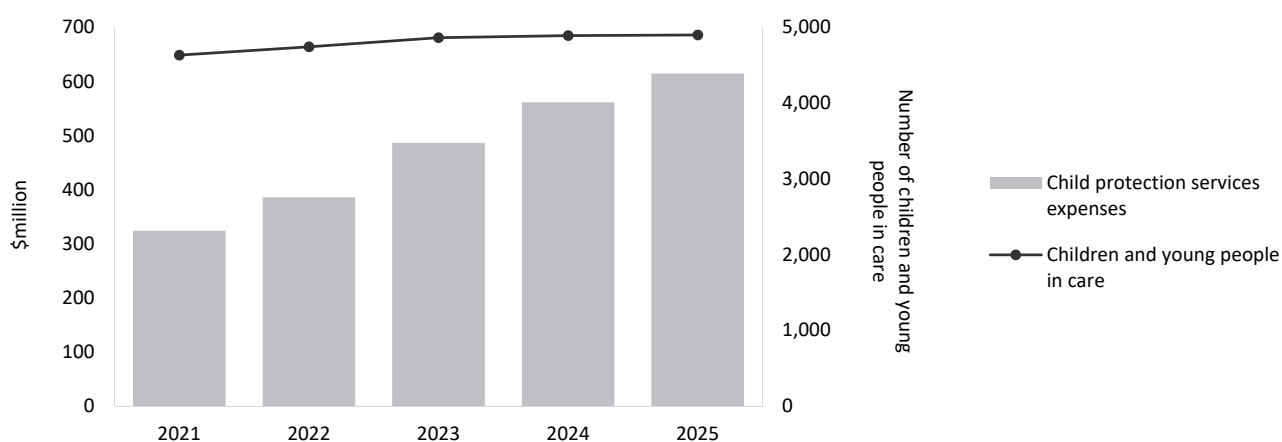
Child protection services are payments to carers and NGOs and other expenses for providing out-of-home care for children and young people. It includes the cost of engaging temporary agency staff. It does not include DCP's internal costs, such as employee benefits and accommodation expenses.

Child protection services expenses increased by \$52 million (9%) to \$614 million, of which \$465 million (\$420 million) was for services contracted to NGOs, including over \$118 million for temporary agency staff. Contracted child protection services comprise:

- non-family-based care, which increased by \$39 million (12%) to \$377 million
- family-based care services, which increased by \$4 million (7%) to \$65 million
- family support services, which increased by \$745,000 (6%) to \$14 million
- advocacy and support services, which increased by \$1 million (13%) to \$8 million.

Carer payments and client-related costs increased by \$7 million (5%) to \$149 million. They include payments to kinship and foster carers and contributions to the incidental costs of caring for children and young people. The growth in the cost of child protection services is driven by the number of children and young people in care and by the type of out-of-home care they are placed in.

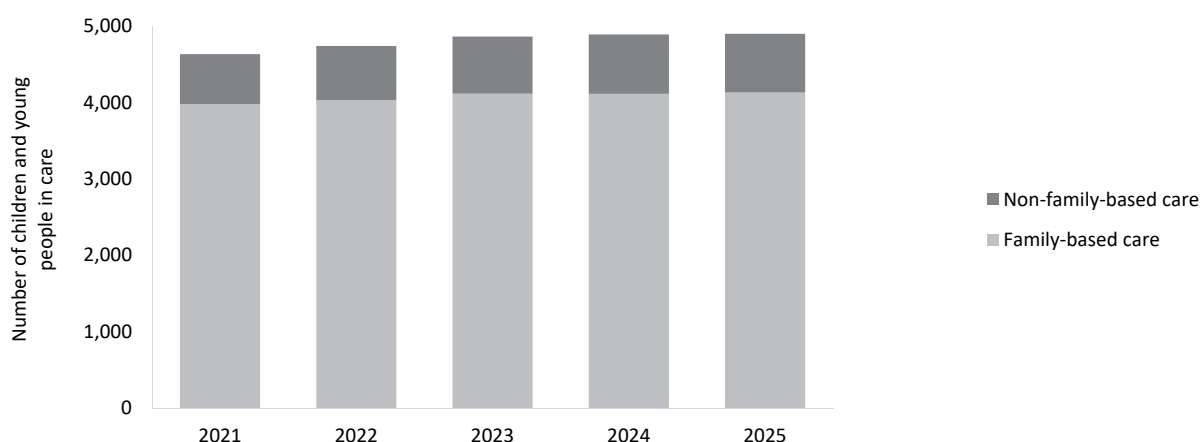
The following chart shows that while child protection services expenses increased by 90% over the past five years, these expenses grew much faster than the increase in the number of children and young people in care (6%).



Source: The number of children and young people in care was sourced from DCP and is unaudited.

Out-of-home care is provided as either family-based (foster, kinship and guardianship family day care) or non-family-based (residential care and independent living). Family-based care is DCP's preferred placement option, as most children do best in family-based settings. Non-family-based care is used where family-based care is not suitable or available. The following chart shows the number of children by placement type for the past five years.



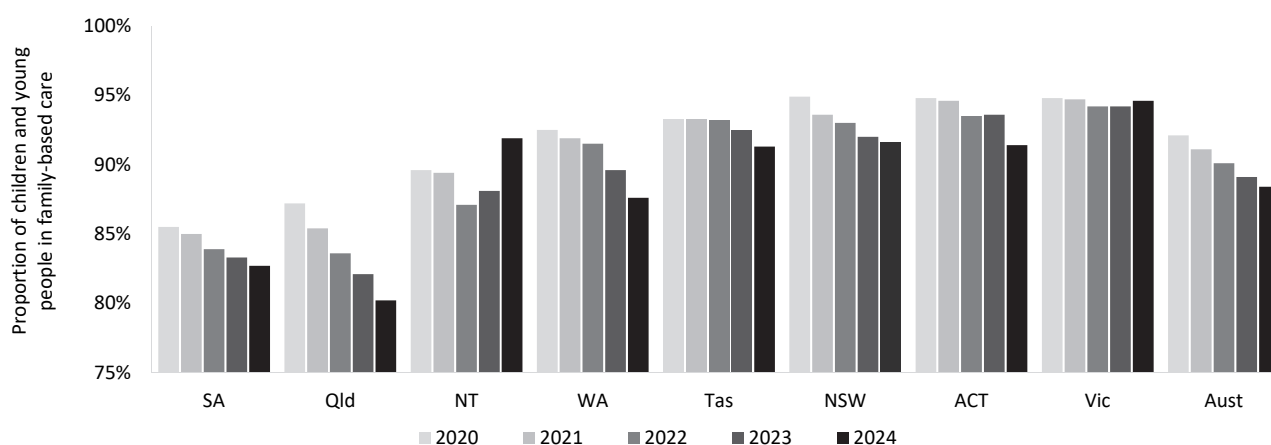


Source: The number of children in care at 30 June was sourced from DCP and is unaudited.

The cost of providing non-family-based care is the main driver of the significant growth in child protection services costs in 2025. These placements (770) made up only 16% of children and young people in care in 2025, but it is significantly more costly to provide than family-based care.

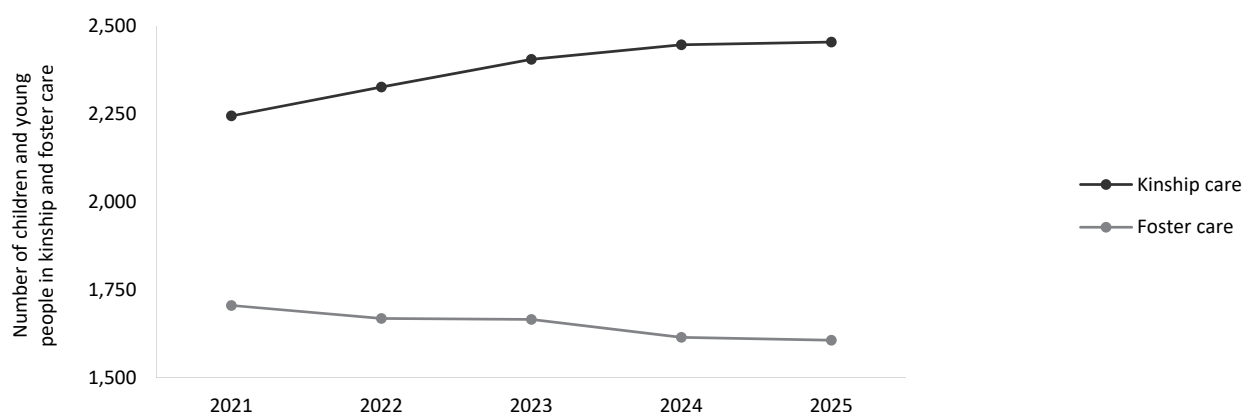
Expenses for children and young people in non-family-based residential care can be up to 10 times more than those in family-based care. The Commonwealth Productivity Commission's *Report on Government Services 2025* reported that annual costs per child were higher for residential care (ranging between \$609,000 and \$1.2 million) compared to non-residential care (ranging between \$98,000 and \$184,000) in 2024. This report was based on available jurisdiction data. At the time of my report, cost data was not available for 2025.

The following chart shows that South Australia has a lower proportion of children and young people in family-based care (83% in 2024) than the Australian average (88% in 2024) and most other jurisdictions for the five years to 2024.



Source: 2019–2024 data based on the Commonwealth Productivity Commission's *Report on Government Services 2025*.

The following chart shows the number of children and young people in family-based care, demonstrating the growth in kinship care numbers and the continued decline in foster care placements.

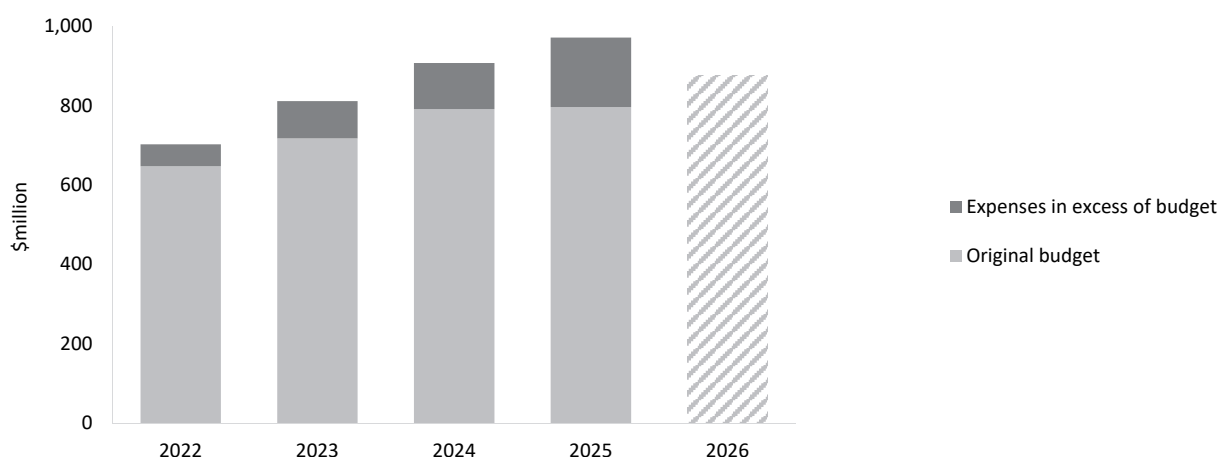


Source: The number of children in kinship and foster care was sourced from DCP and is unaudited.

## Comparison of actual expenses to original budget

Total expenses exceeded the original State Budget by \$175 million (22%) in 2025, compared to \$116 million (15%) in 2024. This was driven by child protection services expenses, which exceeded the original budget by \$164 million (\$110 million). DCP received additional funding to support these cost pressures.

The following chart shows budget overruns have increased over the four years to 2025. It also shows that the original State Budget approved expenditure for 2026 is lower than actual expenditure for both 2024 and 2025.



## Statement of Financial Position

### Assets

Current assets increased by \$21 million to \$68 million in 2025. Cash of \$63 million (\$39 million) made up 92% of current assets at 30 June 2025. It reflects the additional funding provided to ensure that DCP can meet its expected payment obligations and end the financial year with sufficient working cash.

Non-current assets decreased slightly to \$67 million in 2025.

## Liabilities

Liabilities mainly comprise:

- employee related liabilities of \$69 million (\$70 million)
- the provision for workers compensation, which decreased by \$3 million (9%) to \$29 million. Workers compensation is estimated by an external actuary each year
- payables and accrued expenses of \$40 million (\$36 million). Most payables relate to care-related services provided but not paid at 30 June 2025.

## Equity

DCP recognised net liabilities of \$6 million in 2025, comprising accumulated losses (retained earnings) of \$47 million, partially offset by asset revaluation surpluses of \$31 million and contributed capital of \$10 million.

Current liabilities of \$83 million exceeded current assets of \$68 million. DCP is funded to meet expected cash flows for its current program delivery.

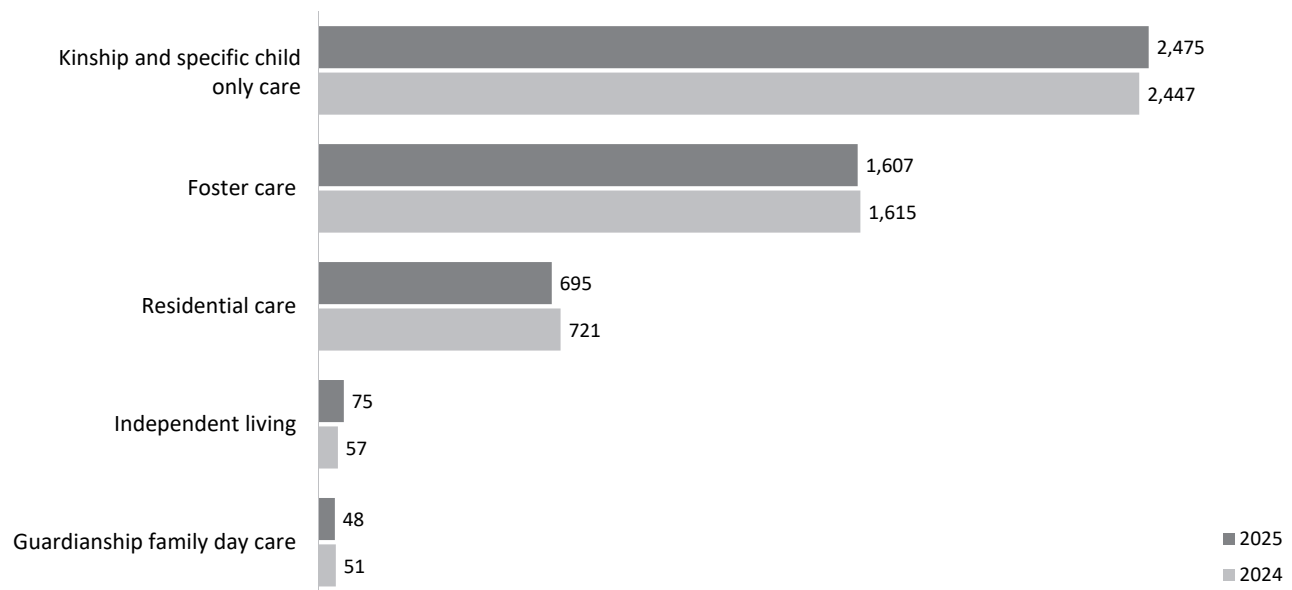
DCP received a capital contribution from the SA Government of \$2.2 million in 2024-25.

## Functional responsibility

---

DCP is an administrative unit established under the *Public Sector Act 2009* and is responsible to the Minister for Child Protection. Its objective is to care for and protect children and young people who have been abused and/or assessed as being at risk of harm within their families, or whose families do not have the capacity to protect them.

The number of children aged under 18 in care decreased by 1 to 4,900 in 2025. The following chart shows the number of children and young people (0-17 years old) in out-of-home care by care type between 30 June 2024 and 30 June 2025.



Source: The number of children in care was sourced from DCP and is unaudited

The Commonwealth Productivity Commission's *Report on Governments Services 2025* reported that South Australia's average out-of-home care placement cost was \$416 per night in 2024, equating to around \$152,000 per child per year. Cost data for 2025 was not available at the time of this report.

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- expenditure, including child protection services
- payroll
- property, plant and equipment
- cash
- general ledger
- carer reviews
- governance.

We reviewed controls over expenditure, including procurement and contract management as part of our overall controls opinion, which is discussed further in Part B of this report.

# Department for Correctional Services (DCS)

---

## Financial report opinion

## Unmodified

### Audit finding

There are no documented procedures for reviewing and approving building maintenance invoices.

---

### Financial statistics



**\$462 million**  
Total income



**\$432 million**  
Total expenditure



**2,024**  
FTEs



**3,388**  
Average prisoner numbers



**\$1.2 billion**  
Value of land and buildings

---

### Significant events and transactions

- Land and buildings were revalued up by \$173 million.
  - The Bluebush unit at the Port Augusta Prison was upgraded and officially opened in March 2025. The capital spend on this project was \$15 million.
  - Land and buildings valued at \$14.7 million were transferred from the Department of Human Services to DCS at no cost for a post-release supported accommodation program.
-

## Audit findings

---

We communicated our audit findings in a management letter to the Chief Executive. The main finding and DCS's response are discussed below.

### Asset management

Procedures for reviewing and approving building maintenance invoices were not documented

We reviewed controls over the review and approval of invoices for building maintenance job claims. It is important for DCS to review these invoices effectively to ensure that it only pays them if they are valid, accurate and contain complete supporting documentation.

We found inconsistencies in the review performed by DCS staff for these invoices. We recommended that DCS document a procedure or work instruction that outlines the review, certification and approval requirements for building maintenance job claims and invoices.

DCS responded that it has issued a formal communication to all responsible staff outlining the mandatory procedures for certifying works. It advised us that an annual review of the certification process will be performed to ensure ongoing compliance.

## Interpretation and analysis of the financial report

---

### Highlights of the financial report\*

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	426	405
Resources received free of charge	17	2
Sale of goods	8	8
Other income	10	6
<b>Total income</b>	<b>462</b>	<b>421</b>
<b>Expenses</b>		
Employee benefit expenses	226	213
Supplies and services	169	162
Depreciation	31	33
Other expenses	6	6
<b>Total expenses</b>	<b>432</b>	<b>414</b>
<b>Net result</b>	<b>30</b>	<b>7</b>
<b>Other comprehensive income</b>		
Changes in asset revaluation surplus	173	-
<b>Total comprehensive result</b>	<b>203</b>	<b>7</b>

	2025 \$million	2024 \$million
<b>Assets</b>		
Current assets	118	122
Non-current assets	1,224	1,033
<b>Total assets</b>	<b>1,342</b>	<b>1,154</b>
<b>Liabilities</b>		
Current liabilities	56	70
Non-current liabilities	57	59
<b>Total liabilities</b>	<b>113</b>	<b>129</b>
<b>Total equity</b>	<b>1,228</b>	<b>1,025</b>

\* Table may not add due to rounding.

## Statement of Comprehensive Income

### Income

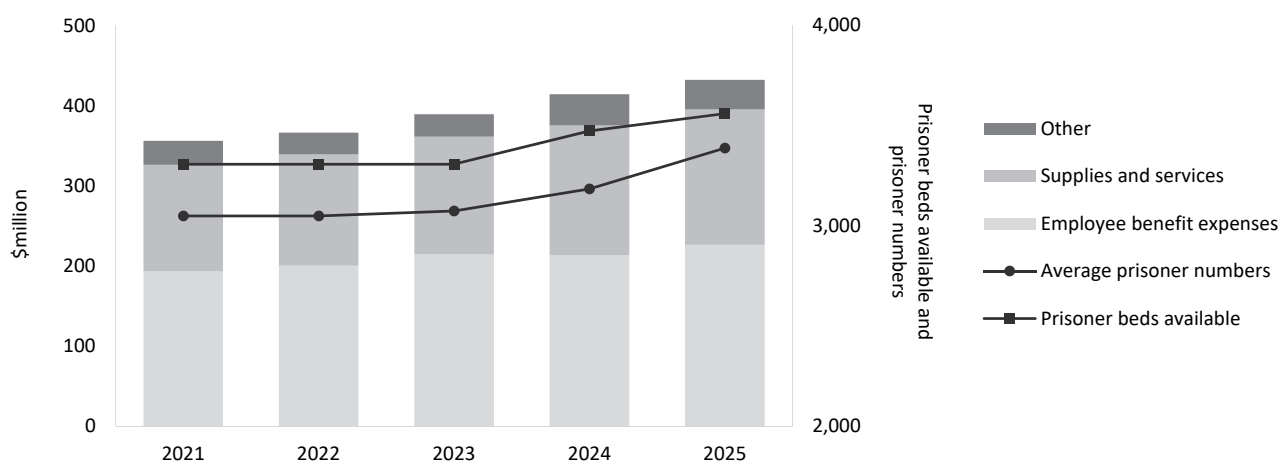
Total income increased by \$41 million to \$462 million.

DCS relies on SA Government appropriations to fund its operations and investing activities. Appropriations increased by \$21 million, largely to fund capital projects including the upgrade of Port Augusta Prison, the 312 bed expansion of Yatala Labour Prison and a 40 bed expansion of the Adelaide Women's Prison.

Resources received free of charge increased by \$15 million following the transfer of land and buildings from the Department of Human Services to DCS at no cost. These assets will be used to establish a post-release supported accommodation program.

### Expenses

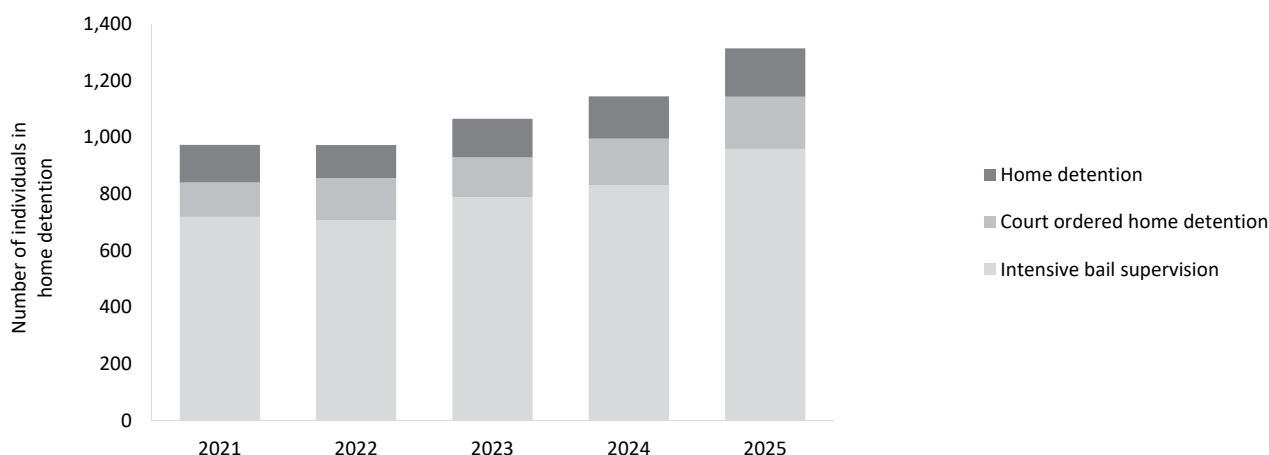
Total expenses have increased by \$76 million (21%) since 2021, largely comprising increases in employee benefits of \$33 million (17%) and supplies and services of \$36 million (27%). The following chart shows DCS's main expenses and average prisoner numbers for the five years to 2025.



Source: Prisoner information was provided by DCS and is unaudited.

Average prisoner numbers increased by 339 (11%) over the same period. They increased by 204 to 3,388 in 2025. There were 919 prisoners held in contractor-operated prisons (Mount Gambier Prison and the Adelaide Remand Centre) at 30 June 2025.

The number of individuals in home detention at 30 June 2025 increased by 15% to 1,313. It includes people in home detention, intensive bail supervision and court ordered home detention. The increase was mainly in intensive bail supervision numbers.



### Employee benefit expenses

Employee benefit expenses increased by \$13 million to \$226 million in 2025, mainly due to increases in:

- salaries and wages of \$5.1 million and associated superannuation of \$1.2 million, mainly caused by a 3.3% increase in FTEs from 1,959 in 2024 to 2,024 in 2025, and increases in the Enterprise Agreement salary of 1.5% and superannuation guarantee rate paid to staff from 11% to 11.5%
- workers compensation and additional compensation expenses of \$7.1 million. These expenses are impacted by relative movements in the provisions for them.

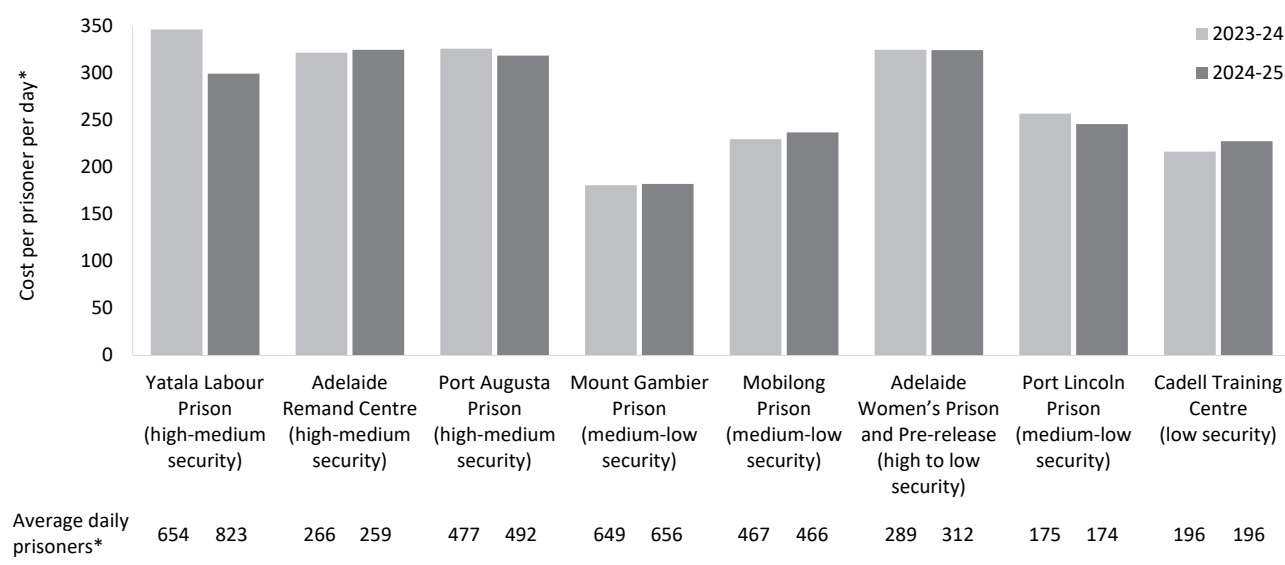
### Supplies and services expenses

Supplies and services increased by \$7 million to \$169 million in 2025, mainly due to price escalations and additional prisoner numbers.

### Average cost per daily average occupancy per facility

The following chart shows the cost of managing each facility per prisoner per day for the past three years. The cost includes all direct and indirect operating costs. Indirect costs are allocated to prisons based on a percentage of total salaries, total beds or total direct costs. The chart highlights the cost differences between each facility.





\* This data was supplied by DCS and is unaudited.

Increases in prisoner numbers generally reduce the average cost per prisoner per day, including employee benefit expenses, supplies and services and depreciation.

The average daily cost per prisoner across all facilities fell by 3% in 2025, ranging from an increase of 5% for the Cadell Training Centre to a 14% decrease for Yatala Labour Prison. The overall reduction is mainly due to an increase in the average daily occupancy of 6.5% across all prisons, ranging from a 26% increase at Yatala Labour Prison to a 2.5% decrease at the Adelaide Remand Centre.

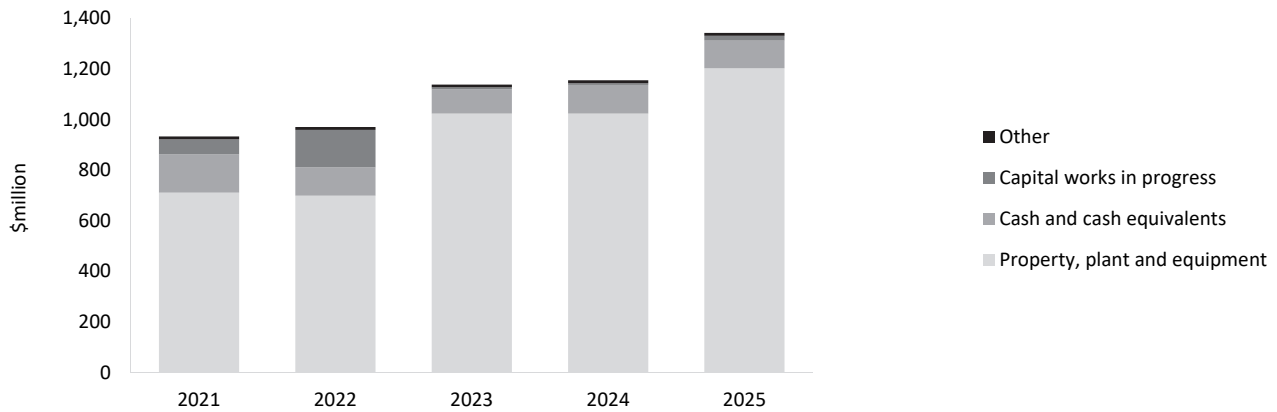
DCS advised us that several factors influenced the costs of running South Australian prisons:

- The security level of prisoners influences the cost of managing each facility. South Australian prisons have varied security requirements rated as high, medium and low security. Higher security requirements generally increase the cost of running a prison. The Adelaide Remand Centre, Port Augusta Prison and Yatala Labour Prison have mainly high and medium security prisoners. The Mobilong Prison (medium and low security prisoners), Mount Gambier Prison (medium and low security prisoners), Port Lincoln Prison (medium and low security prisoners) and Cadell Training Centre (low security prisoners), have the lowest cost per prisoner. The Adelaide Women's Prison accommodates all security profiles.
- The built environment of the prison, such as the design of prisoner accommodation, visitor centres and admissions areas, can impact staffing levels and associated costs. Cell-based accommodation as opposed to residential-type accommodation and ageing infrastructure at sites like Yatala Labour Prison also influence the cost per prisoner.
- Work practices and staffing levels vary at each site. For example, the number of correctional officers required to escort prisoners in each facility and the number of correctional staff required to monitor prisoners varies at each prison.
- The role and function of each prison varies based on factors including out-of-cell hours, the level of industry activity at each site, the level of prisoner employment and whether it is an open campus (eg the Mobilong Prison).

## Statement of Financial Position

### Assets

Total assets increased by \$187 million to \$1.3 billion, mainly due to a \$179 million increase in property, plant and equipment. The following chart shows DCS's major asset balances for the five years to 2025.



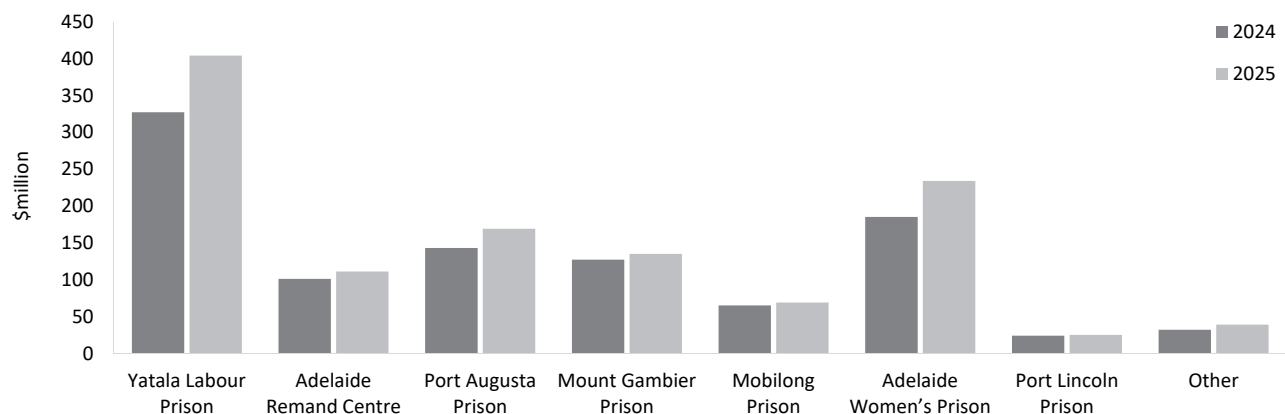
### Property, plant and equipment

Property, plant and equipment represents 90% of DCS's total assets and is mainly comprised of land and buildings. Land and buildings increased in value by \$182 million to \$1.2 billion in 2025, largely due to:

- land and buildings being revalued up by \$173 million
- transfers from capital works in progress valued at \$23 million, including \$15 million for the completed upgrade of the Bluebush unit at the Port Augusta Prison
- a \$15 million transfer of land and buildings from the Department of Human Services at no cost.

This was offset by depreciation of \$28 million.

The following chart shows asset values for DCS's land and buildings for the last two years.



### Capital works in progress

Capital works in progress increased by \$12 million in 2025, reflecting \$36 million in capital expenses for projects at the Port Augusta Prison (\$21 million), Yatala Labour Prison (\$6 million) and Adelaide Women's Prison (\$4 million), offset by the reclassification of completed works (\$23 million).

## Liabilities

Total liabilities decreased by \$16 million in 2025 mainly due to a \$14 million decrease in payables. The decrease in payables reflects a \$6 million decrease in the amounts owing for capital projects at 30 June 2025 and a \$5 million payment of long-outstanding amounts accrued on DCS's prisoner transport contract.

## Provisions

South Australian public sector employees who have work-related injuries are entitled to benefits (workers compensation) under the *Return to Work Act 2014*. In 2018 an additional compensation provision was introduced to provide continuing benefits to workers who have eligible work-related injuries and whose entitlements had ceased under the *Return to Work Act 2014*. Eligible injuries are non-serious injuries suffered in circumstances that involve, or appear to involve, the commission of a criminal offence or that arose from a dangerous situation.

The workers compensation and additional compensation provisions are based on an actuarial assessment of the outstanding liability at 30 June 2025 provided by a consulting actuary engaged by the Office of the Commissioner for Public Sector Employment.

DCS's workers compensation liability increased by \$847,000 to \$26 million, while the additional compensation provision slightly decreased to \$874,000 at 30 June 2025.

There is significant uncertainty associated with the additional compensation provision estimate. In addition to the general uncertainties associated with estimating future claim and expense payments, the provision is impacted by the absence of claims history and the evolving nature of the interpretation of, and evidence required to meet, eligibility criteria. Given these uncertainties, the actuary has noted that the actual cost of additional compensation claims may differ materially from the estimate.

## Functional responsibility

---

DCS is an administrative unit established by the *Public Sector Act 2009*. It is responsible to the Minister for Emergency Services and Correctional Services. Its functions include custodial services, community-based services and rehabilitation and reparation services.

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- fixed assets
- payroll and employee benefits
- supplies and services expenses
- cash
- revenue (appropriations)
- general ledger functions.

We reviewed controls over DCS's asset management (buildings and improvements) as part of our overall controls opinion, which is discussed in Part B of this report.

# Courts Administration Authority (CAA)

## Financial report opinion


## Unmodified


### Audit findings

The following controls over the payroll system need to improve:

- independent review of masterfile changes
- time recording and leave monitoring processes
- the management of privileged user access
- monitoring of vendor IT security controls
- security controls over the electronic funds transfer (EFT) payroll payment process
- the management of change management, patching, disaster recovery and backup restoration processes.


### Financial statistics


 **\$102 million**  
Total income

 **\$124 million**  
Total expenditure

 **614**  
FTEs

#### Administered

 **\$79 million**  
Total income

 **\$79 million**  
Total expenditure

 **96**  
Administered FTEs

### Significant events and transactions

- An independent valuation of the CAA's land and buildings in June 2025 resulted in a \$77.7 million valuation increase.
- The CAA provided land in Wright Street at no cost to South Australia Police (SAPOL) for the new SAPOL Mounted Police Unit staging facility. The land was valued at \$20.5 million.

## Audit findings

---

We communicated our audit findings in management letters to the State Courts Administrator. The main findings and the CAA's responses are discussed below.

### **Payroll**

#### **Payroll masterfile changes should be independently reviewed**

The CAA's controls over payroll masterfile changes could be strengthened by performing independent checks of a system audit report showing all changes made.

Undetected and unauthorised changes to the payroll masterfile may result in avoidable errors or financial loss.

The CAA responded that it will set up a payroll masterfile change process, monthly review of compliance and independent review of masterfile changes made.

#### **No formal time recording and leave monitoring process for judges**

The CAA did not have a system-based solution to record time worked and monitor leave taken by judges, to improve consistency, traceability and internal control over judicial payroll and attendance management.

The manual process used increases the risk of errors, omissions and inconsistencies in time worked and leave records, which could result in avoidable errors or financial loss.

The CAA responded that it will investigate options for a system-based solution to monitor leave for judicial officers.

### **IT general controls**

The CAA uses an external provider to manage and support its payroll application. The IT general controls over the CAA's payroll application could be improved in the areas discussed below.

#### **Management of privileged user access**

The CAA did not have detailed processes to monitor and review privileged access and the activities of the external provider's staff for the payroll database and operating system.

Inappropriate or unauthorised access to the payroll environment may impact the completeness and accuracy of data through the deletion of data, improper changes or inaccurate recording of transactions, resulting in avoidable errors or financial loss.

The CAA responded that it will:

- review and update its procedural documentation
- perform and document annual checks over privileged user access
- obtain bi-annual assurance from the external provider that unnecessary privileged users have been removed promptly.

## Monitoring vendor IT security controls

The CAA could not obtain appropriate assurance from the external provider about the way they manage the IT security controls for the CAA's payroll environment.

Inadequate controls may result in potential security gaps not being remediated promptly.

The CAA responded that it will seek evidence from the external provider that appropriate IT security controls have been applied to the CAA's payroll environment.

## EFT payroll payment process

The CAA's EFT payroll payment process could be strengthened by implementing controls including:

- file encryption
- security reporting
- regular reviews of privileged users and activity logs
- documenting the roles and responsibilities for each step of the EFT process.

Failure to appropriately manage the EFT process and to restrict access to payroll files increases the potential for payment errors and the risk of fraud.

The CAA responded that it will investigate and implement the recommendations arising from our review.

## Change and patch management processes

The CAA did not have policies and procedures to manage its change and patch management processes. It did not maintain registers of changes requested and made to its payroll application, or evidence to support user acceptance and post-implementation testing performed.

Failure to manage these processes increases the risk that inappropriate or unauthorised changes are made to the payroll production environment, potentially impacting the functionality of the application.

The CAA responded that it will document these processes and create registers to track all changes. It will also ensure that all testing is documented and approved.

## Interpretation and analysis of the financial report

### Highlights of the financial report – controlled items

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	97	95
Fees and charges	3	3
Other revenues	2	3
<b>Total income</b>	<b>102</b>	<b>101</b>

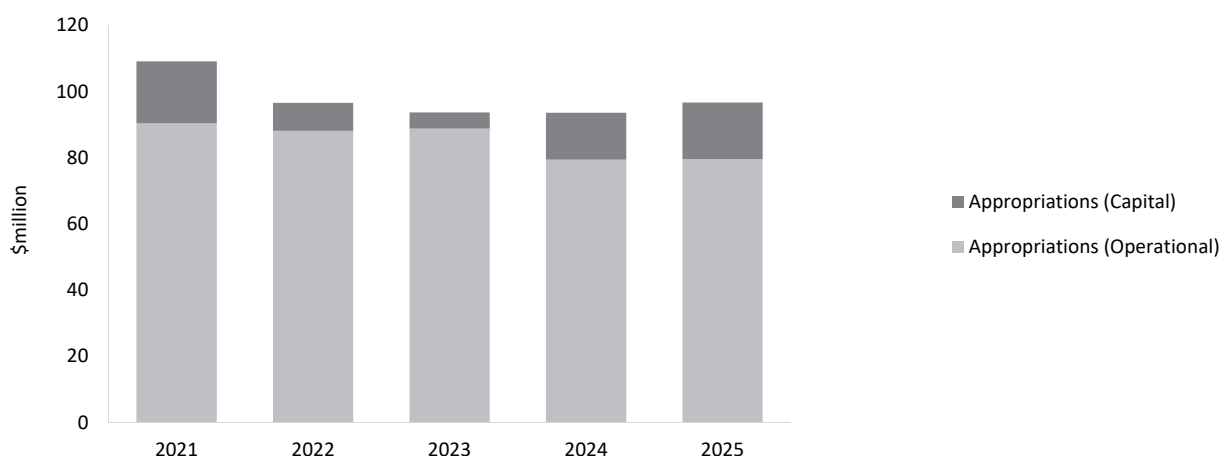
	2025 \$million	2024 \$million
<b>Expenses</b>		
Employee benefits expenses	59	59
Supplies and services	29	28
Other expenses	36	16
<b>Total expenses</b>	<b>124</b>	<b>103</b>
<b>Net result</b>	<b>(22)</b>	<b>(2)</b>
<b>Assets</b>		
Current assets	80	72
Non-current assets	432	386
<b>Total assets</b>	<b>512</b>	<b>458</b>
<b>Liabilities</b>		
Current liabilities	14	15
Non-current liabilities	29	30
<b>Total liabilities</b>	<b>43</b>	<b>45</b>
<b>Total equity</b>	<b>469</b>	<b>413</b>

## Statement of Comprehensive Income

The CAA's expenses reflect the cost of performing its statutory responsibilities, including collecting administered income such as fines and court fees on behalf of the SA Government. This income is directly credited to the Consolidated Account and is reported under administered income.

### Income

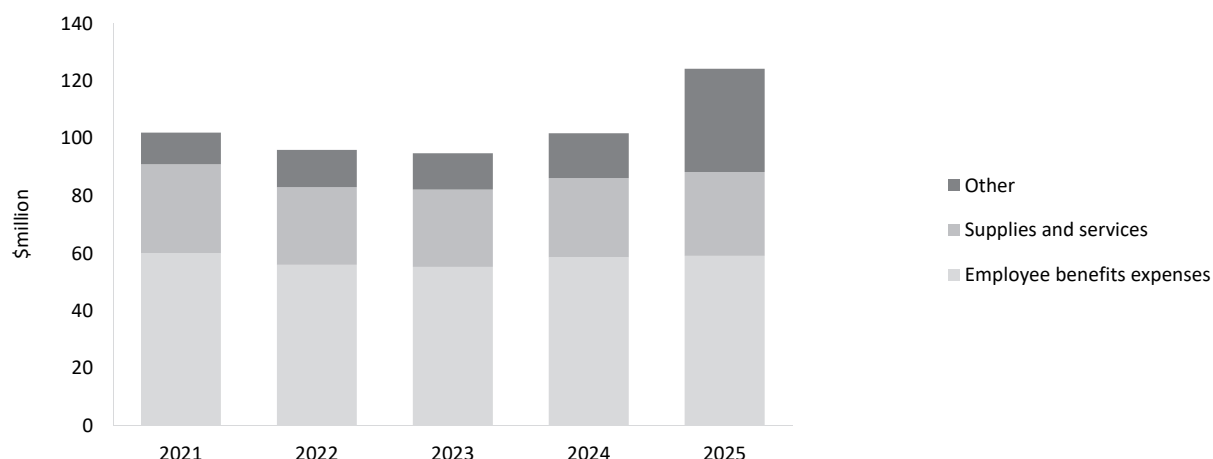
The CAA is mainly funded by appropriations of operational and capital funding from the SA Government. In 2024-25, its appropriations accounted for 95% (94%) of its total income. The following chart shows the appropriations the CAA received for the five years to 2025.



Operational funding remained consistent in 2024-25. Capital funding increased in 2023-24 and 2024-25 for capital works on the Sir Samuel Way Façade project.

## Expenditure

The following chart shows the CAA's main expenses for the five years to 2025.



Expenditure overall remained consistent from 2020-21 to 2023-24. In 2024-25 total expenses increased by \$21.4 million (21%) to \$124 million, mainly due to the CAA providing \$20.5 million of land in Wright Street to SAPOL for the SAPOL-owned Mounted Police Unit staging facility.

## Statement of Financial Position

### Land and buildings

Land and buildings totalling \$384 million (\$337 million) account for 89% (87%) of the CAA's non-current assets. The value of land and buildings rose by \$77.7 million as a result of an independent valuation in June 2025. This was offset by the provision of land in Wright Street to SAPOL.

### Cash and cash equivalents

Cash and cash equivalents totalling \$77.6 million (\$70.7 million) account for 97% (97%) of current assets. Cash comprises of deposits with the Treasurer, including \$39.2 million (\$30.9 million) held in the Accrual Appropriation Excess Funds Account. The funds held in this account are not available for general use and can only be accessed with the Treasurer's approval.

## Highlights of the financial report – administered items

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	50	49
Court and transcript fees and other	29	28
<b>Total income</b>	<b>79</b>	<b>77</b>
<b>Expenses</b>		
Judicial benefits expenses	50	49
Payments to the Consolidated Account	28	27
Other expenses	1	1
<b>Total expenses</b>	<b>79</b>	<b>77</b>
<b>Net result</b>	<b>-</b>	<b>-</b>



	2025 \$million	2024 \$million
<b>Assets</b>		
Current assets	123	200
Non-current assets	-	1
<b>Total assets</b>	<b>123</b>	<b>201</b>
<b>Liabilities</b>		
Current liabilities	123	199
Non-current liabilities	8	10
<b>Total liabilities</b>	<b>131</b>	<b>209</b>
<b>Total equity</b>	<b>(8)</b>	<b>(8)</b>

## Statement of Administered Comprehensive Income

### Administered income

The CAA's administered income mainly comprises \$50 million in appropriations (63%). It also raises and collects court and transcript fees and pays them into the Consolidated Account. In 2024-25, the CAA raised, collected and transferred \$28 million (\$27 million) to the Consolidated Account.

### Administered expenses

The CAA's administered expenses mainly comprise \$49.8 million in judicial benefits expenses (63%) and \$28 million in payments to the Consolidated Account (35%).

## Statement of Administered Financial Position

The CAA receives money into trust accounts on behalf of parties involved in court matters and payments to parties as determined by the Courts.

## Further commentary on operations

### Total cost of services for the administration of justice through the courts system

The total cost of services for the administration of justice through the courts system (CAA and Judicial Officer costs only) is made up of the income and expenses in the CAA's controlled and administered financial reports.

For 2024-25 total expenses, excluding payments to the Consolidated Account, were \$174 million (\$150 million) and total income, excluding appropriations, was \$34 million (\$34 million). Appropriations provided \$147 million (\$144 million) towards the cost of the courts system.

## Functional responsibility

---

The CAA was established by the *Courts Administration Act 1993*. It is constituted of the State Courts Administration Council, the State Courts Administrator and other staff of the State Courts Administration Council.

The CAA's function is to provide courts with the administrative facilities and services needed for the proper administration of justice.

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- income
- expenses
- payroll
- cash management
- risk management
- property, plant and equipment
- financial accounting
- trust accounts
- IT general controls.

We reviewed controls over bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

# Department for Education (Education)

## Financial report opinion

## Unmodified

### Audit findings

- Controls over asset management, including facilities management, need to improve.
- Procurement and contract management need to improve.
- Oversight of cash held by schools in the South Australian Schools Investment Fund accounts needs strengthening.
- Some controls over workforce strategy, employee performance management and payroll-related processes could improve.

## Financial statistics



**\$4.7 billion**

Total income



**\$4.6 billion**

Total expenditure



**26,371**

FTEs



**168,588**

FTE students in public schools



**894**

Public school and preschool sites

### Administered



**\$2.1 billion**

Total income



**\$2.1 billion**

Total expenditure

## Significant events and transactions

- Skills SA was transferred to the Department of State Development from 1 July 2024.
- Education continued to roll out its new education management system (including the EMS finance module) to school and preschool sites. By June 2025, it was implemented at 536 sites (69%), with a remaining 245 sites scheduled by the end of 2025.
- The new school funding agreement with the Commonwealth Government, the Better and Fairer Schools Agreement – Full and Fair Funding 2025–2034, commenced from January 2025, replacing the National School Reform Agreement.
- Land, buildings and improvements were valued up by \$466 million.

## Audit findings

---

We communicated our audit findings in management letters to the Chief Executive. The main findings and Education's responses are discussed below.

### Asset management

Education controls about 5,700 buildings across 894 sites throughout South Australia. Sound strategies, plans and information are important to ensure that these assets are properly managed and maintained, and that future capital works decision making is properly informed.

We reviewed elements of Education's asset management framework and practices and identified the findings below.

Process for collecting, reporting and monitoring metrics used for capital decisions is not documented

Information used by Education in its strategic asset decision making includes an asset's age, risk and replacement time frame, and a site's enrolment and capacity.

While it is clear that this information was used to inform past capital infrastructure decisions, we found that Education has not formally documented how it expects to use this, and other asset information, for future capital decisions. While asset data is collected and maintained, its application in long-term planning, investment priorities and asset life cycle management decisions is not governed by a framework.

Without a formal documented approach, inconsistent decision-making, reduced transparency and missed opportunities to optimise asset performance and value may occur.

We recommended that Education update its existing strategic asset management framework and asset management strategy to include clear expectations on the use of asset data for capital planning decisions.

Education advised us that it will develop an action plan to address this matter by February 2026.

The approach to prioritising infrastructure and capital work programs is not approved and incorporated into the strategic asset management framework

Education's 20-year infrastructure plan indicates that it will have an evidence-based prioritisation model for identifying sites requiring investment. We found that while Education has developed and documented an infrastructure prioritisation and costing approach, it has not approved and incorporated it into its asset management strategy as part of the strategic asset management framework.

Education advised us that it will develop an action plan to address this matter by February 2026.

## Asset information is not maintained to a standard for decision-making

Education's asset management policy requires its infrastructure division to review asset condition, functionality and other aspects of performance in conjunction with its facilities management service provider, Ventia.

We found that Ventia has not completed its data verification and condition assessment processes for Education's school buildings and facilities. Education rejected Ventia's 2025-26 annual service delivery plan (ASDP) based on concerns over the integrity of the asset information maintained by Ventia (see 'Facilities management arrangements').

Education does not have any other formal process to maintain information on the accuracy and completeness of its asset data, including the condition of individual school buildings and facilities. Deficiencies in the quality of asset data can compromise Education's ability to make informed decisions about asset planning, investment priorities and risk management. It can also limit transparency and accountability in asset governance.

Education advised us that it is seeking guidance from the Department for Infrastructure and Transport (DIT) on how to address this matter for all SA Government agencies.

## No asset information strategy or asset information standards and guidelines

Education does not have an asset information strategy and it has not set asset information standards and guidelines that define how it will manage asset data. Developing both would help to ensure that the right asset information is captured and maintained to a standard that allows for sound asset maintenance and capital works decisions.

Education advised us that it considers this work is led by DIT as it is the contract manager for the Across Government Facilities Management Arrangements (AGFMA).

## Expected asset performance measures or service level were not identified

Education's contracted facilities services provider, Ventia, is required to create and manage asset service standards approved by Education. Asset service standards or levels describe what performance is expected from an asset in terms of function, reliability, availability, safety, compliance and condition.

We found that Education has not developed and documented specific performance measures or service level standards for its assets as part of its asset management planning. Without documented asset performance measures or service level standards, Education may not be able to effectively measure the performance of its assets against service delivery objectives and prioritise asset maintenance and renewal.

Education advised us that it is seeking guidance from DIT on how to address this matter for all SA Government agencies.

## Facilities management arrangements

The AGFMA is the SA Government's mandated framework for the provision of facility services to SA Government agencies, including Education. It is designed to identify the building work that needs to be done, negotiate a fair price for that work, manage any risks and maintain records of the work performed. In June 2021 the SA Government awarded the contract to Ventia, with work under this contract starting in December 2021.

For Education, the AGFMA is mainly used for:

- planned services (preventative maintenance, replacement, refurbishment and minor works) delivered through annual service delivery plans
- unplanned services (breakdown maintenance, replacement and refurbishment).

Education paid \$223 million under these arrangements in 2024-25.

We found the following matters relating to Education's AGFMA operations that need to improve.

### No approved plan for preventative maintenance services

As of July 2025, Education had not approved its 2025-26 ASDP, which outlines Ventia's planned preventative maintenance services for the coming year. Agencies are encouraged to finalise their ASDP by 31 May each year.

We were advised that Education rejected a draft 2025-26 ASDP prepared by Ventia due to its concerns over the integrity of the asset data. Education's review and approval of the ASDP is key to ensuring:

- all applicable assets are captured on the plan
- mandated planned maintenance services are completely and accurately captured
- the timing and extent of the agreed services meets the minimum mandatory technical and legislative requirements
- services are consistent with Education's strategic asset management policy and priorities.

Education advised us that while it worked with Ventia to establish the 2025-26 ASDP, it became aware of inconsistent data in the ASDP. Education instigated an independent review of six sites, with the preliminary advice confirming that each site had inaccurate asset information. Education indicated that it plans to raise these concerns with both Ventia and DIT (the AGFMA contract manager).

### No planned performance processes

Since 2022 we have reported that Education does not have a performance management plan for its AGFMA arrangements. In 2024-25 Education developed a draft performance management plan, however it was not finalised and implemented.

Without a documented performance management plan, Education may not be able to identify and resolve performance problems.

Education responded that it is in discussion with DIT to finalise an agency-based performance management plan by 30 June 2026. Education advised us that, in the interim, it has formal monthly meetings to monitor Ventia's overall performance, including reviewing monthly statistics, discussing areas of non-conformance, and documenting actions and recommendations for improvements.

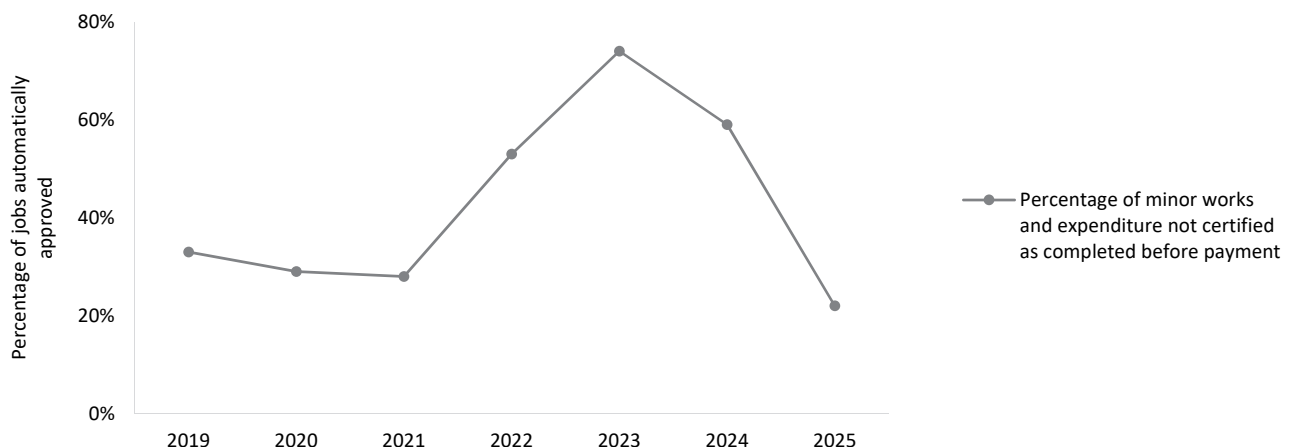
### Approval of jobs for payments

For many years we have reported that Education does not have adequate processes to ensure that all minor works, maintenance and repair jobs performed by Ventia are certified as complete by Education staff before they are paid.

Any job type logged in Ventia's system for less than \$5,000 is automatically approved for payment within 10 business days of completing the services. This occurs regardless of whether site staff have certified the work as complete and meets the required standard.

At June 2025, we found that 23,810 jobs (22%) totalling \$11.9 million were paid without an authorised officer at the site certifying that the job was completed as expected. This is a significant improvement on the results for 2023-24, where 59% of jobs were paid without review.

The following chart shows the percentage of jobs automatically approved over the past seven years. It shows that the rate of automatic approval is at its lowest (best) since 2019.



In response, Education outlined the actions it has taken to reduce the level of automatic approvals, and noted that it will continue to monitor automatic approvals, particularly for sites that continue to show high levels of them.

### Managing of user access to Ventia's asset management system

Consistent with findings we have reported since 2022, we found that Education:

- staff had access to Ventia's asset management system (Panorama) to create breakdown or reactive maintenance work orders without delegated authority
- had not formally considered the risks associated with user access to this system
- had not developed a policy or framework governing user access to this system.

Education responded that it has worked to align system access rights and approval levels with user roles and responsibilities. It indicated that it will:

- finalise and document internal controls and new delegations to meet Treasurer's Instruction requirements
- implement role-based access controls for all users access with delegated authority to reduce the risk of users having permissions beyond their role
- establish clear guidelines for managing user access to the Panorama system.

No processes to monitor Ventia's procurement practices against the SA Government's procurement policies and guidelines

Education has not established processes to monitor Ventia's procurement practices to ensure they follow Treasurer's Instruction 18 *Procurement* (TI 18) and Procurement SA's (PSA's) *Procurement Governance Policy* and supporting policies. Education's memorandum of administrative arrangement (MoAA) with DIT requires it to ensure Ventia complies with these requirements.

Compliance with TI 18 and PSA guidelines is designed to ensure these five key procurement principles established by PSA are achieved:

- value for money – achieving the optimum balance between cost and quality
- creating South Australian jobs
- increasing the number of apprentices and trainees
- stimulating innovation and new businesses
- achieving environmentally sensitive, low carbon and socially just outcomes.

Education's response acknowledged its shared responsibility with Ventia to ensure its procurement aligns with relevant guidelines and described some of its compliance processes. However, it did not agree it has a role in monitoring Ventia's compliance with these SA Government policies as it views this as DIT's role. This is despite Education's MoAA with DIT making it clear that Education is responsible for this when requesting services from Ventia.

A long-term service delivery plan was not prepared

We found that Ventia has not prepared a long-term (20-year) service delivery plan for the strategic management and maintenance of Education's assets. The plan, which is required under the contract, importantly provides a long-term view of the capital asset replacement requirements for schools and other sites.

Education advised us that Ventia intended to present Education with a proposed approach for its long-term service delivery plan in September 2025.

## **Procurement and contract management**

### **Procurement**

In 2024-25 we reviewed a sample of Education's procurement activities, including its procurement of specific cleaning services, out of school hours care (OSHC) services and an aquatic centre operator. Our review focused on Education's application of the procurement requirements under TI 18.



We found the following areas for improvement:

- While Education had performed a risk assessment for one of the procurements we tested, it had not determined or rated the residual risk remaining after it applied mitigation measures. Determining residual risk ratings is required by PSA's procurement planning policy. Education responded that it will review its acquisition plan template to ensure it complies with key PSA requirements.
- We found post-sourcing reviews were not completed or were delayed for two of the samples tested. PSA's sourcing policy and Education's procurement procedure both require Education to document post-sourcing reviews for all complex or strategic procurements within 60 days of the approval of the purchase recommendation. Post-sourcing reviews can inform and improve future procurement processes and strengthen procurement capability. Education responded that it has reinforced the requirement to complete post-sourcing reviews to its procurement staff

## Contract management

We reviewed Education's management controls for the following contracts:

- Contracts with two service providers operating under Education's OSHC panel arrangements. The two service providers we reviewed operate under 81 separate contracts. Our work included follow up on matters we raised about Education's management of OSHC contracts in 2021-22.

School principals, as the Minister's representatives, are responsible for actively managing contracts at a site level. We did not review contract management at the site level. Our review focused on Education's contract and performance management of providers on its OSHC panel, to determine whether there was reasonable assurance that the contracts were managed in line with PSA's contract management policy and that services were provided in line with the contract provisions.

- Contracts with two service providers operating under Education's panel arrangements for transport services for students with disabilities. These contracts were valued at \$14.5 million each. The current panel arrangements with 22 individual contracts with suppliers started in February 2023 at an expected cost of \$46.3 million.

We last reviewed Education's management of transport services for students with disabilities in 2021-22. We followed up Education's actions to address the concerns we reported.

## OSHC panel arrangements

### *Contract management meetings not held*

We found that Education did not always hold regular review meetings with OSHC providers as required by its contract management plan. This potentially impacts its ability to manage the contractor's obligations and performance. We have previously reported concerns over the lack of meetings for the OSHC panel arrangements when we last reviewed them in 2022.

Education responded that contract management meetings with members of the OSHC panel will be held in line with the contract management plan.

*Delays in annual contract review report*

Education's contract management plan requires an annual contract review report on contractor performance for the previous calendar year by August. We found that while this report was not overdue at the time of our audit in July 2025, the latest report was for the contracted activities in the 2023 calendar year. Delays between contract activity and management and reporting of its performance may impact Education's ability to ensure all parties meet their contract obligations and promptly correct any issues as needed.

Education responded that it will review its required timeline to complete its annual contract review report. It indicated that more frequent reporting by panel members under a new OSHC panel contract is expected to improve the timeliness of the review.

*Transport services for students with disabilities panel arrangement**Annual contractor review report not prepared*

We found that Education had not prepared an annual contract review report for its providers of transport services for students with disability for the 2024 calendar year. The contract management plan requires the contract manager to review its supplier's performance and prepare the contract review report by February each year. We previously reported concerns that annual contract review reports were not prepared when we last reviewed these services in 2022.

Education responded that it will complete future annual reviews in line with the contract management plan. It indicated that the 2024 annual review was finalised and approved on 20 June 2025 and it will also review the required timing of the review.

*Required performance meetings with suppliers not held*

Education had not held regular contract management review meetings required by the contract management plan. This potentially impacts its ability to manage the contractor's obligations and performance. We previously reported concerns over these meetings not occurring in our last review of this area.

Education responded that it will update its contract management plan to include the required frequency and focus of contract management meetings. It also indicated that it will maintain records of all formal contract management meetings.

*Complaint escalation process is unclear*

We found that Education's contract management plan needs to improve to better define when complaints received should be escalated to the contract manager for action. Without a clearly defined complaint escalation process, there is an increased risk that complaints are mishandled and the safety and quality of transport services to students with disabilities is impacted. This was also a concern in our last review in 2022.

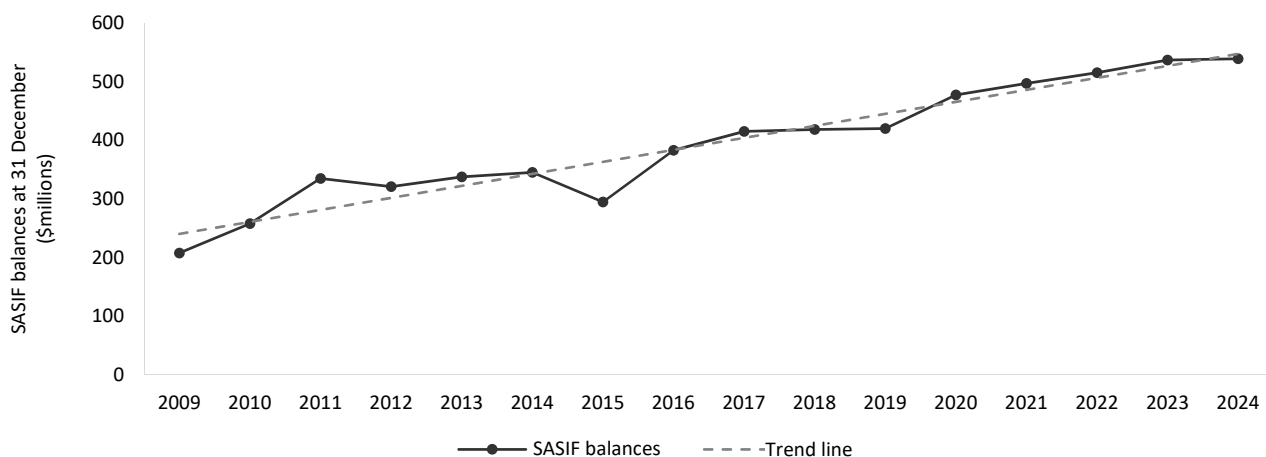
Education responded that it will update its contract management plan to outline the complaints management process, including recording and reporting complaints and how the complaints data will be used in the performance management of the panel members.

## Managing the growth in cash held by schools in SASIF accounts

Schools and preschools collectively had South Australian Schools Investment Fund (SASIF) cash balances of \$538.7 million at 31 December 2024. Balances at 31 December each year represent amounts not spent at the end of the school year.

The cash held in SASIF accounts is in addition to site operating bank accounts, which hold funds to meet their immediate operational needs. SASIF accounts are used by sites to receive monthly recurrent funding from Education and for investing surplus funds. Annual funding is to support resources for specific students each year that funding is provided. It is not intended that these funds accumulate over the long term.

The following chart shows SASIF funds have grown by \$331 million (159%) over the last 15 years, an average yearly growth of 11%. This growth has slowed in the last three years to around 2% a year.



Our analysis of SASIF balances at December 2024 noted:

- 122 schools (about one in every four schools) had a SASIF balance above \$1 million
- 28 sites had a SASIF balance above \$3 million
- one site had a SASIF balance of \$13.9 million.

Of the 122 schools with an account above \$1 million, excluding newly established schools, 84% had accounts that increased since December 2020. The SASIF balances for these schools increased by 65% over the four years. The balance of each site's SASIF account largely comprises unspent recurrent funding.

While school principals, preschool directors and governing councils are primarily responsible for managing their finances, Education is ultimately responsible for ensuring funding to schools and preschools is used for the intended purpose and for the specific students in the years that the funding was provided. Education is ultimately responsible for funds held by schools and overseeing their use.

Education's *Managing the South Australian Schools Investment Fund Instruction* (SASIF instruction) sets out its expectations for managing SASIF balances.

We identified the following matters that need to improve.

## Not all schools had an approved plan for the use of accumulated SASIF funds

In August 2025 only 59% of schools had submitted their approved resource plan, detailing the planned use of accumulated SASIF funds held at 31 December 2024. Education advised us that a further 23% of schools had draft plans which were waiting for governing council approval.

Education's SASIF instruction requires each school to submit their approved annual resources plan by the end of term two, which was 4 July for this year.

While acknowledging that Education has a range of processes to support schools with financial management (including budgetary processes), failure to approve the resources plan within the time frame increases the risk of misaligned spending. It may also delay implementing support measures to help schools suffering financial stress, although it is recognised that Education's processes for identifying and supporting schools with low SASIF balances has improved in recent years.

Education responded that it will engage with stakeholders to improve the timeliness and process of the resource plans to allow enough time for Education to support the school developing a plan.

## Education's SASIF instruction needs to be clearer

Education is responsible for effectively overseeing school SASIF balances. The SASIF instruction supports the effective use of SASIF accounts and is designed to promote financial accountability and the strategic alignment of the use of school resources and improved student outcomes.

We found that the SASIF instruction only requires the chief operating officer and/or education director to be involved when:

- a school's SASIF cash holdings are deemed high (which is not defined)
- the school does not have approved expenditure commitments.

This policy framework is narrowly scoped and does not reflect an intent for effective central oversight. By limiting Education's involvement to when a school has an unspecified level of cash, or where the school's governing council has not approved its future expenditure commitments, it allows schools to proceed with financial decisions without central engagement. This diminishes the effectiveness of Education's oversight, increasing the risk of misaligned use of SASIF funds.

We recommended that Education update the SASIF instruction to:

- define what represents a high level of cash
- require the chief operating officer and/or education director to explicitly agree with a schools planned use of a high level of cash (as defined) before considering the school's approved expenditure commitments.

Education acknowledged the need to define what is meant by a high level of cash, but noted that defining this will depend on a school's size and its strategic planning and commitments. It advised us that it would engage with its stakeholders and agree on when the education director and/or chief operating officer will need to agree on the use of cash reserves.

## Education has not documented its expectations for monitoring SASIF balances

We found that Education's expectations for monitoring schools' resource plans is not documented and there are no formal arrangements to review high SASIF balances.

The absence of established monitoring procedures and identified key indicators directly impacts Education's ability to identify schools with:

- low SASIF balances, which may identify schools that require additional support
- high or growing SASIF balances, which may indicate schools who are not spending funding as intended.

We note that in recent years, Education has improved its monitoring of schools with low cash balances using more timely school and preschool financial information.

We recommended that Education document its expectations for corporate oversight and monitoring of SASIF balances including:

- the central role in monitoring SASIF balances
- the timing and frequency of monitoring
- benchmarks or indicators for reporting
- actions required when indicators are not met.

Education responded that it will formally document its processes for monitoring schools requiring additional support and its processes for dealing with schools with rising cash balances given the school's local context. In doing so, it will discuss the factors that are contributing to the growth of SASIF funds with school principals and how it can support the school to deliver its education outcomes.

## Employee related expenses

Employee related expenses were \$3.2 billion for 26,371 FTEs in 2024-25, representing 71% of total expenses. We reviewed Education's controls to ensure payments were only made to valid employees and for time worked. We also considered its workforce strategy, staff appointment processes and employee performance management.

### Workforce strategy being developed

We previously reported that Education had experienced delays in developing and implementing elements of its workforce strategy. Last year we reported Education's workforce strategy was being refreshed to better align with its strategy for public education. While Education has continued to develop its workforce strategy in 2024-25, we found that it is not finalised.

Education responded that it completed and published a refreshed workforce strategy effective from 28 August 2025. We will consider this new workforce strategy as part of our work in 2025-26.

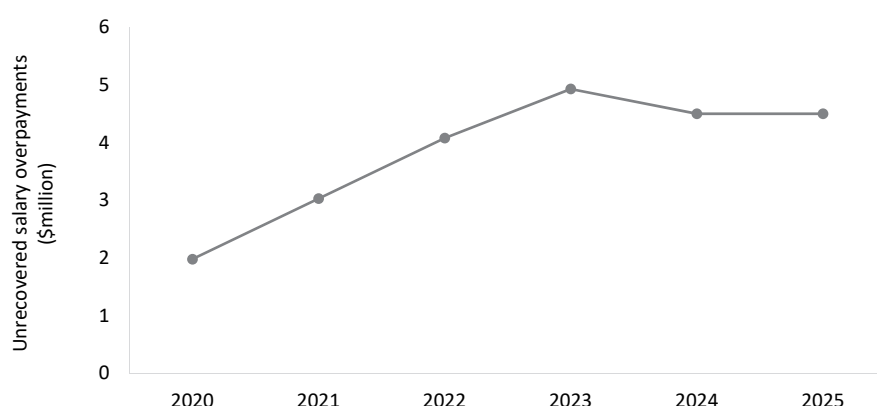
## Potential for unfunded positions being created

Before a new position is created in the payroll system, Education must ensure that it has approved funding for the position. Our testing of a sample of newly created corporate positions found only 40% had documented approval from a financial delegate. We also found the expected standards of practice for financial approval were unclear and not covered by policies or procedure documents.

Education acknowledged the finding and indicated that it will review its policy and procedure documents to ensure funding approval is evidenced.

## Unrecovered salary overpayments

The following chart shows the accumulated value of unrecovered salary overpayments over the last five years.



Unrecovered salary overpayments were \$4.5 million at 30 June 2025. Education recognised that \$900,000 of this balance is unlikely to be recovered.

We found that salary overpayments were mainly caused by late applications for leave without pay and reduced hours, and delays in updating the payroll system for separations. More work is needed to improve the circumstances leading to these overpayments.

Education acknowledged the finding and responded that it continues to work on reducing overpayments and actively monitors and manages outstanding debts. It confirmed its commitment to strengthening its overpayment management framework.

## Overdue employee performance development plans

In recent years we have reported that many of Education's employee performance development plans were not reviewed, as required by the Commissioner for Public Sector Employment and Education's policy.

We found that 39% of Education's employee performance development plans were overdue at 30 June 2025, with 12% overdue for more than six months

Education's response outlined proposed action to address the matter, including monitoring and improving targeted communication to sites and divisions where there are high numbers of employees with overdue performance development plans and following up staff with overdue plans.

## Delayed review of important payroll leave reports

We found delays in management's review of monthly leave return reports. The prompt review of these reports is critical to ensuring employee payments are valid and leave taken is recorded. Notably, 45% of the reports were certified outside of Education's required time frames.

Education's response included its actions to address the concern, including system-generated reminders to prompt managers to review monthly leave return reports and a process to escalate uncertified monthly leave returns to management.

## Information technology general control (ITGC) review of the Valeo payroll system

In 2024-25, we reviewed the ITGCs applied to Education's payroll system, Valeo. This included:

- password management
- privileged user access
- user onboarding and offboarding
- user access review
- audit logging
- change management
- patch management
- backup management
- disaster recovery management
- job scheduling and monitoring.

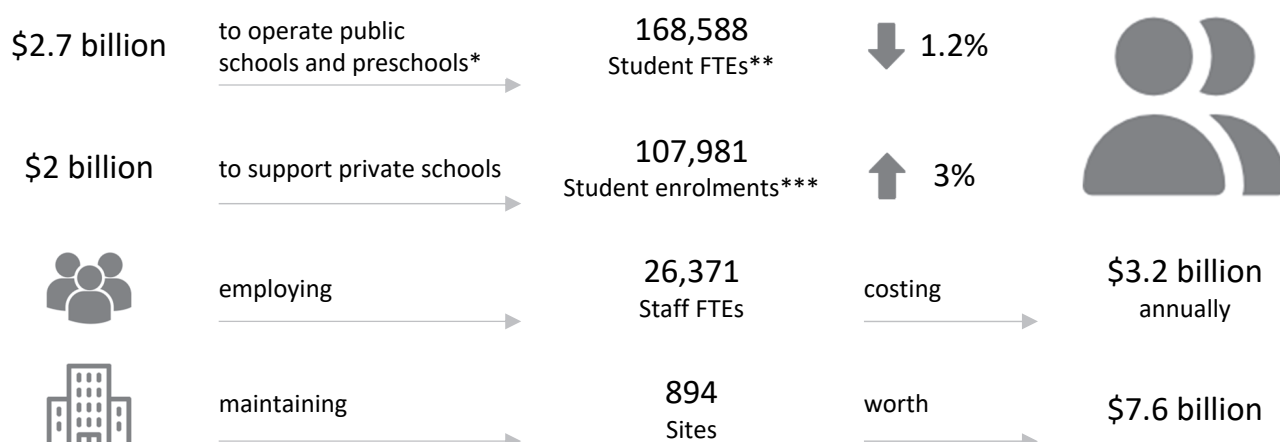
We identified areas where these ITGCs could be improved, including user access management, password management and disaster recovery management. We previously reported on the opportunity to improve disaster recovery controls.

These matters increase the potential for unauthorised access to the payroll system and data. The payroll system may not be able to be recovered within the expected time frame in the event of a disaster or system failure.

Education responded positively to our findings and recommendations, with remedial actions expected to be completed by December 2025.

## Snapshot of Education operations

### Education's main functions



\* Comprises an allocation of costs incurred by Education on behalf of schools and preschools (excludes salary and wage on-costs).

\*\* Student FTEs as at February 2025 not including preschool student FTEs.

\*\*\* Student enrolments as at 2 August 2024 reported by the Australian Bureau of Statistics. 2025 numbers are not available.

## Interpretation and analysis of the financial report

### Highlights of the financial report – consolidated\*

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	3,442	3,497
Commonwealth sourced funding	911	845
Other	303	323
<b>Total income</b>	<b>4,656</b>	<b>4,665</b>
<b>Expenses</b>		
Employee related	3,231	3,076
Supplies and services	942	955
Other	394	761
<b>Total expenses</b>	<b>4,567</b>	<b>4,792</b>
<b>Net result</b>	<b>89</b>	<b>(127)</b>
<b>Other comprehensive income</b>		
Changes in revaluation surplus	466	582
<b>Total comprehensive result</b>	<b>555</b>	<b>455</b>
<b>Assets</b>		
Current assets	1,504	1,407
Non-current assets	7,714	7,247
<b>Total assets</b>	<b>9,218</b>	<b>8,654</b>
<b>Liabilities</b>		
Current liabilities	570	532
Non-current liabilities	1,117	1,090
<b>Total liabilities</b>	<b>1,687</b>	<b>1,622</b>
<b>Total equity</b>	<b>7,532</b>	<b>7,032</b>

\* Table may not add due to rounding.



## Statement of Comprehensive Income

### Income

#### Revenues from the SA Government

Education is mainly funded by appropriation, representing 74% of its total income. Appropriation from the SA Government decreased by \$54 million (1.5%) to \$3.4 billion in 2025. In 2024 appropriation included \$311 million for Skills SA, which transferred to the Department of State Development from 1 July 2024.

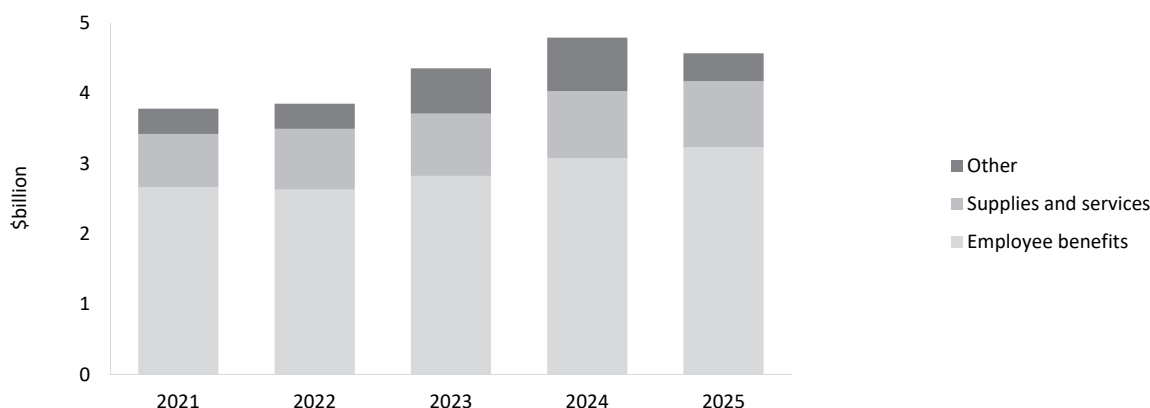
#### Commonwealth sourced grants and funding

Commonwealth sourced grants and funding increased by \$66 million (8%) to \$911 million, mainly due to:

- the replacement of the National Schools Reform Agreement by the Better and Fairer Schools Agreement from 24 January 2025. Total funding under these agreements increased by \$30 million
- an increase of \$46 million to \$52 million under the Preschool Reform Agreement, including \$24 million in funding initially intended for 2023-24
- an additional \$17 million for the Schools Upgrade Fund for infrastructure projects at 18 public schools across South Australia
- a decrease of \$37 million in funding for Skills SA, which transferred to the Department of State Development from 1 July 2024.

### Expenses

Total expenses decreased by \$225 million (5%) to \$4.6 billion in 2025. Education's main expenses for the five years to 2025 are shown in the following chart.



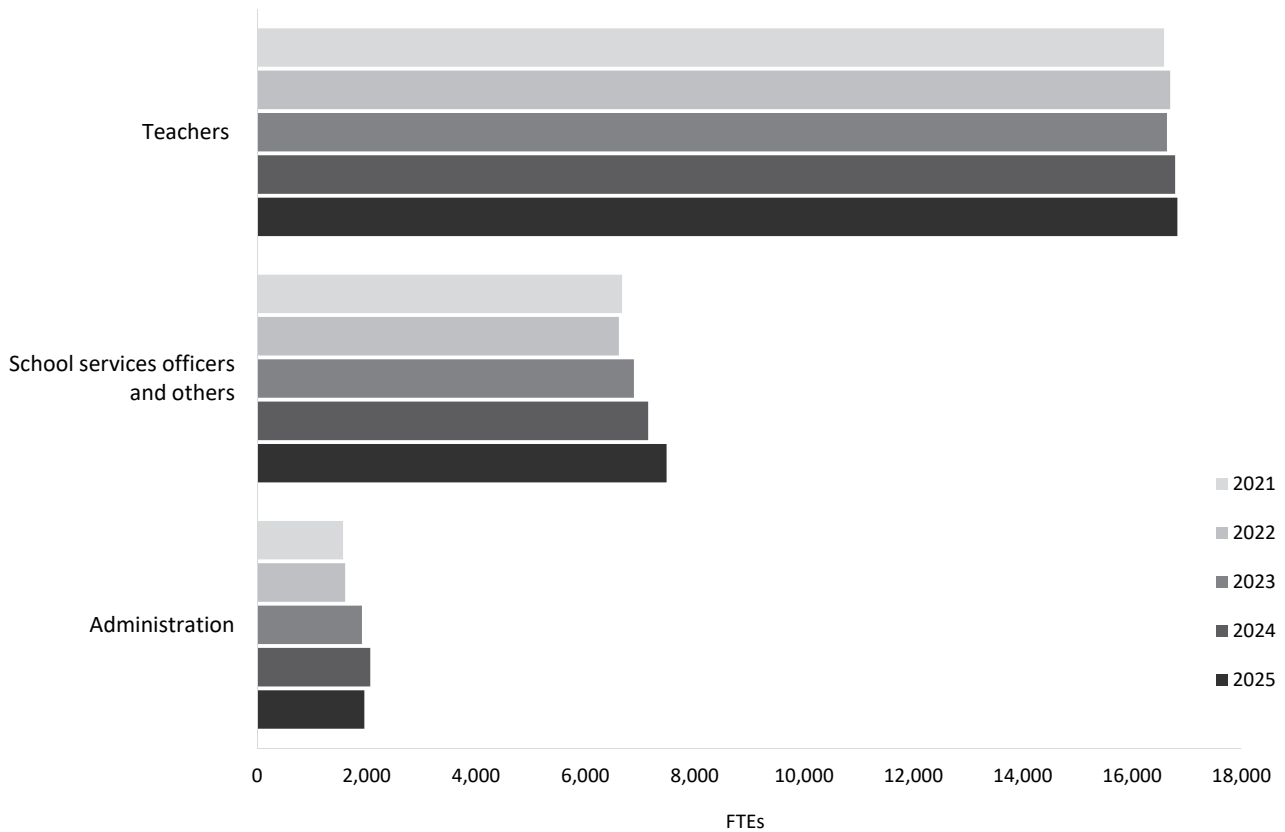
#### Employee related expenses

Employee related expenses, increased by \$154 million (5%) to \$3.2 billion) making up 71% of Education's total expenses. The increase was mainly due to:

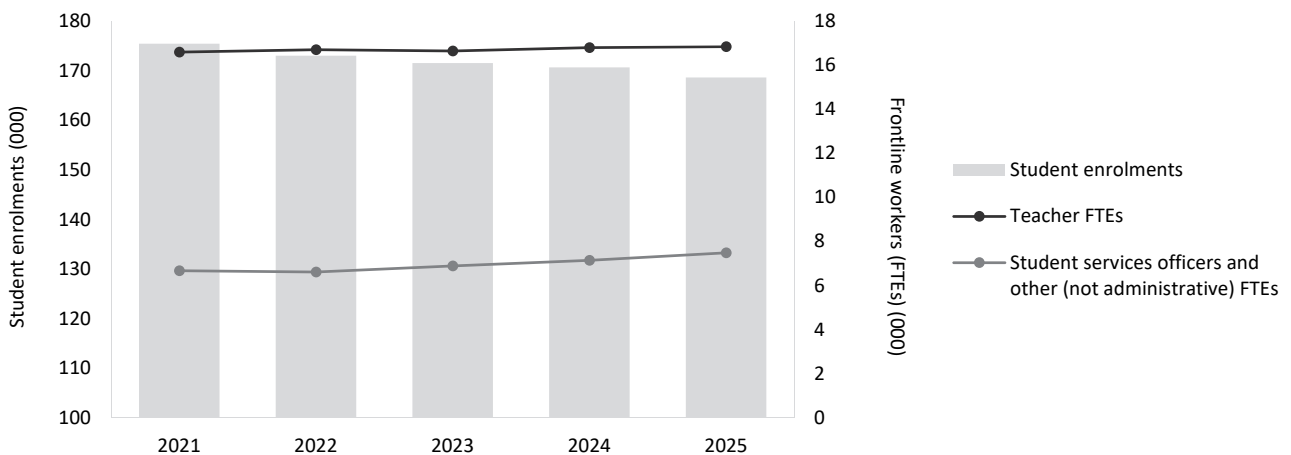
- a \$133 million (5%) increase in salaries and wages (including annual leave and superannuation), mainly for salary rate increases of 3% for teachers and 4% for principals arising from new enterprise agreements under the South Australian School and Preschool Education Staff Enterprise Agreement 2024, and an increase of 271 FTEs (1%)

- a \$40 million increase in workers compensation expense, mainly reflecting payments and the impact of actuarial assessments
- a \$25 million decrease in the long service leave expense, which partly reflects the impact of actuarial assumptions on Education's long service liability.

Education's employee numbers are spread across the following employment categories.



The following chart shows that in the five years FTE student enrolment numbers have fallen 3.9% to 168,588, while FTE teachers have increased by 1.5% to 16,830 and student services officers and other non-administration positions have increased by 12.2% to 7,487. FTE student support officers increased by 308 (5%) to 6,806 in 2024-25.



## Supplies and services

Supplies and services decreased by \$13 million (1%) to \$942 million. Significant categories of supplies and services include:

- \$257 million (\$260 million) in minor works, maintenance and equipment expense
- \$94 million (\$90 million) in information technology and communications
- \$58 million (\$70 million) in printing, postage and consumables
- \$65 million (\$69 million) in contractors and other outsources services
- \$57 million (55 million) in cleaning
- \$54 million (\$48 million) in utilities.

## Grants and subsidies

Grants and subsidies decreased by \$364 million to \$77 million, mainly due to the transfer of Skills SA to the Department of State Development from 1 July 2024.

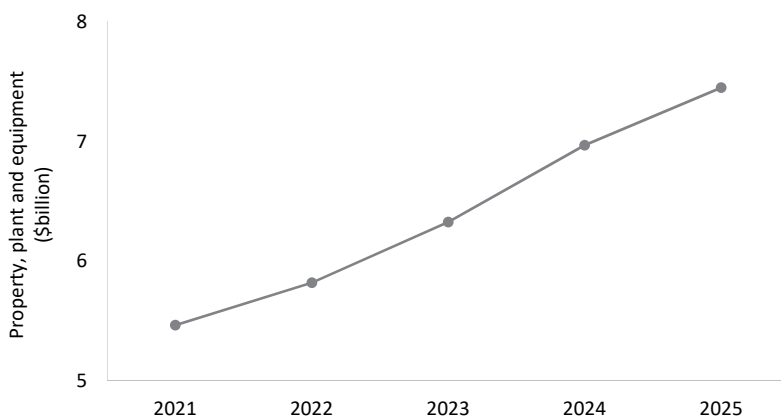
## Statement of Financial Position

### Assets

Assets largely comprise property, plant and equipment of \$7.5 billion, which makes up 81% of total assets) and cash and cash equivalents of \$1.4 billion (15% of total assets). Property, plant and equipment increased by \$480 million mainly for:

- land being revalued up by \$319 million. Land is revalued annually by the Valuer-General
- buildings and improvements being revalued up by \$146 million
- \$198 million in new capital works, including construction works on new technical colleges and the Fregon-Anangu school
- partially offset by depreciation of \$170 million.

The following chart shows that the value of Education's property, plant and equipment has grown significantly in the last five years. Growth in 2021 and 2022 was mainly a result of the significant sustainable enrolment growth and new schools capital works programs. Asset revaluations have significantly contributed to the growth since 2023.



## Liabilities

Education's total liabilities were \$1.7 billion and mainly comprise:

- \$940 million (\$884 million) in employee-related liabilities (56% (54%) of total liabilities)
- \$365 million (\$379 million) in financial liabilities for obligations under leases, mainly for facilities provided under public private partnership (PPP) agreements (22% (23%) of total liabilities)
- \$116 million (\$101 million) in the provision for workers compensation (7% (6%) of total liabilities)
- \$134 million (\$135 million) in other liabilities, including a \$112 million (\$115 million) equipment service rights liability for the provision, maintenance and replacement of equipment under its PPP arrangements
- \$97 million (\$93 million) in creditors and accrued expenses.

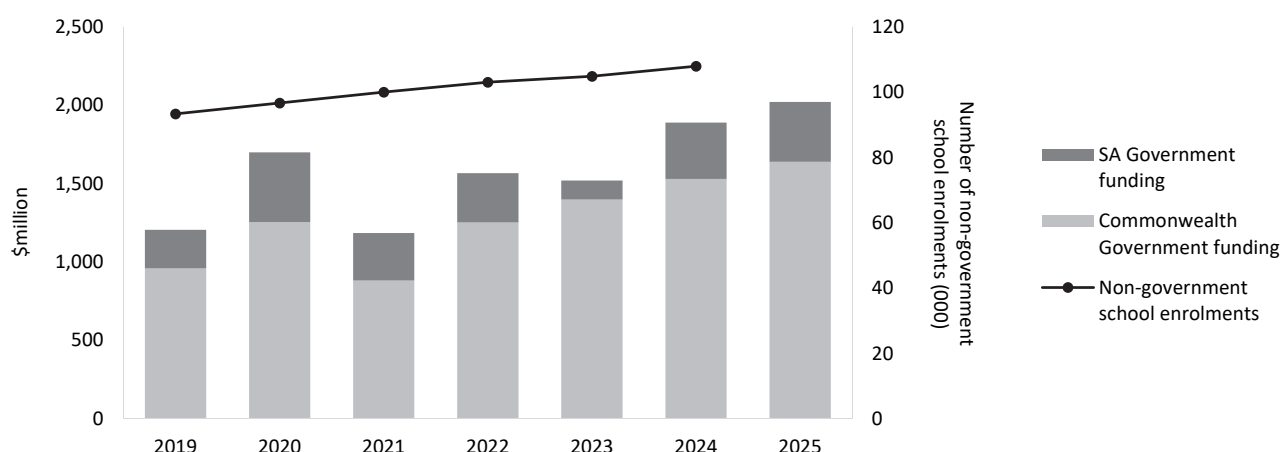
## Administered items

Education administers certain funds on behalf of the Minister for Education, Training and Skills. Funds are received from the Commonwealth and SA Governments and used mainly to pay:

- \$2 billion (\$1.9 billion) in transfers and grants to non-government schools
- \$15 million (\$16 million) in Commonwealth child care subsidies for family day care
- \$18 million (\$17 million) for the operating grant to the SACE Board of South Australia
- \$14 million (\$8 million) for funding to arts bodies aligned with Education, including a \$6.3 million increase in funding for the History Trust of South Australia to perform capital works at the Migration Museum
- \$12 million (\$19 million) for student travel concessions on transport services to the Department for Infrastructure and Transport.

## Transfers and grants to non-government schools

Transfer payments are based on an enrolment census in term 3 and the needs of the school and its students. The funding entitlement of each non-government school is determined by the Commonwealth Government. The following chart shows the composition of private school funding as reported in Education's administered financial report.



Private schools were funded by \$395 million (\$359 million) in SA Government appropriations and \$1.6 billion (\$1.6 billion) in Commonwealth Government grants in 2025. Funding during the period 2020 to 2023 was impacted by the timing of the SA Government's response to the COVID-19 pandemic.

## Further commentary on operations

---

### **Machinery of government changes**

The employees and functions of the Skills SA division of Education were transferred to the Department of State Development effective from 1 July 2024. This resulted in a transfer out of:

- \$54 million in cash
- \$8 million property, plant and equipment
- \$5 million in employee-related liabilities
- \$3 million of payables.

### **Public private partnerships**

Education has two PPP agreements for the financing, design, construction and maintenance of eight schools in the Adelaide metropolitan area. These are long-term arrangements that extend to 2040 (Educations Works New Schools PPP) and 2049 (SA Schools PPP). Education pays the operators financing costs and payments for the ongoing operation and maintenance of the facilities over the term of the agreement.

Major PPP assets, liabilities and expenses included in Education's financial report are:

- \$226 million in building and improvement assets
- \$157 million in right-of-use building assets
- \$101 million in equipment service right intangible assets
- \$356 million in financial liabilities
- \$112 million in equipment service right liabilities
- \$28 million in payables
- \$14 million in service fees
- \$12 million in depreciation and amortisation expenses
- \$35 million in borrowing costs.

Unrecognised future operational and maintenance contract commitments of the PPPs are \$283 million.

## Functional responsibility

---

Education is an administrative unit established under the *Public Sector Act 2009* and responsible to the Minister for Education, Training and Skills.

## Education funding arrangements

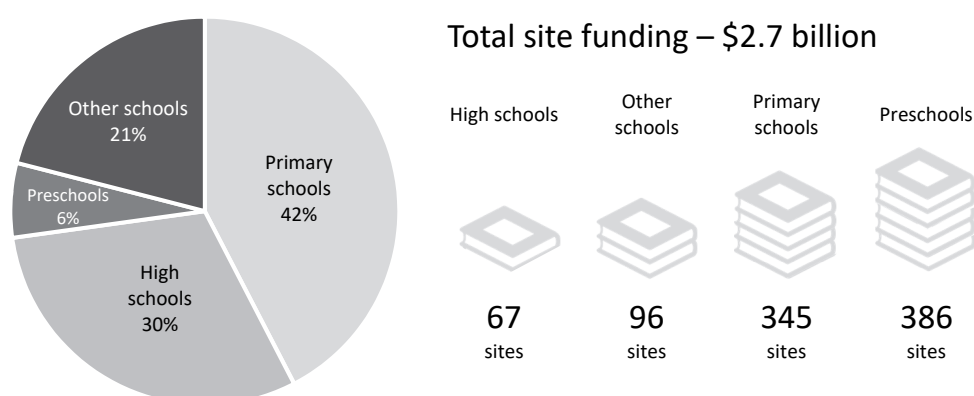
In 2024-25 the Commonwealth, states and territories entered into a new head agreement, the Better and Fairer Schools Agreement – Full and Fair Funding 2025-2034. This Agreement started on 24 January 2025 and replaced the National School Reform Agreement. It sets out the funding model for both public and private education and target reforms on these three national areas:

- equity and excellence
- wellbeing for learning and engagement
- a strong and sustainable workforce.

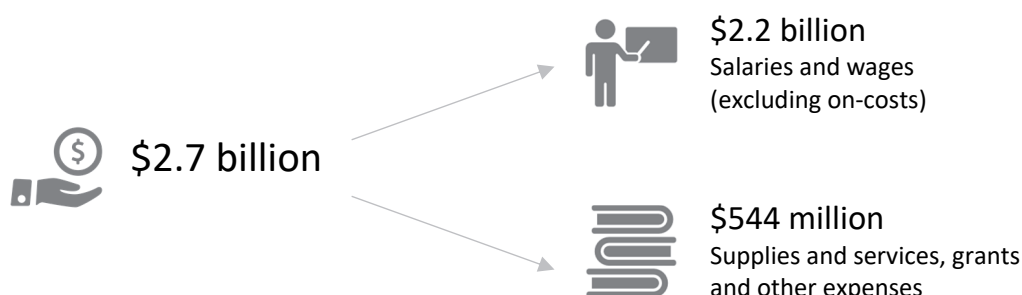
Under the new Agreement, the State and Commonwealth Governments signed a bilateral agreement in March 2025 outlining:

- the minimum state funding contributions as a condition of receiving Commonwealth Government school funding
- the State's specific actions to improve student outcomes.

## Government operational funding public schools and preschools in South Australia



### How is public school and preschool funding spent?



Salaries and wages make up 80% of public school and preschool spending. Operational payments to and on behalf of public schools and preschools are funded by \$3.4 billion of SA Government appropriation, and \$911 million of Commonwealth Government grants.

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- payroll
- procurement and contract management
- property, plant and equipment
- grants
- cash
- general ledger
- governance.

As part of our overall controls opinion, which is discussed further in Part B of this report, we reviewed controls over:

- supplies and services, including procurement and contract management
- minor works and maintenance expenses
- asset management
- employee benefit expenses and liabilities
- building and improvements
- bank accounts, including school held accounts.

# Department for Energy and Mining (DEM)

---


## Financial report opinion


Unmodified

## Audit findings

No findings.


## Financial statistics


 **\$187 million**  
Total income

 **\$133 million**  
Total expenditure

 **355**  
FTEs

Administered

 **\$419 million**  
Total income

 **\$408 million**  
Total expenditure

## Significant events and transactions

- Net assets of \$366.3 million were transferred to DEM from the Office of Hydrogen Power South Australia (OHPSA).
- Net assets of \$58.7 million were transferred to DEM from the Office of Northern Water Delivery (ONWD).
- DEM collected royalty revenue of \$405 million that was subsequently paid to the Consolidated Account



## Audit findings

We did not have any audit findings that needed to be communicated to DEM.

## Interpretation and analysis of the financial report

### Highlights of the financial report\*

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	45	173
SA Government grants, subsidies and transfers	84	30
Fees and charges	35	34
Sales of goods and services	7	6
Other income	15	12
<b>Total income</b>	<b>187</b>	<b>256</b>
<b>Expenses</b>		
Grants and subsidies	22	166
Supplies and services	59	42
Employee benefits	46	41
Cash alignment transfers to Consolidated Account	-	2
Other expenses	6	6
<b>Total expenses</b>	<b>133</b>	<b>257</b>
Changes in property, plant and equipment	43	-
<b>Total comprehensive result</b>	<b>96</b>	<b>(2)</b>
<b>Assets</b>		
Current assets	308	59
Non-current assets	348	73
<b>Total assets</b>	<b>656</b>	<b>131</b>
<b>Liabilities</b>		
Current liabilities	50	48
Non-current liabilities	13	12
<b>Total liabilities</b>	<b>63</b>	<b>59</b>
<b>Total equity</b>	<b>593</b>	<b>72</b>

\* Table may not add due to rounding.

DEM's Statement of Comprehensive Income and Statement of Financial Position are significantly impacted by the transfer in of net assets from OHPSA and ONWD on 7 May 2025. Further information on this, and the subsequent abolishment of OHPSA and ONWD is discussed under the heading 'Further commentary on operations' below.

### Statement of Comprehensive Income

#### Income

#### Appropriation

Appropriation decreased by \$128.1 million to \$45.3 million in 2025, primarily reflecting the change of funding arrangements for OHPSA. In 2024 DEM transferred \$126.9 million in appropriation funding it received to OHPSA. In 2025, OHPSA received its appropriation funding directly.

## Intra-government transfers

Revenue from intra-government transfers increased by \$53.8 million to \$84.1 million, mainly due to:

- \$62.6 million received from the Department of Treasury and Finance for the Northern Water Delivery (pre-construction) project – DEM did not receive funding for this purpose in 2024
- revised funding arrangements for OHPSA, with DEM receiving \$9.8 million for OHPSA projects in 2024 – no funds were received in 2025.

## Fees and charges

In 2025 DEM received \$35.1 million (\$33.9 million) in fees and charges revenue, mainly comprising fees associated with mining and petroleum licences of \$32.4 million (\$32.3 million).

## Expenses

Expenses decreased by \$124.2 million to \$133 million, mainly due to:

- grants and subsidies decreasing by \$144 million to \$22.4 million as a result of changes in the way funding was provided to OHPSA – \$136.7 million was transferred to OHPSA in 2024
- supplies and services increasing by \$17.1 million to \$59 million, driven by increases in consultant and contractor costs.

## Grants and subsidies

DEM manages a number of grant processes and other schemes designed to meet its objective of delivering affordable, reliable and secure energy supplies. Some of the more significant grant schemes are discussed below.

### *Remote Area Energy Supply scheme*

This scheme aims to provide a safe, reliable and cost-effective electricity supply to homes and businesses in remote South Australian towns. It provides electricity to around 3,400 customers across 25 remote townships and Aboriginal communities, including through deed of grant arrangements with electricity providers in Coober Pedy, Andamooka and Yunta. Total grant payments under this scheme were \$6.4 million (\$7.5 million) in 2025.

### *Jobs and Economic Growth Fund projects*

These projects mainly relate to the statewide electric vehicle charging network.

The SA Government awarded a grant of \$12.4 million to the RAA to construct and operate an electric vehicle charging network. The grant is designed to support the transition to electric vehicles and secure private investment for the network. Construction of the network commenced in late 2022 and was complete as at 30 June 2025. Grant payments under this scheme were \$1.7 million in 2025.

### *Virtual power plant*

The SA Government is working with Tesla through the Renewable Technology Fund to develop a network of home solar photovoltaic and battery systems to support up to 50,000 households across South Australia, working together to form a virtual power plant. The aims of the virtual power plant are to:

- lower energy prices
- increase grid stability
- provide protection during a grid outage
- increase customers' visibility of their energy use
- support South Australia's transition to a renewables-based economy.

The final phase (phase 4) of the virtual power plant started in July 2023. At 30 June 2025, 2,934 of the 3,000 planned phase 4 installations were completed, taking the total number of virtual power plant systems installed to 7,034.

### *Grid Scale Storage Fund*

This fund aims to accelerate the rollout of grid-scale energy storage infrastructure and help address the intermittency of South Australia's electricity supplies. The fund is intended to provide up to \$50 million in grants.

Grant applications closed in February 2019 and two grant deeds have been executed:

- the Hornsdale Power Reserve Expansion, with a commitment for \$15 million to be paid over five years. Grant payments commenced in 2020-21 and \$13.1 million has been paid to date
- the Virtual Power Plant Expansion, with a commitment for \$10 million to be paid over five years. Grant payments commenced in 2020-21 and \$8.9 million has been paid to date.

In the 2022-23 State Budget, the SA Government announced that the Grid Scale Storage Fund would be discontinued from 2025-26 and the budget was reduced by \$20 million. DEM will continue to fund the existing commitments.

### *Supplies and services*

Supplies and services increased by \$17.1 million to \$59 million in 2025 mainly due to closeout costs for the Hydrogen Jobs Plan of \$8.6 million and remediation costs for the Mintabie Township of \$6.3 million.

## **Statement of Financial Position**

### **Assets**

Total assets increased by \$524.8 million to \$656.2 million in 2025, mainly reflecting a \$243.4 million increase in cash and a \$267.7 million increase in property, plant and equipment. Both increases were driven by the transfer of assets from the former OHPSA and ONWD. Property, plant and equipment transferred from OHPSA and ONWD totalled \$188.5 million. The increase in DEM's property, plant and equipment also reflected:

- an upwards revaluation of buildings, land and plant and equipment of \$42.8 million
- \$15.8 million in additions to capital works in progress for the Northern Water Delivery project since the transfer of project responsibility on 7 May 2025

- the \$12.5 million purchase of land at Whyalla for the construction of the Hydrogen Jobs Plan, a power sub-station and other future developments
- \$8.4 million in capital works associated with the Renewable Integration Central Power House project and the Remote Area Energy Supply Scheme generator replacement program.

## Liabilities

Total liabilities increased by \$3.3 million to \$62.8 million in 2025 mainly due to:

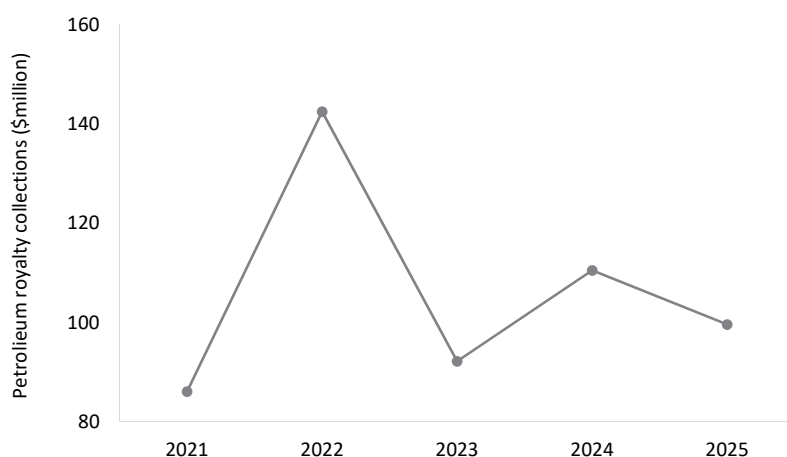
- increased payables of \$7.7 million, largely for accrued closeout costs for the Hydrogen Jobs Plan
- an increase in employee-related liabilities of \$2.2 million, largely reflecting the transfer of employees from OHPSA and ONWD.

These increases in liabilities were partially offset by a \$4.9 million reduction in security deposits for land rehabilitation due to bond exchanges – replacing one type of bond security with a non-cash security (such as a bank guarantee). DEM receives security deposits to ensure that mining operators rehabilitate mine sites at the end of their operations. Other securities are held in the form of bank guarantees and reported under contingent assets, valued at around \$412 million at 30 June 2025.

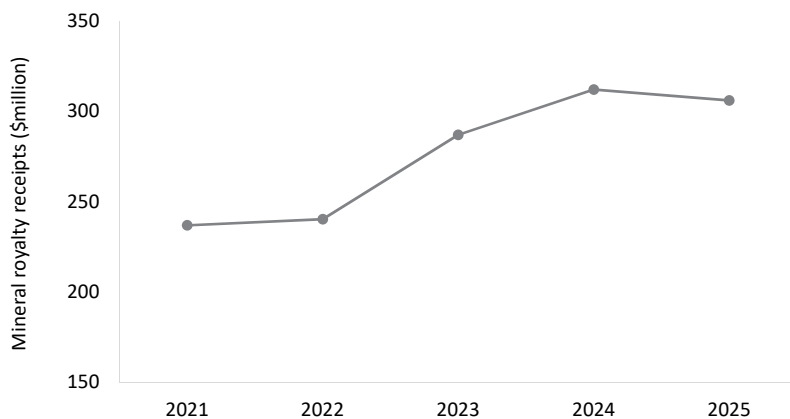
## Administered items

DEM administers the collection of royalties levied on mineral and petroleum production on behalf of the SA Government. In 2024-25 it administered the collection of \$405.5 million (\$422.5 million) in royalties, and paid them to the Consolidated Account.

While the State is legally entitled to royalties once minerals have been extracted, royalties are not recognised until the cost of extraction has been determined and the royalty received. The following charts show royalty receipts over the last five years.

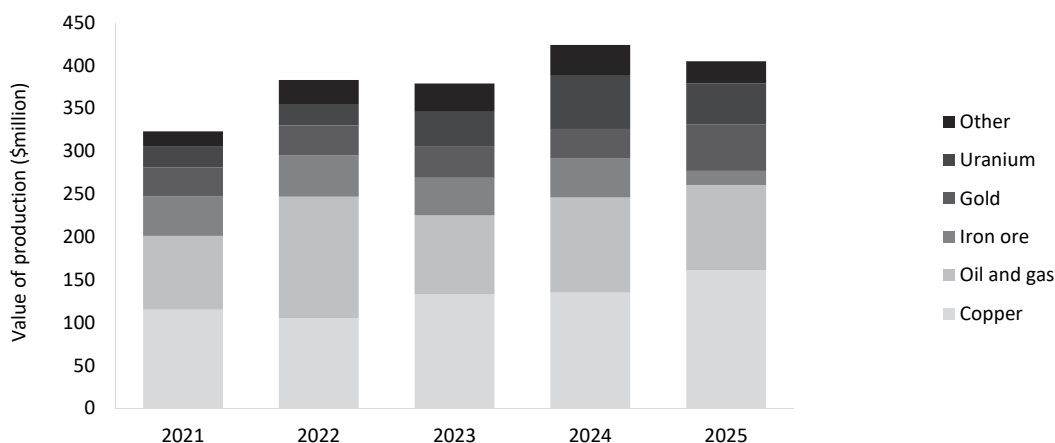


Petroleum royalty collections rose significantly in 2021-22 following an increase in worldwide oil prices. The significant decrease in 2022-23 was mainly due to lower production levels compared to 2021-22, which more than offset pricing improvements for crude oil and gas. While 2023-24 saw a recovery in petroleum royalties following higher production levels, lower oil production in 2024-25 reduced royalty collections.



Mineral royalty receipts have generally increased over the last five years. In 2022-23, the increase was mainly due to higher production levels for copper, iron ore and uranium. The 2023-24 increase was driven by strong commodity pricing, in particular for copper and uranium. In 2024-25 royalties were lower for iron ore, offset by increases for copper and gold prices.

The following chart shows royalty revenue from various commodities over the past five years. In 2024-25 copper made up 40% of the total, with oil and gas providing a further 25%.



## Further commentary on operations

### Office of Hydrogen Power South Australia

OHPA was established in May 2022 as an attached office of DEM. OHPA's role was to deliver significant hydrogen infrastructure in Whyalla, including the development of the Hydrogen Jobs Plan, a large-scale clean energy hydrogen plant.

In February 2025 the SA Government announced the deferral of the Hydrogen Jobs Plan, with OHPA abolished on 7 May 2025 and its remaining operations transferred to DEM. On that date net assets of \$366.3 million transferred to DEM, including \$250.4 million in cash and \$123.5 million in capital works in progress.

Spending on the Hydrogen Jobs Plan and the Port Bonython Hydrogen Hub project, totalled \$285.2 million to 30 June 2025. It comprised:

- capital costs of \$209.2 million recognised by OHPSA. Following the SA Government's deferral of the project, OHPSA wrote off (expensed) \$85.7 million of this amount that related to costs incurred under the Hydrogen Jobs Plan Early Contractor Involvement contracts. This accounting treatment recognises that there is insufficient certainty that economic benefits will flow to the State
- operating expenses of \$53.4 million incurred by OHPSA from its inception to 7 May 2025
- \$12.5 million for the purchase of land at Whyalla
- other expenses of \$10.1 million incurred by DEM for activity associated with the Hydrogen Jobs Plan and the Port Bonython Hub project.

\$123.5 million of property, plant and equipment assets relating to OHPSA's activities remain in DEM's Statement of Financial Position.

DEM is responsible for any remaining contractual commitments associated with the Hydrogen Jobs Plan and the Port Bonython Hydrogen Hub project. These commitments totalled \$125 million at 30 June 2025.

### **Office of Northern Water Delivery**

ONWD was established on 1 July 2024 to support the early development of the Northern Water Delivery project – a major desalination and pipeline system aiming to provide a sustainable water source to mining and industrial users in the North and Far North of the State. ONWD was established as an attached office of the Department for Infrastructure and Transport. On 21 November 2024 responsibility for ONWD as an attached office transferred to DEM.

ONWD was abolished on 7 May 2025 and its assets and liabilities transferred to DEM on that date.

The Northern Water Delivery project is still in the pre-construction phase, with current capitalised costs of \$81 million represented in DEM's Statement of Financial Position as capital works in progress.

### **Whyalla Steelworks Industrial Transformation Unit**

The Whyalla Steelworks Industrial Transformation Unit was established to lead the SA Government's coordinated response to the Whyalla Steelworks administration, and to support the broader industrial and economic transformation of Whyalla.

The unit is responsible for engaging with the steelworks administrator, working closely with the Commonwealth Government on the design and delivery of funding programs, and ensuring the State's strategic interests are represented in the transition to new ownership.

## Functional responsibility

---

DEM is an administrative unit established by the *Public Sector Act 2009*. Its main functions include responsibility for delivering affordable, reliable and secure energy supplies, and regulating the mining and energy sectors.

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- machinery of government changes
- expenditure, including grants and accounts payable
- revenue from fees and charges
- employee benefits and payroll processing
- administered royalty revenue
- property, plant and equipment
- cash management, including bank reconciliations
- general ledger.

We reviewed controls over bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

# Department for Environment and Water (DEW)

DEW is an administrative unit established by the *Public Sector Act 2009*, and is responsible to the Minister for Climate, Environment and Water.

## Status of the 2024-25 audit

---

The *Public Finance and Audit Act 1987* (PFAA) requires me to report to Parliament on the accuracy of the financial statements for each public authority.

While DEW had provided us with its financial report for the year ended 30 June 2025 in a timely manner consistent with the requirements of the PFAA, at the time of this report our audit of DEW is not complete.

DEW's bank reconciliation is a fundamental control for DEW and its bureau entities. DEW's bank account is used by 16 separate entities to support specific SA Government and Commonwealth programs. Performed regularly, this control helps to confirm the integrity of accounting records, identify errors or irregularities needing action and ensure accurate financial reporting. Effective bank reconciliation processes help stop errors before they happen, find them after they occur and help fix them once they have been identified. They are an important part of confirming the accuracy of annual financial statements.

Our audits over a number of years have raised concerns about the effectiveness of DEW's bank reconciliation process and the need to improve the controls over it. Our 2024-25 financial statement audit has involved detailed work on DEW's bank reconciliation, reflecting this history.

Concurrently, we have performed detailed work on DEW's accounts receivable processes and reconciliation. There is a close relationship between accounts receivable systems and cash processes, and therefore reviewing both is fundamental to ensuring the accuracy of the financial statements.

DEW has been providing information to support our audit processes, however the nature of the processes and items being tested means it takes time for DEW to obtain documentation to support our audit queries, and then further time for us to assess this information and conclude our testing.

The time needed to finalise our 2024-25 financial statement audit and provide assurance over the accuracy of DEW's financial statements was beyond the time we had available to finalise the audit for inclusion in this report.

It is important to note that from the work we have performed to date, there is no suggestion of impropriety.

We will continue to work with DEW to finalise the audit of its 2024-25 financial statements and we will provide the outcomes of that process to the Parliament once concluded.



# SA Health overview

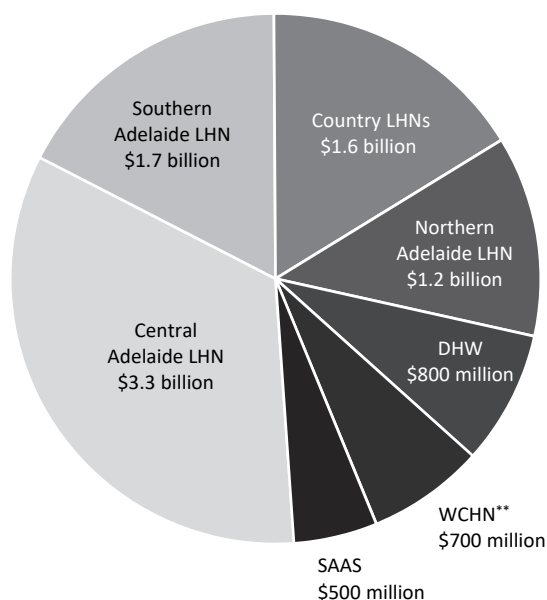
SA Health comprises:

- the consolidated entity – the Department for Health and Wellbeing (DHW), the local health networks (LHNs) and the SA Ambulance Service Inc (SAAS). The consolidated entity's financial reports are included in the DHW consolidated financial report
- two attached offices – Preventive Health SA (PHSA) and the Commission on Excellence and Innovation in Health (CEIH).

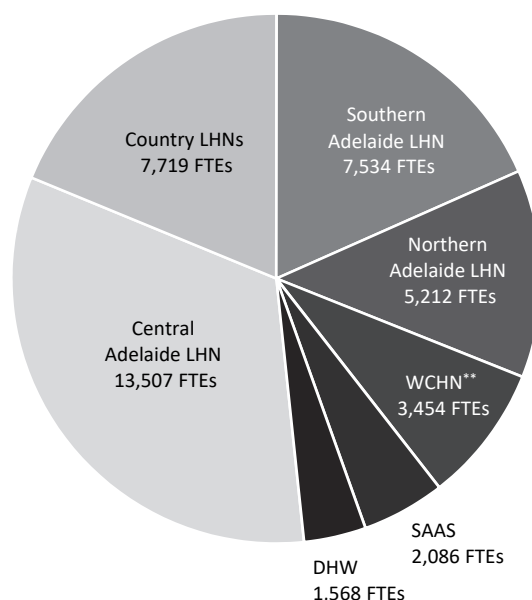
## Total expenditure and FTEs for the consolidated entity

The following charts show the total expenditure and FTEs for the consolidated entity.

Consolidated entity expenditure  
\$9.8 billion\*



Consolidated entity  
41,080 FTEs



\* Excludes transactions within the consolidated entities.

\*\* Women's and Children's Health Network.

This overview discusses:

- SA Health governance arrangements
- SA Health budget and performance
- Independent Commissioner Against Corruption report findings update
- unaudited FTE, patient activity and KPI data for the consolidated entity.

## Governance arrangements

---

The *Health Care Act 2008* (HC Act) provides for the governance, management and administration of the South Australian public health system. It sets out the role, functions and powers of the Minister, the Chief Executive of DHW, the Chief Executive Officer (CEO) of SAAS, and the LHNs' governing boards and CEOs. SAAS is a body corporate and has no governing board.

### Delivery of public health services

The governance and responsibility for delivering public health services is devolved to the LHN governing boards and the CEO of SAAS. They have full responsibility for providing health services in their area, which includes:

- ensuring effective, efficient and economical operations
- managing their budgets
- ensuring their performance targets are met
- providing strategic oversight.

Each LHN CEO is accountable to, and subject to the direction of, the governing board for managing the operations and affairs of the LHN. Service level agreements between LHNs/SAAS and DHW set out the relationship, performance targets and funding arrangements each year. They are available on SA Health's website.

### Role of the Department for Health and Wellbeing

DHW is the 'system leader' and sets strategic direction and statewide policy. It monitors and drives the performance of the public health system through high-level direction and management. DHW is responsible for ensuring the reform agendas and priorities set by the Minister for Health and Wellbeing are carried out.

A number of functions remain under the specific control of the Chief Executive of DHW, including employing all consolidated entity staff (excluding SA Pathology) under the HC Act.

### Attached offices

DHW's two attached offices rely on it for support, advice and a number of administrative functions and systems. Governance of each attached office rests with their CEOs.

### Preventive Health SA

In February 2024, Wellbeing SA changed its name to PHSA and some functions of Drug and Alcohol Services SA transferred in from the Southern Adelaide Local Health Network Incorporated. PHSA supports and promotes improved physical, mental and social wellbeing for all South Australians to create a balanced health and wellbeing system in South Australia.

PHSA had expenditure of \$37 million (\$29 million) and 95 FTEs (95 FTEs) in 2024-25. The increase in expenditure is due to it being the first full year with drug and alcohol services.

## Commission on Excellence and Innovation in Health

The CEIH provides leadership and advice on maximising patient health outcomes, improving care and safety, monitoring performance, evidence-based practice and clinical innovation, and supporting collaboration.

The CEIH’s draft 2024-25 financial statements reported expenditure of \$11 million (\$10 million) and 45 FTEs (43 FTEs).

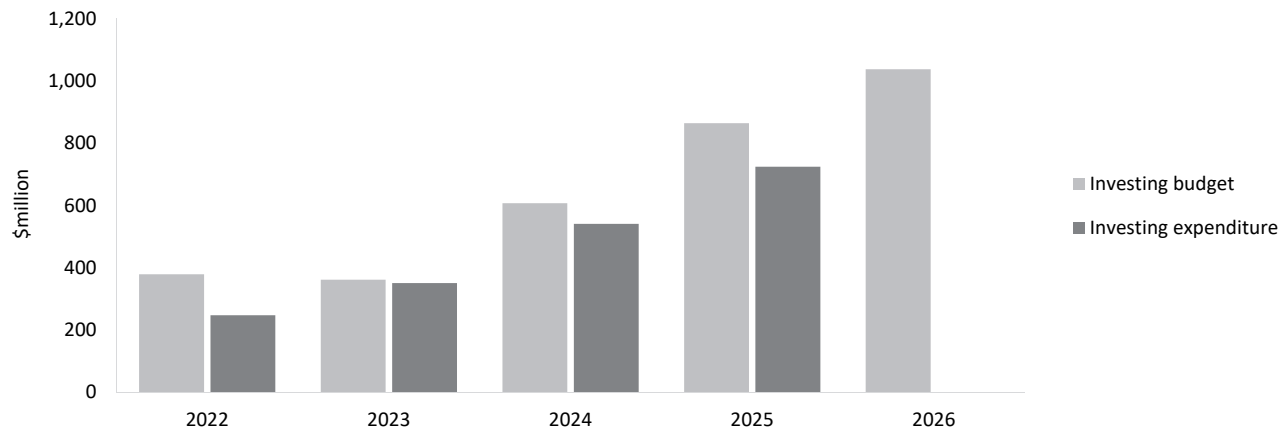
## Budget and performance

### State Budget

The 2024-25 State Budget confirmed the SA Government’s commitment to SA Health improving the effectiveness and efficiency of its services, and included additional funding for capital works and salaries and wages to employ more FTEs to improve services and response times.

### Investment

Capital works in SA Health have grown since 2024 reflecting the impact of new capital projects. This is shown in the following chart.



SA Health has underspent its original investing budget for 2024-25 by \$140 million (16%). The following table provides more details on its major capital projects.

Project	Total approved project cost*	Budget 2024-25	Actual 2024-25	Reason for difference between budget and actual for 2024-25
New Women’s and Children’s Hospital	\$3.2 billion	\$198 million	\$125 million	Delays in starting construction
Flinders Medical Centre upgrade and expansion	\$496 million	\$114 million	\$73 million	Delays in starting construction
New Mount Barker Hospital	\$366 million	\$58 million	\$34 million	Delays in starting construction
New Ambulance Headquarters	\$134 million	\$67 million	\$78 million	Construction being ahead of schedule

\* Total approved project costs are from the 2025-26 State Budget and are unaudited.

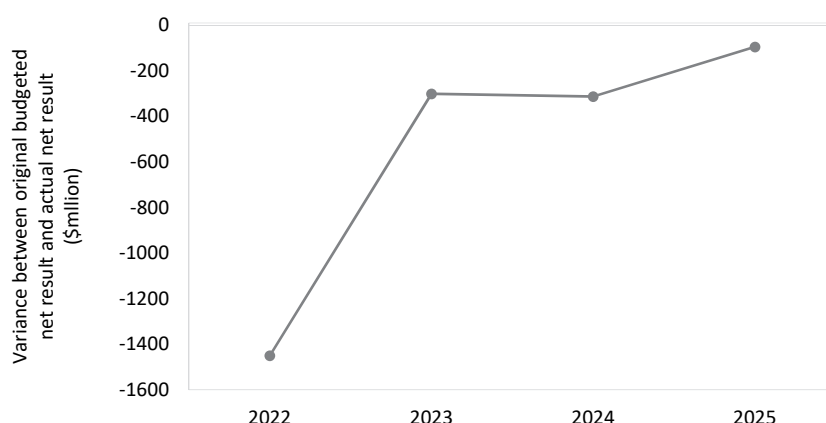
## Budget to actual results

Since 2007, we have reported on expenditure pressures and budget supplementation for the consolidated entity.

Each year DHW has changed elements of its commissioning and funding models, and the COVID-19 pandemic significantly affected its activities. As a result, it is not possible to compare results each year. This year we looked at whether the budget set for the consolidated entity in the 2024-25 State Budget was achieved and what factors influenced the outcome for the year. It is important to note that this budget data is not subject to audit.

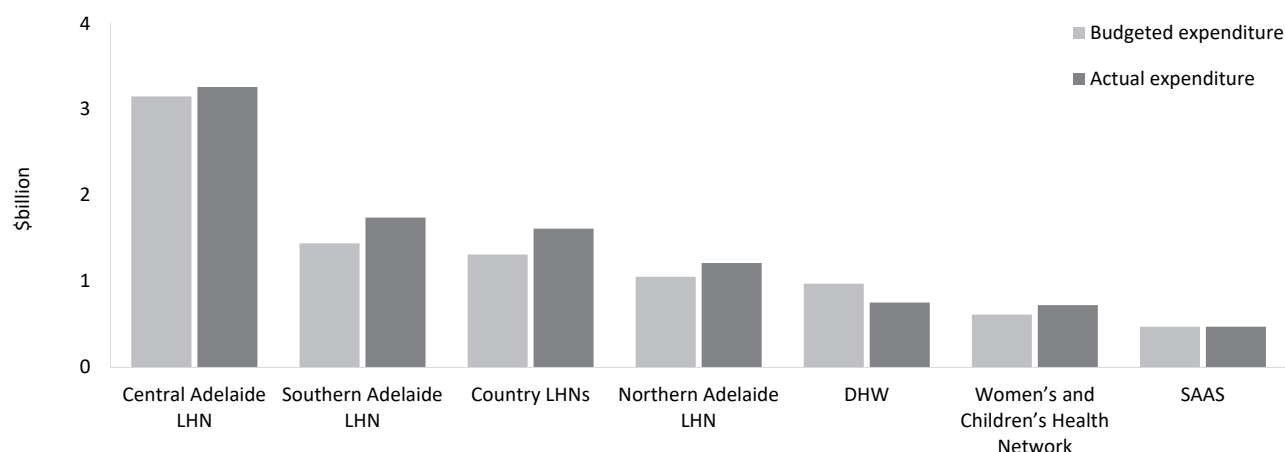
DHW's financial report contains budgetary reporting information, including explanations of major variances between the consolidated entity's original budget in the 2024-25 State Budget and the actuals in its financial report.

The consolidated entity's net result of \$546 million in 2024-25 was a \$93 million deterioration on budget, but a significant improvement on prior years.



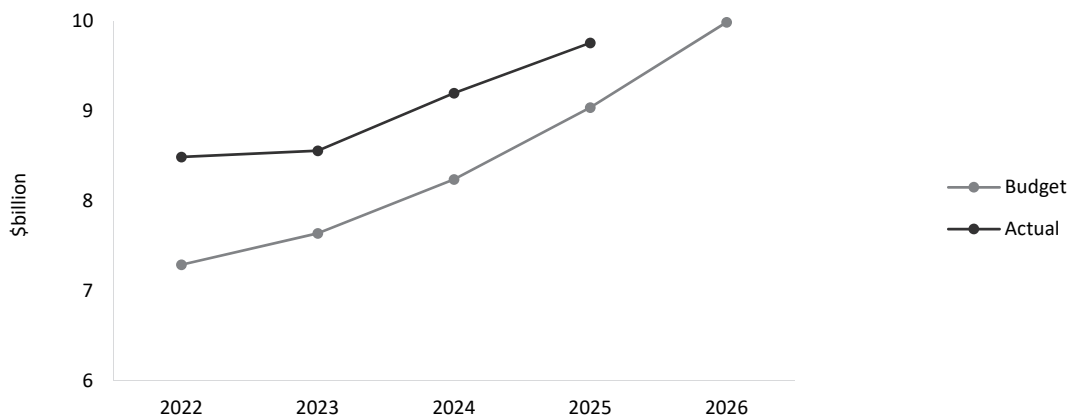
Actual revenue and expenditure were both higher than the 2024-25 State Budget due to increases in the National Weighted Activity Units (NWAU) and the cost of services, but expenditure rose slightly more which is the reason for the net result deteriorating by \$93 million against budget.

The following chart shows budgeted expenditure from the 2024-25 State Budget compared to actual expenditure in the audited financial statements of the consolidated entities, excluding payments between consolidated entities.



All consolidated entities exceeded the expenditure budget set in the original 2024-25 State Budget, with the exception of DHW and SAAS. The consolidated entity's total expenses exceeded the original 2024-25 State Budget by \$754 million, an 8% overspend. This is an improvement on 2023-24 where total expenses exceeded the original 2023-24 State Budget by \$956 million, a 12% overspend.

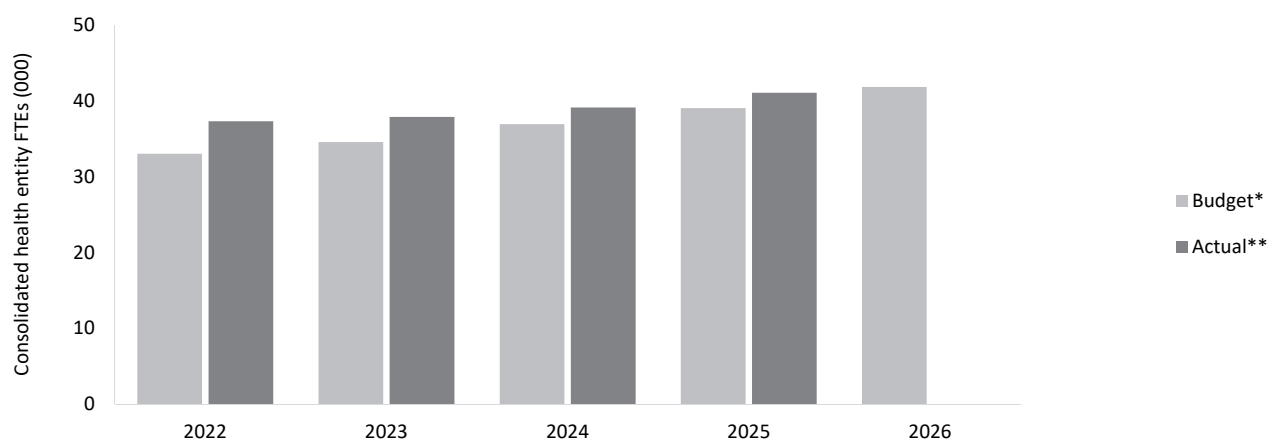
The following chart shows the original State Budget to actual expenditure for the consolidated entity for the last five years, and that the gap is closing.



The budget for the consolidated entity in the 2025-26 State Budget is \$177 million more than its actual expenditure for 2024-25.

## Salaries and wages

The following chart shows that actual FTEs have exceeded budgeted FTEs for the last four years. This is mainly due to the budget not accounting for the additional FTEs required to care for increased patients and complexity. The impact of the COVID-19 response is evident in the early years of the chart.

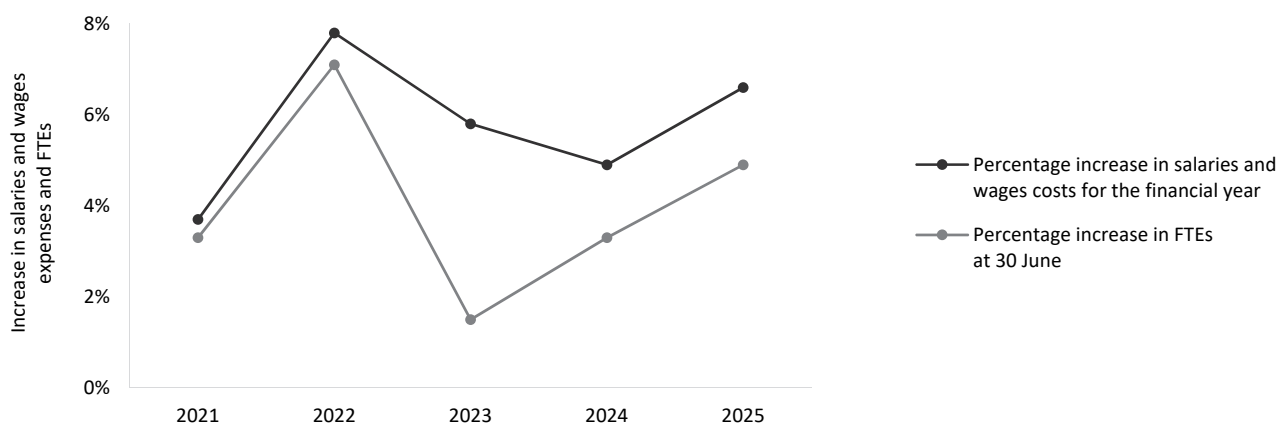


\* Budget data was sourced from the State Budget papers and is unaudited.

\*\* Actual data was sourced from the Commissioner for Public Sector Employment and is unaudited.

In 2025 the consolidated entity was 2,028 FTEs over budget. In 2026 the FTE budget is 562 FTEs above the 2025 actual FTEs. This is well below the actual increases in FTEs in the past five years.

The following chart shows the percentage increase in salaries and wages expenses compared to the percentage increase in FTEs for the consolidated entity over the last five years. The figures exclude leave and workers compensation expense, as these involve a degree of estimation.



In 2021 and 2022 the percentage increases in salaries and wages expenses and FTEs were similar, meaning the increase in salaries and wages was due to the increase in FTEs.

In 2023 the percentage increase in salaries and wages expenses is much higher than the percentage increase in FTEs. Most of the increase in salaries and wages expenses was for higher amounts being paid to FTEs due to two new signed enterprise agreements for nursing and SAAS employees.

In 2024 and 2025 the percentage increase for salary and wages expenses is only slightly higher than the percentage increase in the FTEs. Most of the increase in salaries and wages is due to the increase in FTEs, but there was also an increase in the amount paid to each FTE.

The new South Australian Allied Health Professionals, Assistants and Psychologist Enterprise Agreement 2025 was accepted by the allied health workers on 6 July 2025 and approved by the South Australian Employment Tribunal (the Tribunal) on 11 August 2025. The agreement allows for a 4% per annum pay rise backdated to 1 May 2025 and increases in the number of allowances.

The SA Health Salaried Medical Officers Enterprise Agreement 2022, expired on 2 February 2025 with the medical officers accepting the SA Government's offer on 1 September 2025. The offer provides for a 3.5% pay rise backdated to 14 April 2025 as well as new incentives and conditions. The agreement has not been approved by the Tribunal yet.

Currently a number of the SA Health enterprise agreements expired in 2025 and are in negotiation. The outcome of wages negotiations will impact salary expenditure in 2026, with potential for any backdated adjustments relating to time worked in 2025 to flow into 2026.

The enterprise agreements which have currently expired with no new agreements entered into are:

- South Australian Public Sector enterprise agreement: salaried 2021 – expired 9 December 2024
- SA Ambulance Service enterprise agreement 2022 – expired 31 December 2024
- SA Health Visiting Medical Specialists enterprise agreement 2023 – expired 2 February 2025
- SA Health Clinical Academics enterprise agreement 2023 – expired 2 February 2025
- South Australian Public Sector Wages Parity enterprise agreement: Weekly Paid 2022 – expired 1 March 2025.

In addition, the Nursing/Midwifery (South Australian Public Sector) Enterprise Agreement 2022 expired on 31 July 2025.

## Supplies and services

There were two main budget pressures in supplies and services – agency staff and fee-for-service.

### Agency staff

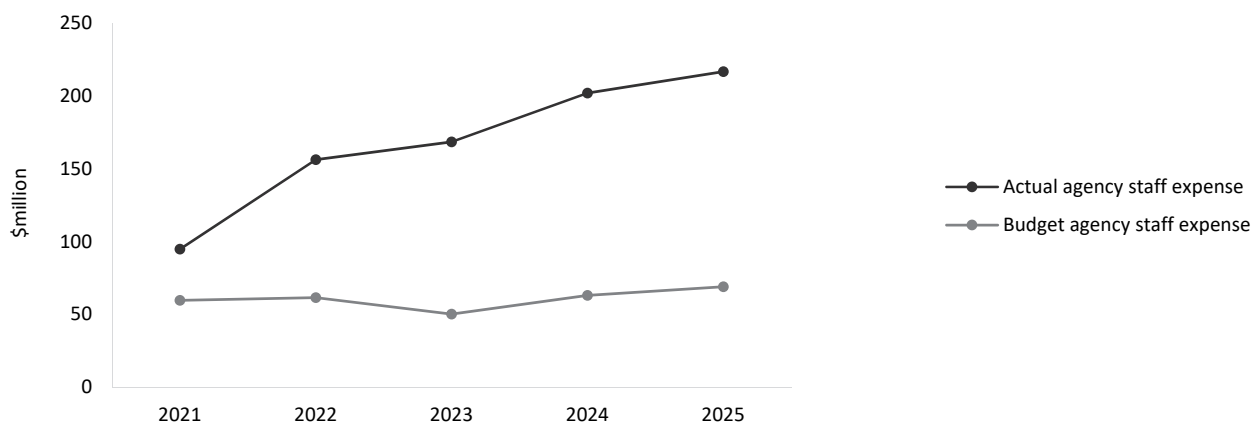
Agency staff are contracted to perform jobs normally performed by an SA Health employee and are mainly nursing services.

The use of agency staff has increased in the past five years due to the LHNs being unable to fill vacancies and increases in activity and complexity. This reliance on agency staff was expected to reduce in 2023 and 2024 when COVID-19 activities ceased. Budgets were adjusted to reflect the expected lower reliance on agency staff post-COVID-19.

However, the amount paid for agency staff has not reduced, mainly because the LHNs increased their use of agency staff to cover vacant positions they could not fill and the NWAUs increased more than budgeted. The NWAU is the national unit for measuring health service activity and takes into account the number and acuity of patients.

The price for agency staff has also increased, which has contributed to the increase in agency staff expenses.

The following chart shows the change in actual agency staff expense and the budgeted agency staff expense for the last five years.



### Fee-for-service

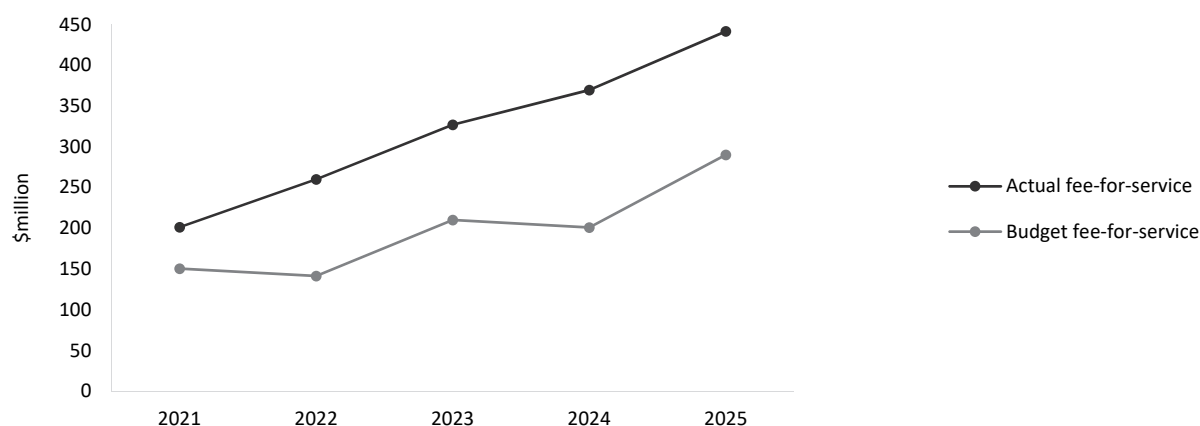
Fee-for-service is fees paid to doctors, specialists, anaesthetists, allied health, dentists and radiologists who are not employed by the consolidated entity for services provided to public patients. They are also paid to locums (temporary medical staff) used when the LHN is unable to attract a suitable employee.

Fee-for-service has increased for a number of reasons:

- surgeries being delayed to manage inpatient numbers
- private hospitals being used for public patients due to increased activity or bed shortages

- hospitals being unable to recruit medical officers and relying on fee-for-service arrangements, which have increased cost
- the new country general practitioner’s agreement, signed in February 2025, which increased the amount paid to country general practitioners.

The following chart shows the actual and budgeted fee-for-service costs.



## Performance management

SA Health’s performance framework sets out how DHW monitors, assesses and responds to the performance of the LHNs and SAAS. It provides for increasingly intensive levels of monitoring and, where necessary, intervention to ensure poor financial performance is addressed.

Performance is assessed against the KPIs set out in the service agreements between the LHNs/SAAS and DHW. These agreements also set out the budget, expectations and financial performance deliverables for each financial year.

## Independent Commissioner Against Corruption reports

In November 2019, the Independent Commissioner Against Corruption (ICAC) tabled the *Troubling Ambiguity: Governance in SA Health Report*. It highlighted concerns about governance arrangements in SA Health that contribute to the risk of corruption, misconduct and maladministration.

SA Health prepared a program implementation plan to address the issues raised in this report and arranged the issues into work streams. At the start of 2021-22, SA Health reported the successful delivery of all work streams.

ICAC released an update report in July 2023, *Integrity trade-off*, which noted a lack of progress in the industrial work stream.

We followed up SA Health’s progress on the issues raised in both reports and found that:

- there are several areas in the industrial work stream that were not completed. These areas relate to improving governance around rostering, attendance and the rights to private practice. SA Health indicated these areas were discussed during enterprise bargaining negotiations for salaried medical officers in 2024-25, but this has not been finalised



- SA Health has a mandatory training policy, which requires all staff to complete the South Australian public sector Code of Ethics training. Records management and fraud and corruption training are recommended but not mandatory. ICAC believed that this training should be mandatory. DHW have made these modules mandatory for DHW staff, but this is not the case for the LHNs or SAAS
- DHW rolled out a new learning management system to all SA Health entities in 2024-25. Based on system reports, the average completion rate for mandatory training modules for the main SA Health agencies were:
  - CALHN – 82%
  - DHW – 71%
  - NALHN – 53%
  - SALHN – 40%.

We have raised this with these entities as we do not consider this reasonable for mandatory training.

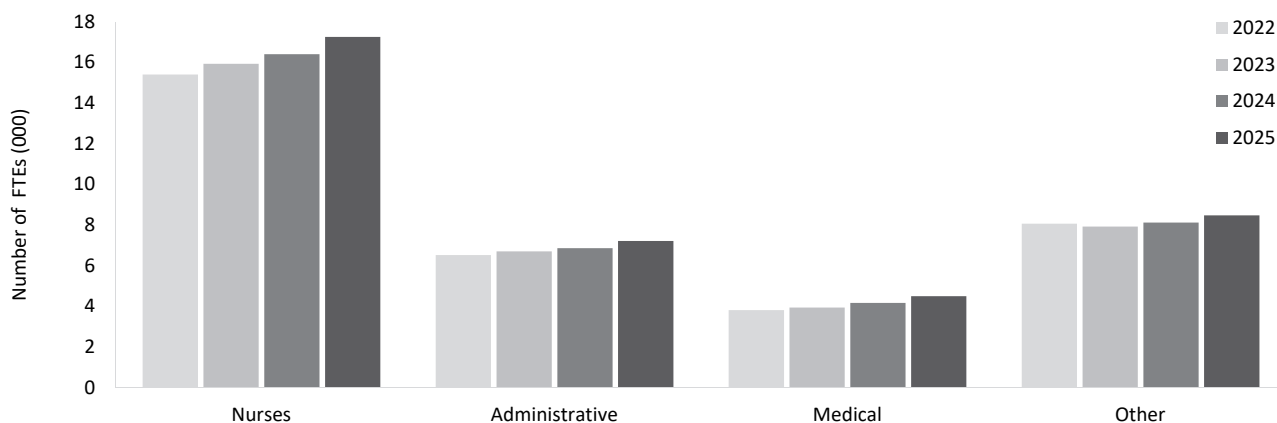
For many years we have reported on the controls related to clinicians that were not operating effectively in SA Health. In 2025 we again raised the following issues:

- inconsistent management of rosters, leading to payroll errors
- timesheets were not authorised before payment, not promptly submitted, incomplete or cannot be located
- there were no job plans for some senior medical officers and consultants
- medical officers were paid outside the medical officers' payment system
- manual overrides of medical officers rates are not being independently reviewed
- most country specialists were working without contracts.

## The consolidated entity's FTE, patient activity and KPI data

### The consolidated entity's FTE data from the Commissioner for Public Sector Employment (unaudited)

The following chart shows LHN FTEs by employment category at 30 June for the last four years.



The chart shows the rise in the number of FTEs in LHNs across all staffing areas. The rise in FTEs is due to the SA Government's commitment to increase the number of frontline staff, particularly doctors and nurses, and the rise in the NWAU.

	2022	2023	2024	2025
Total LHN FTEs	33,788	34,478	35,534	37,426
Increase (Decrease)	2,278	690	1,056	1,892
Percentage increase (decrease)	7.2%	2%	3%	5%

The following table shows DHW's FTEs at 30 June for the last four years.

	2022	2023	2024	2025
Total DHW FTEs	1,786	1,561	1,602	1,568
Increase (Decrease)	118	(225)	41	(34)
Percentage increase (decrease)	7.1%	(12.5%)	2.6%	(2.1%)

DHW's FTEs fell by 225 FTEs in 2023 due to reduced COVID-19 activities. Since 2023 the number of FTEs has been relatively stable.

The following table shows SAAS's FTEs at 30 June for the last four years.

	2022	2023	2024	2025
Total SAAS FTEs	1,762	1,859	2,003	2,086
Increase (Decrease)	93	97	144	83
Percentage increase (decrease)	5.6%	5.5%	7.7%	4.1%

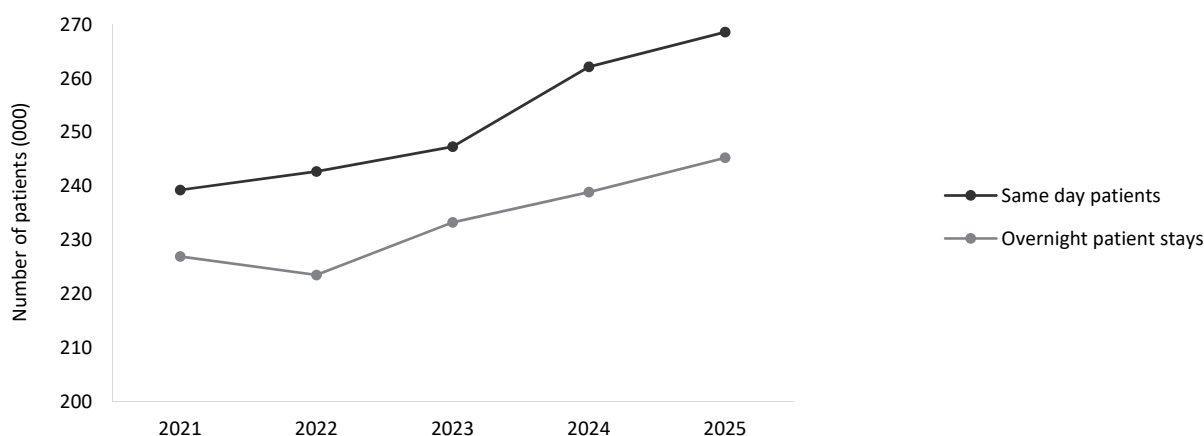
Emergency services staff are the biggest percentage growth within the consolidated health entity over the last four years of 18%, whereas LHNs have had 11% growth.

### The consolidated entity patient activity data from DHW (unaudited)

DHW advised us that its activity data collation processes for 2024-25 were not complete at the time of this report, and the figures provided are not final and may change.

#### Inpatient activity (unaudited)

The following chart shows an overall increase in inpatient unweighted activity of 3% or 12,825 patients from last year. Unweighted means the acuity or complexity of the patient was not taken into account.

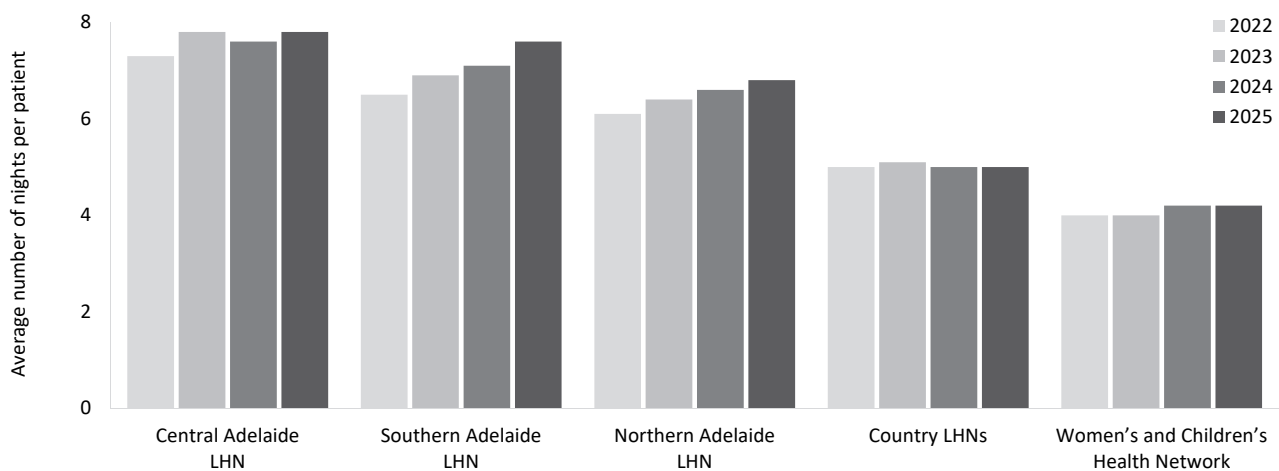


The increase in the number of same day patients over the last five years reflects SA Health’s efforts to reduce overnight stays to improve work flow and reduce ramping. There was a rise in the number of patient overnight stays due to the increase in the number of beds.

#### Average length of overnight hospital stays for public hospitals (unaudited)

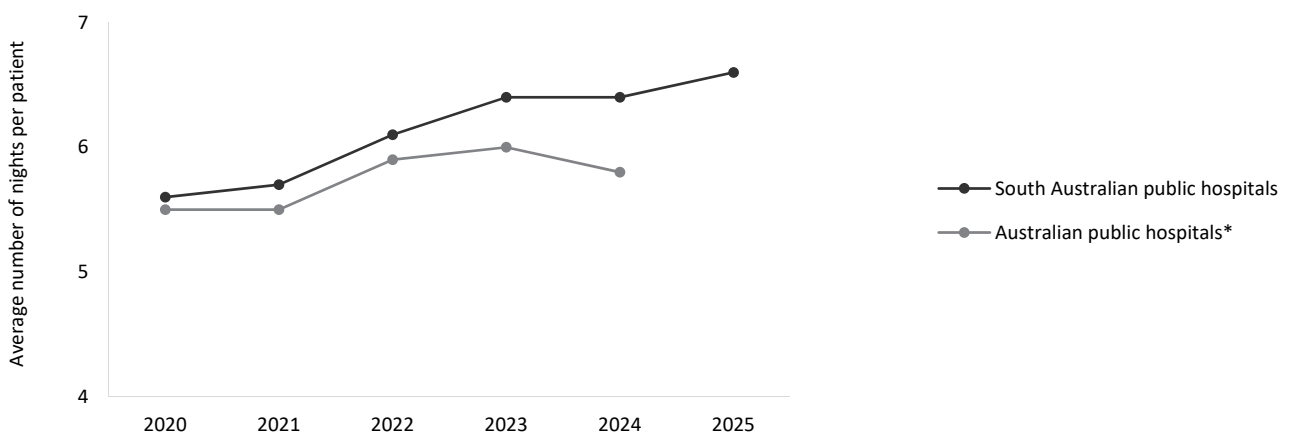
The average length of overnight hospital stays is one indicator of the efficiency of a hospital, with a lower number of nights per patient generally indicating a more efficient hospital.

The following chart shows the average length of an overnight hospital stay increasing over the last four years for most metropolitan LHNs.



The chart shows that, on average, patients admitted to hospital are staying longer than they did four years ago. This indicates an increase in the number of acute or complex patients who require longer stays.

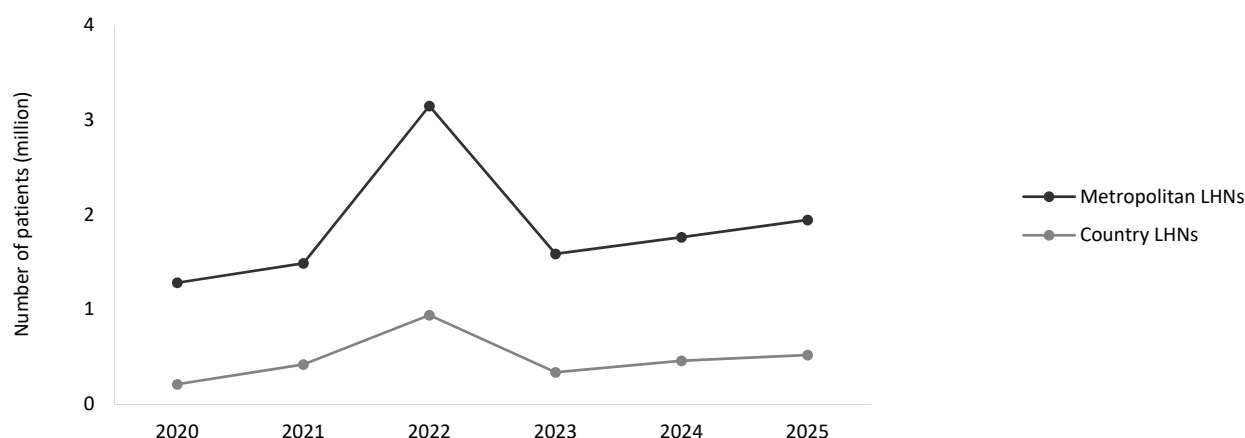
The following chart shows the average number of nights per overnight patient in South Australian public hospitals compared to Australia for the last five years. South Australia was consistently sitting just above the average of all Australian public hospitals until 2023 and 2024 where that gap grew.



\* Data was obtained from the Australian Institute of Health and Welfare’s website and is unaudited.

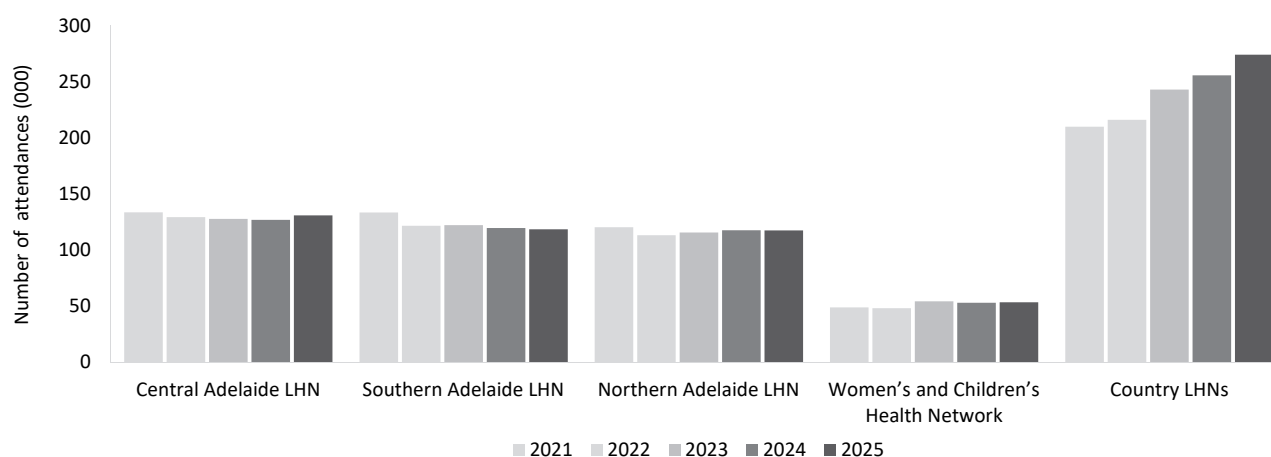
## Outpatient occasions of service (unweighted and unaudited)

Outpatient occasions of service nearly doubled in 2022 due to COVID-19 activity (vaccinations and infectious disease testing). The following chart shows that in 2023 this started returning to levels before the COVID-19 pandemic and it is now starting to rise again with vaccinations for Respiratory Syncytial Virus, influenza virus and meningococcal disease.



## Emergency department attendances (unaudited)

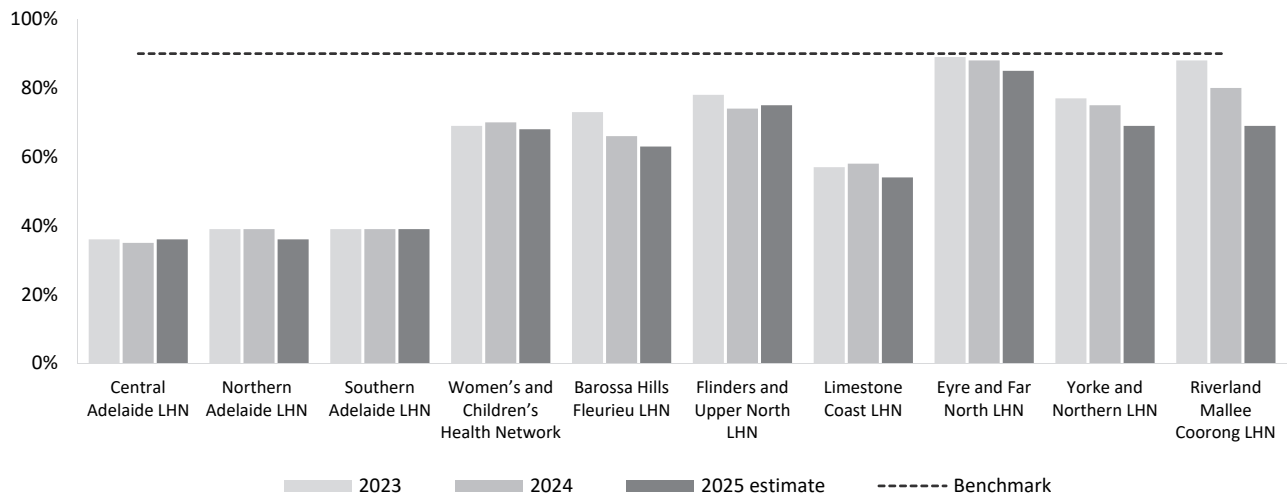
The following chart shows the emergency department attendances for all metropolitan and country LHNs in the last four years. It shows that the number of emergency department attendances for country LHNs has risen substantially in the last four years, while it has remained steady for all metropolitan LHNs.



## SA Health KPI data from the State Budget papers (unaudited)

### Percentage of patients seen, treated, discharged or admitted within four hours by LHNs

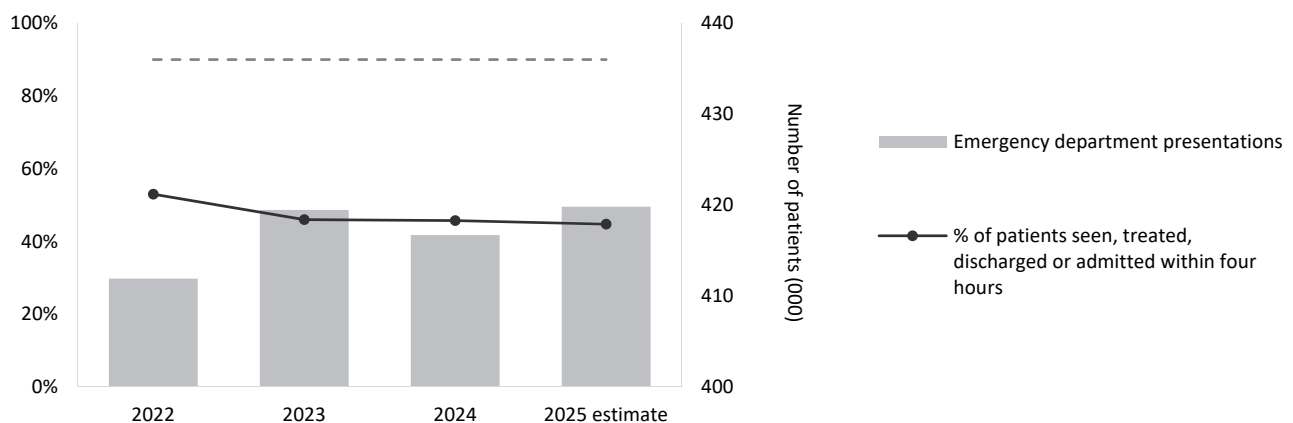
One of the KPIs for emergency departments is the percentage of patients seen, treated, discharged or admitted within four hours. The benchmark percentage has been at 90% in the State Budget for the last four years. The following chart shows this percentage for all LHNs against the State Budget benchmark. It shows that since 2023, no LHN has met the benchmark of 90% of patients seen, treated, discharged or admitted within four hours.



## Emergency department presentations and performance

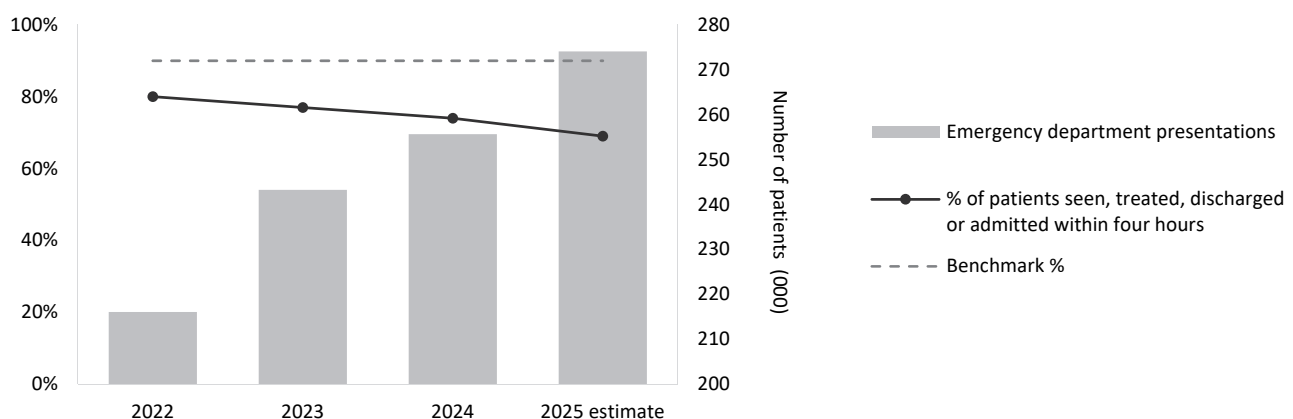
The following charts show the number of emergency department presentations compared to the percentage of patients seen, treated, discharged or admitted within four hours.

### Metropolitan LHNs



This chart shows a slight increase of 7,902 (2%) in emergency department presentations in metropolitan LHNs since 2022. SA Health has implemented a number of hospital avoidance strategies since 2022. However, this has not translated to a rise in the percentage of patients seen, treated, discharged or admitted within four hours, which has decreased by 8% since 2022.

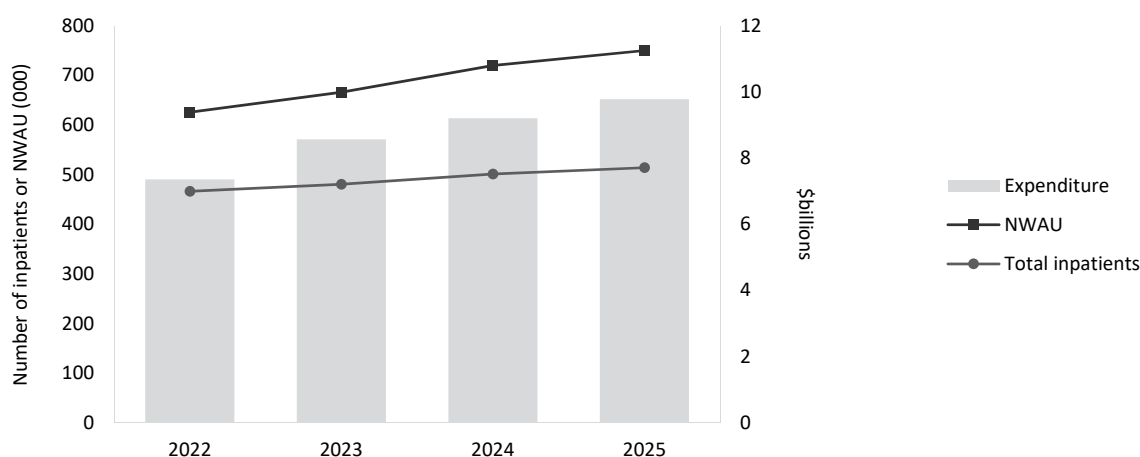
### Country LHNs



This chart shows a 58,019 (27%) increase in the number of patients presenting at country LHN emergency departments since 2022. This is consistent with an 11% decrease in the percentage of patients seen, treated, discharged or admitted within four hours since 2022.

### National Weighted Activity Units

The following chart shows that total inpatients (unweighted) has risen 10% over the last four years, but the NWAU is rising faster than the inpatient activity at 20%. This means SA Health is admitting more patients who have a higher acuity (complexity) than four years ago.



Expenditure is rising faster than inpatients and the NWAU at 33% over the last four years. This means it is not just the rise in patients and complexity increasing expenditure, but there has also been an increase in the cost of treating patients.

# Consolidated entity – Health

## Financial report opinion

### Modified


The consolidated entity did not disclose the value of procurements with South Australian and non-South Australian businesses for 2024-25, although it was required to by the Treasurer’s Instructions (Accounting Policy Statements).


## Audit findings


The consolidated entity has the same findings in multiple entities. These are in the areas of asset management, procurement, contract management, revenue, payroll, expenditure and information technology.

This means these issues may be pervasive throughout the consolidated entity and may need to be addressed at a consolidated entity level.

## Financial statistics

 **\$10.3 billion**  
Total income

 **\$9.8 billion**  
Total expenditure

 **41,080**  
Consolidated entity FTEs

 **513,868**  
Total inpatient activity

 **\$7.5 billion**  
Property, plant and equipment

## Significant events and transactions

Consolidated expenditure exceeded the original budgeted expenditure in the 2024-25 State Budget by \$754 million.

## Functional responsibility

---

The consolidated entity comprises:

- Department for Health and Wellbeing (DHW)
- Barossa Hills Fleurieu Local Health Network Incorporated (BHFLHN)
- Central Adelaide Local Health Network Incorporated (CALHN)
- Eyre and Far North Local Health Network Incorporated (EFNLHN)
- Flinders and Upper North Local Health Network Incorporated (FUNLHN)
- Limestone Coast Local Health Network Incorporated (LCLHN)
- Northern Adelaide Local Health Network Incorporated (NALHN)
- Riverland Mallee Coorong Local Health Network Incorporated (RMCLHN)
- SA Ambulance Service Inc (SAAS)
- Southern Adelaide Local Health Network Incorporated (SALHN)
- Women's and Children's Health Network Incorporated (WCHN)
- Yorke and Northern Local Health Network Incorporated (YNLHN).

In line with AASB 10 *Consolidated Financial Statements*, consolidated financial statements comprising DHW (parent), the local health networks (LHNs) and SAAS were prepared.

## Audit findings

---

We communicated our audit findings in management letters to the Chief Executive, Department for Health and Wellbeing and to the respective entities.

The main findings for multiple consolidated entities are summarised below. The full findings and the respective entities' responses can be found in the individual agencies in this report.

### Asset management

- Financial limits in the asset management system do not align with approved financial authorisations (CALHN) and (SALHN).
- There was no strategic asset management plan (EFNLHN), (LCLHN), (RMCLHN), (FUNLHN) and (YNLHN).
- The quality of asset data needs to improve (NALHN, SALHN and RMCLHN).
- Annual service delivery plans, annual site inspections and/or condition reports need to improve (CALHN, NALHN, SALHN and FUNLHN).
- Asset management system user access reviews need to improve (CALHN, NALHN and SALHN).
- There is no register of issues with the facilities manager (CALHN and SALHN).

### Procurement and contract management

- Key procurement documentation was not approved before decision and action (DHW and NALHN).
- Contracts were signed after the start of some agreements (DHW and CALHN).



- There were no contract management plans in place for strategic contracts (CALHN, NALHN and SALHN).
- There was insufficient documentation and evaluation of performance and KPIs (DHW and NALHN).
- A contract was extended for three years without a new procurement process (all country LHNs).
- Contract expenditure is not being monitored (NALHN and all country LHNs).
- Locums were engaged without a procurement process (FUNLHN, LCLHN and YNLHN).
- There was no contract for a regular service or expenditure (NALHN and EFNLHN).
- Annual contract reviews are not being performed (DHW, NALHN and SALHN).
- Contract managers have not completed mandatory training (CALHN, NALHN and SALHN).

## Revenue

- There is no segregation of revenue officer duties (NALHN, SAAS, BHFLHN, EFNLHN, RMCLHN and YNLHN).
- Debt management needs to improve (NALHN, SAAS and all country LHNs).
- Revenue system user access reviews need to improve (CALHN and NALHN).

## Payroll

- Important controls for payroll and leave management need to improve (DHW, CALHN, NALHN, SAAS and WCHN).
- There are potential overpayments of staff (SAAS, WCHN and EFNLHN).
- There is no evidence of timesheet review before payment (CALHN, NALHN, WCHN and SAAS).
- Most country specialists are working without contracts (all country LHNs).
- Medical officers were paid outside the medical officers' payment system (BHFLHN, EFNLHN, RMCLHN and YNLHN).
- The manual override of medical officers' rates is not independently reviewed (all country LHNs).
- There are no job plans for some senior medical officers and consultants (CALHN and SALHN).
- Some staff do not have current performance reviews (CALHN, NALHN and SALHN).
- Some staff are working without a current working with children or aged care check (SALHN and NALHN).
- There is inconsistent medical rostering, which may lead to payroll errors (NALHN, SALHN and WCHN).
- There are significant excessive leave balances (CALHN, NALHN, SALHN and SAAS).
- Non-compliance with SA Health's immunisation policy (CALHN, NALHN and SALHN).
- Non-compliance with SA Health's mandatory training policy (DHW, CALHN, NALHN and SALHN).

## Expenditure

- Invoices were paid without purchase orders as required (NALHN, WCHN and all country LHNs).

## Information technology general controls

We reviewed the IT general controls for a number of financial systems:

- the electronic medical record system (EMR) used for patient medical records and billing
- the Oracle corporate system (OCS) used for expenditure, revenue, general ledger and fixed assets
- the Sharp system used as a data warehouse and report writing for OCS
- Basware used for paying invoices
- ProAct used for roster, timesheets and workflow.

We found issues with:

- user access management in the EMR, OCS, Sharp and Basware systems
- patch management in the EMR, OCS, Sharp and ProAct systems
- disaster recovery and backup restoration for the Sharp system.

These issues impacted all consolidated health entities because they are SA Health systems managed by DHW.

## Interpretation and analysis of the financial report

### Highlights of the financial report – consolidated entity

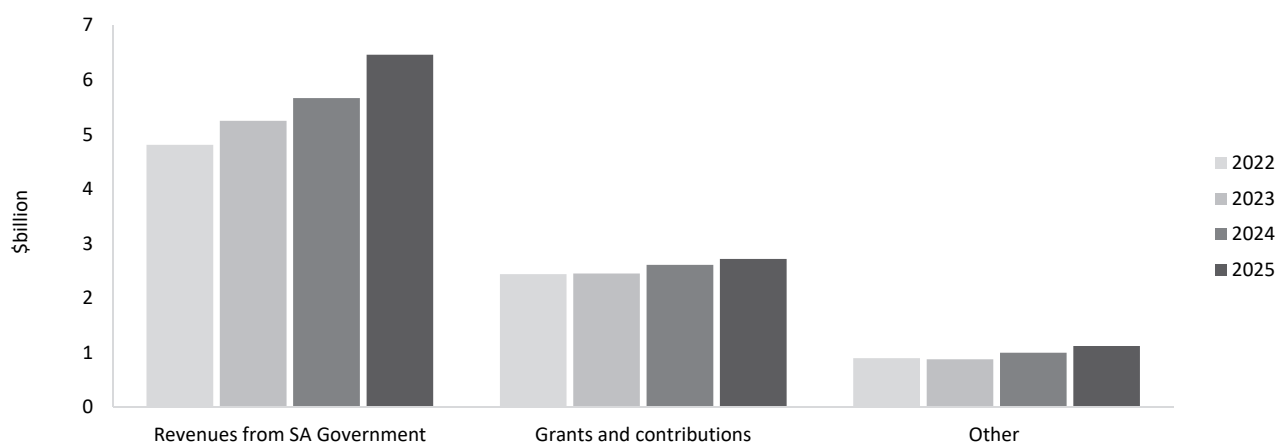
	2025 \$million	2024 \$million
<b>Income</b>		
Revenues from SA Government	6,461	5,667
Grants and contributions	2,717	2,610
Fees and charges and other revenue	1,127	999
<b>Total income</b>	<b>10,305</b>	<b>9,276</b>
<b>Expenses</b>		
Employee related expenses	5,757	5,453
Supplies, services and other expenses	3,396	3,175
Depreciation and amortisation	356	313
Borrowing costs	205	211
Grants and subsidies	44	48
<b>Total expenses</b>	<b>9,758</b>	<b>9,200</b>
<b>Net result</b>	<b>546</b>	<b>76</b>
<b>Total other comprehensive income</b>	<b>105</b>	<b>896</b>
<b>Total comprehensive result</b>	<b>651</b>	<b>972</b>
<b>Assets</b>		
Current assets	2,059	1,716
Non-current assets	7,606	7,124
<b>Total assets</b>	<b>9,665</b>	<b>8,840</b>

	2025 \$million	2024 \$million
<b>Liabilities</b>		
Current liabilities	1,855	1,714
Non-current liabilities	3,755	3,722
<b>Total liabilities</b>	<b>5,610</b>	<b>5,436</b>
<b>Total equity</b>	<b>4,055</b>	<b>3,404</b>

## Statement of Comprehensive Income – consolidated entity

### Revenue from SA Government

The following chart shows the main sources of income for the consolidated entity. Revenue from the SA Government is the main source of income, which increased by 18% over the last four years due to higher costs, rising National Weighted Activity Units (NWAUs) and additional capital funding.



### Grants and contributions

Grants and contributions is the second biggest source of income and comprises mainly Commonwealth Government funding. It increased by \$108 million (4%) in 2025 due to additional Commonwealth Government capital funding and the rising NWAUs. Commonwealth Government funding is based on NWAUs and the national efficient price.

### Fees and charges

Fees and charges are received from a variety of sources, which increased by \$98 million (12%). The main increases were:

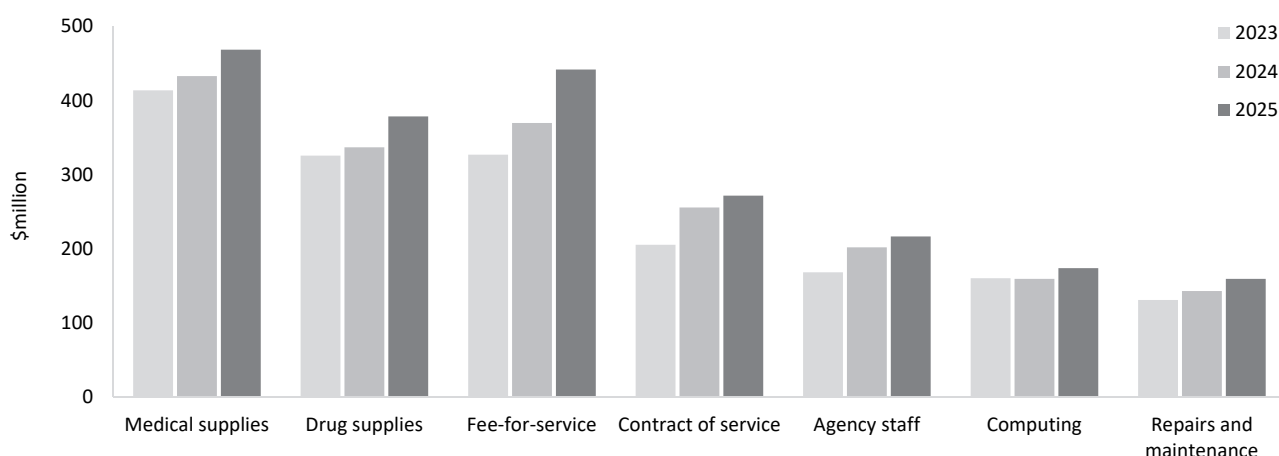
- patient and client fees of \$36 million due to an increase in patient activity and the fees charged
- interstate patient transfers of \$30 million due to treating more interstate patients in South Australian public hospitals and a revision of the 2024 amounts now that more data is available
- ambulance transport of \$17 million due to more activity and indexation of 3% on fees charged.

### Employee related expenses

Employee related expenses increased by \$304 million (6%), due to an additional 1,940 FTEs and related costs.

## Supplies and services

Supplies and services increased by \$228 million (7%). There are seven main categories that account for 64% of this expenditure, as shown in the following chart.



All of the top seven categories increased in 2025, with the biggest increases in:

- fee-for-service of \$70 million mainly due to an increase in outsourced surgery, private bed usage, patient activity and the cost of these services
- drug supplies of \$41 million due to increases in drugs provided to outpatients and the price of drugs
- medical supplies of \$36 million due to increased activity and higher costs of these goods.

## Statement of Financial Position – consolidated entity

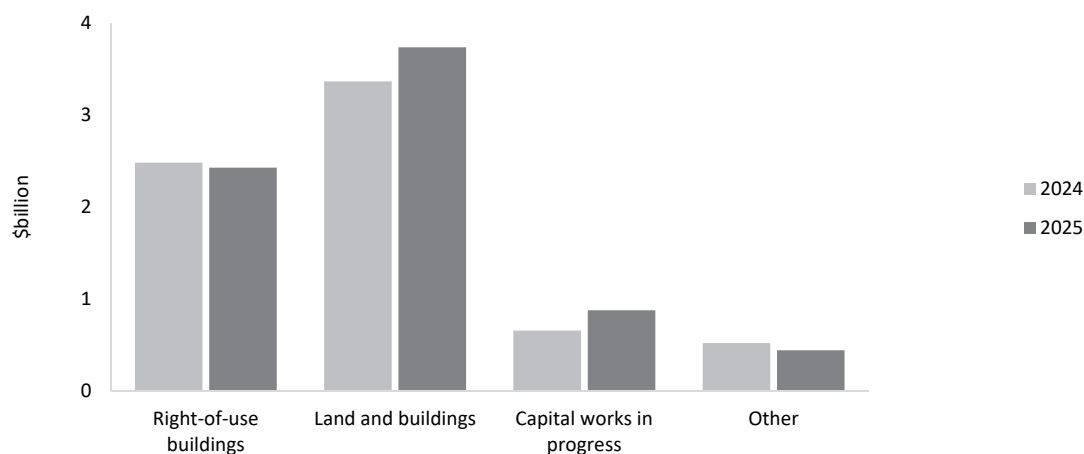
### Receivables

Receivables increased by \$71 million (14%), mainly comprising:

- a \$28 million increase in debtors, mainly for an increase in outstanding ambulance debts due to increased activity
- a \$13 million increase in interstate patient transfers owed by other jurisdictions for patients treated in South Australian public hospitals due to outstanding amounts from 2024 and a revision of the estimate of these amounts now that more data is available
- an \$11 million increase in prepayments due to new services and higher costs
- a \$10 million increase in GST input tax recoverable
- a \$10 million increase in superannuation for the SAAS defined benefit scheme due to re-measurement by the actuary.

### Property, plant and equipment

The consolidated entity's assets are mainly for non-current property, plant and equipment assets, representing 78% of total assets. The following chart shows that right-of-use buildings and owned land and buildings are the dominant categories.



The carrying value of property, plant and equipment increased by \$470 million. The main movements in 2025 were \$718 million in additions and \$94 million in revaluation increments, offset by \$356 million in depreciation.

Financial liabilities

Financial liabilities decreased by \$58 million because there is one year less remaining on property lease agreements.

Employee related liabilities

Employee related liabilities increased by \$116 million due to the increase in FTEs.

# Department for Health and Wellbeing (DHW)

---

## Financial report opinion

### Modified

DHW did not disclose the value of procurements with South Australian and non-South Australian businesses for 2024-25, although it was required to by the Treasurer's Instructions (Accounting Policy Statements).

---

## Audit findings

- Key inventory processes need to improve.
  - Procurement and contract management processes need to improve.
  - The completeness and accuracy of activity data used for calculating Commonwealth Government revenue were not confirmed.
  - Important controls for payroll and leave management need to improve.
  - Information technology processes need to improve.
- 

## Financial statistics



**\$9.2 billion**  
Total income



**\$9.1 billion**  
Total expenditure



**1,568**  
FTEs



**6,960**  
Total virtual patients

---

## Audit findings

---

We communicated our audit findings in management letters to the Chief Executive. The main findings and DHW's responses are discussed below.

### **Inventory**

#### Instances where inventory records did not match physical stock

We found instances where the stock recorded in the inventory system did not match the physical stock on hand in the warehouse. This could lead to a misstatement in the financial statements.

DHW advised us that it would review the stock on hand to ensure the correct inventory value was recorded before 30 June 2025.

#### Policies and procedures do not reflect current processes

We found that the policies and procedures for inventory were outdated and did not reflect the current processes being performed. There is a risk that key inventory processes may not be performed as staff are unaware of the requirements.

DHW advised us that these will be reviewed and updated.

#### Expired inventory has not been written off

While performing our stocktake of inventory, we noted there were a significant number of inventory items that were obsolete but had not been written off. This could lead to a misstatement in the financial statements.

DHW stated that it would write off all expired stock before 30 June 2025.

### **Procurement**

#### Key procurement documents were not promptly approved

As part of our sample testing, we found that an acquisition plan was not approved until after it went to market and tenders were already evaluated for one procurement. We also found a contract was awarded for another procurement before the purchase recommendation was approved.

This increases the risk that DHW may commit to expenditure that does not provide value for money or align with DHW's requirements.

DHW responded that it has updated its checklist to ensure approved documentation is obtained before procurement processes start.

### Contracts signed after arrangements had started

We found that a number of contracts were signed after the arrangements started. This increases the risk that contract payments may be made before key contract details are agreed by both parties.

DHW advised us that it will draft future contracts to state the 'commencement date' as the date the contract is executed.

### Supplier's performance not assessed before contract extension

We found that there was no documented review of a supplier's performance before extending their contract. This increases the risk that DHW may commit to expenditure that does not provide value for money or provides unsatisfactory outcomes.

DHW advised us that it will implement a contract supplier performance review template to document the value for money and performance assessment before further extensions are approved.

### Contract departures were not documented and approved

We found that for two contracts we sampled, there was a contract departure that was not documented and approved. This increases the risk that the procurement may not be seen as being conducted in a fair, transparent and accountable manner.

DHW advised us that it will ensure departures from contracts are correctly identified and approved.

### No approved negotiation plan

We found that there was no negotiation plan in place for a complex or strategic procurement, which increases the risk that value for money is not achieved.

DHW advised us that the procurement involved only one supplier and no formal negotiation was needed.

## **Contract management**

### Annual contract reviews not completed

We found that an annual contract review was not completed for three contracts. This increases the risk that ineffective delivery of contract objectives may not be identified.

DHW advised us that the annual contract reviews are now completed for the three contracts.

### Risk register not reviewed and updated

We noted that the risk register for a panel contract was outdated as it had not been reviewed and updated since the procurement process. This increases the risk that contract management risks may not be identified and managed effectively.



DHW acknowledged that the risk register had not been updated, but advised us that the risks were managed through contract meetings and the risk register is now updated.

### Insufficient documentation and evaluation of performance and KPIs

We found there was insufficient evidence to demonstrate the supplier's data was evaluated and used to support the assessment of KPIs. This means that performance management is either not in place or not documented.

DHW advised us that it has now implemented a number of improvements to strengthen the verification and documentation processes.

### Commonwealth funding

The completeness and accuracy of activity data were not confirmed

We found there was no process to ensure that the activity data provided by local health networks (LHNs) to DHW is complete and accurate. DHW submits this activity data to the Independent Health and Aged Care Pricing Authority, which uses it to calculate the Commonwealth Government funding to be provided to the SA Government.

DHW advised us that it will implement a process to ensure the completeness and accuracy of the activity data entered by LHNs.

### Payroll

Important controls for payroll and leave management need to improve

We found that 43% of bona fide reports and 43% of leave taken reports were not promptly reviewed. This increases the risk that incorrect payments, flexi-time and leave balances are not identified.

DHW advised us that it will investigate automated reporting through its workforce dashboard to give executives the ability to review compliance rates in their divisions.

### Information technology general controls

We reviewed the IT general controls for a number of key financial systems:

- the electronic medical record system (EMR) used for patient medical records and billing
- the Oracle corporate system (OCS) used for expenses, revenue, general ledger and fixed assets
- the Sharp system used as a data warehouse and report writing system for OCS
- Basware used for paying invoices
- ProAct used for rostering, timesheets and workflows.

We found issues with:

- user access management in the EMR, OCS, Sharp and Basware systems
- patch management in the EMR, OCS, Sharp and ProAct systems
- disaster recovery and backup restoration for the Sharp system.

These findings increase the risk of unauthorised access or changes to data, and being unable to recover data in the event of a system failure. These issues impacted all consolidated health entities because they are SA Health systems that are managed by DHW.

DHW responded that it will implement our recommendations.

## Interpretation and analysis of the financial report

### Highlights of the financial report – Department for Health and Wellbeing (parent)

	2025 \$million	2024 \$million
<b>Income</b>		
Revenues from SA Government	6,461	5,667
Grants and contributions	2,136	2,079
Fees and charges and other revenue	569	531
<b>Total income</b>	<b>9,166</b>	<b>8,277</b>
<b>Expenses</b>		
Grants and subsidies	7,966	7,232
Supplies, services and other expenses	872	897
Employee related expenses	216	210
<b>Total expenses</b>	<b>9,054</b>	<b>8,339</b>
<b>Net result</b>	<b>112</b>	<b>(62)</b>
<b>Total other comprehensive income</b>	<b>-</b>	<b>19</b>
<b>Total comprehensive result</b>	<b>112</b>	<b>(43)</b>
<b>Assets</b>		
Current assets	1,105	912
Non-current assets	99	110
<b>Total assets</b>	<b>1,204</b>	<b>1,022</b>
<b>Liabilities</b>		
Current liabilities	384	344
Non-current liabilities	293	264
<b>Total liabilities</b>	<b>677</b>	<b>608</b>
<b>Total equity</b>	<b>527</b>	<b>414</b>

### Statement of Comprehensive Income – Department for Health and Wellbeing (parent)

#### Revenues from SA Government

Revenues from the SA Government increased by \$794 million (14%) to \$6.5 billion. The main component is appropriation of \$6.3 billion, which increased to fund greater National Weighted Average Units (NWAU) and increased cost of services.

## Grants and contributions income

Grants and contributions totalled \$2.1 billion (\$2.1 billion) and mainly comprised funding for the Commonwealth National Health Reform Agreement, Department of Veterans' Affairs and Commonwealth Transition Care Program.

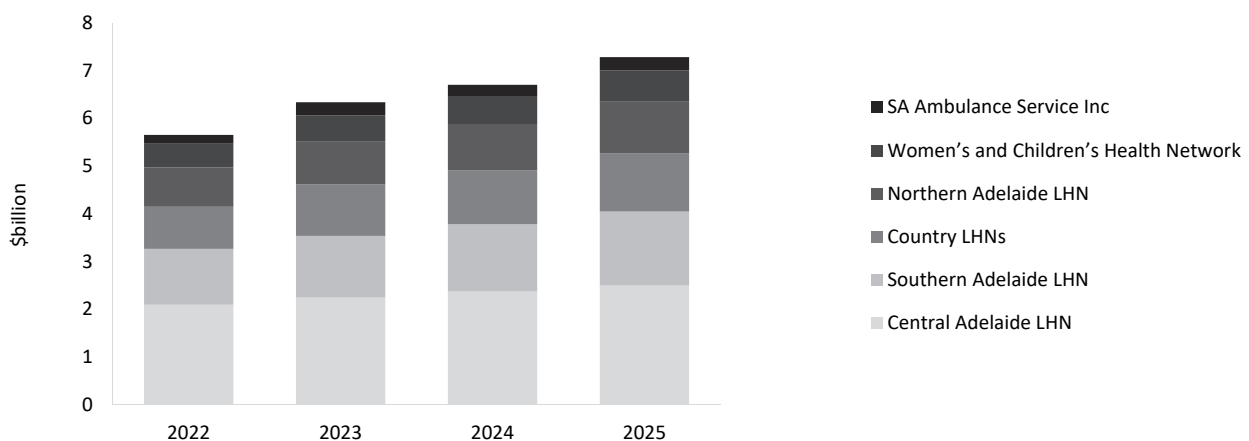
## Fees and charges

Fees and charges increased by \$35 million to \$282 million, mainly due to increases in:

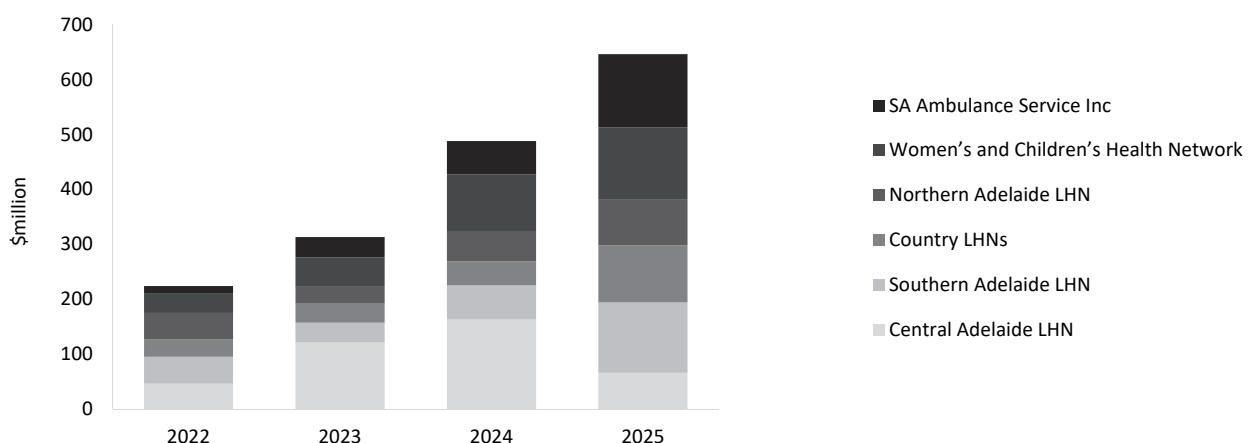
- interstate patient transfer revenue of \$30 million, due to treating more interstate patients in South Australian public hospitals and revisions to the 2024 amounts now that more data is available
- the sale of medical supplies of \$3 million, due to the increase in NWAU and the cost of supplies.

## Grants and subsidies expenses

Operating funding to health entities increased by \$580 million (9%) to \$7.3 billion to meet the rise in NWAU and cost of services. The following chart shows operating funding provided to health entities over the last four years.

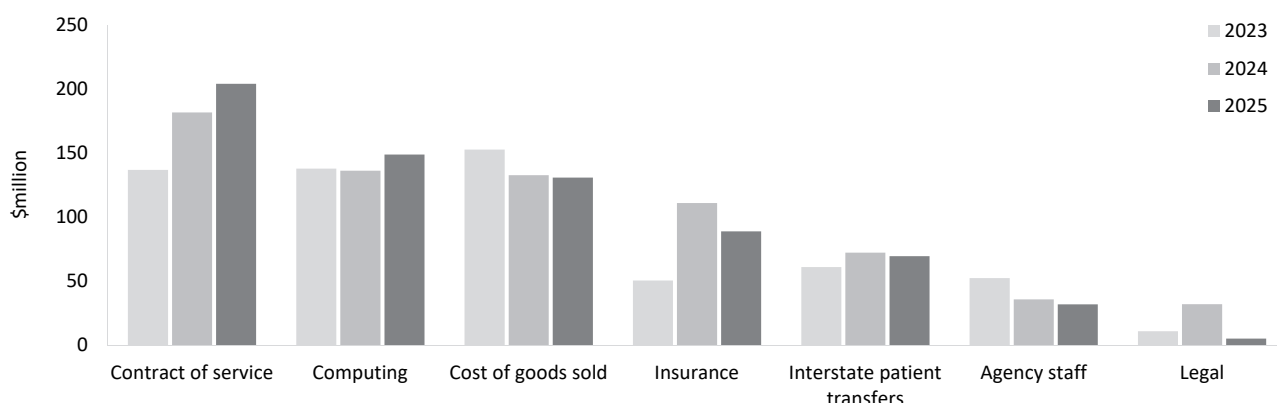


Capital funding to health entities increased by \$157 million (32%) to \$646 million in 2025 due to increased capital projects. The following chart shows capital funding to health entities for the last four years.



## Supplies and services

Supplies and services decreased by \$16 million (2%). There are seven main categories that account for 85% of this expenditure, as shown in the following chart.



The main increases were:

- \$22 million in contract of service for new health care services provided by not-for-profit entities
- \$13 million in computing for the increased costs of software licences
- offset by decreases in:
  - insurance expenses of \$22 million due to a re-measurement of the provision for insurance by the actuary
  - legal expenses of \$27 million due to less activity on outstanding legal cases.

## Statement of Financial Position – Department for Health and Wellbeing (parent)

### Cash and cash equivalents

Cash makes up 63% of total assets and increased by \$159 million (27%) to \$752 million, mainly due to increased appropriations.

### Receivables

Receivables increased by \$36 million (13%) to \$306 million due to increases in:

- interstate patient transfer amounts owed by other jurisdictions for patients treated in South Australian public hospitals of \$13 million
- GST input tax recoverable of \$12 million
- prepayments of \$6 million due to the increase in costs for software licences and new health care services provided by not-for-profit entities.

### Payables

Payables increased by \$40 million (13%) to \$349 million due to:

- a \$47 million increase in creditors and accrued expenses for increased invoices for capital works in progress
- a \$4 million increase in health service workers compensation which reflects the actuarial assessment of this liability at 30 June 2025
- offset by a \$12 million decrease in interstate patient transfer amounts owed to other jurisdictions for South Australian patients treated in non-South Australian public hospitals.

## Provisions

Provisions increased by \$25 million (13%) to \$211 million, reflecting the re-measurement of the provisions by the actuary, mainly for the insurance provision for medical malpractice claims.

## Functional responsibility

---

DHW is an administrative unit established by the *Public Sector Act 2009*. It is a funder or purchaser of health services, policy setter, strategic planner and provider of services. DHW is the 'system leader' of SA Health and it sets strategic direction, statewide policy and manages the performance of the public health system.

The Chief Executive of DHW is charged with the management, administration and provision of health services to facilitate the efficient and effective operation of the public health system.

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- payroll
- accounts payable
- inventory
- revenue
- property, plant and equipment
- cash
- general ledger.

Some financial services are provided to DHW by Shared Services SA. We considered the work of DHW's internal auditors in designing and performing our audit procedures.

We reviewed controls over procurement and contract management, approval of payments, buildings and improvements, grant revenue and bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

# Barossa Hills Fleurieu Local Health Network Incorporated (BHFLHN)

## Financial report opinion

### Modified

BHFLHN did not disclose the value of procurement with South Australian and non-South Australian businesses for 2024-25, although it was required to by Treasurer's Instructions (Accounting Policy Statements).

## Audit findings – BHFLHN

- Invoices were paid without purchase orders.
- Debt management needs improvement.
- There was inadequate segregation of duties for patient revenue.
- Medical officers were paid outside of the medical officers' payment system.

## Audit findings – Rural Support Service (RSS)

- A contract was extended for three years without initiating a new procurement.
- There was no approval for expenditure above the approved amount on a large contract.
- Debt management needs improvement.
- Most specialists are working without a contract.
- Manual overrides of medical officers' rates are not reviewed.

## Financial statistics



**\$514 million**  
Total income



**\$475 million**  
Total expenditure



**2,306**  
FTEs



**14**  
Hospital and health service sites



**35,425**  
Total inpatient activity

## Audit findings

---

We communicated our audit findings in a management letter to the Chief Executive Officer of BHFLHN. The main findings and BHFLHN's responses are discussed below.

### **BHFLHN**

#### Invoices paid without purchase orders

We found invoices with no accompanying purchase orders raised, for which exemptions did not apply. This increases the risk of payments being made for goods or services not received or not at the agreed price.

SA Health policy mandates the use of requisitions and purchase orders, unless the item purchased is on the approved purchase order exemption list or below \$2,200.

BHFLHN advised us that it will continue to review and educate its staff and will consider standing orders for regular services.

#### Debt management needs to improve

We found instances where the follow-up and recovery of longstanding debtors was ineffective or not performed. This may result in lost revenue for BHFLHN.

BHFLHN advised us that while some of its debts are old, they do have payment plans. BHFLHN is moving its debt management from Shared Services SA to BHFLHN to improve its oversight.

#### Inadequate segregation of duties for patient revenue

We found that revenue officers can modify the length of hospital stay and charge types, increasing the risk of inappropriate adjustments to invoiced fees.

BHFLHN advised us that it is now reviewing a report on changes made by revenue officers, and will ensure the report is signed to evidence the review.

#### Medical officers paid outside the medical officers' payment system

We identified an instance where a locum was paid outside of the system, which led to an incorrect payment. The system is designed with inbuilt controls to ensure payments are accurate.

BHFLHN replied that it will continue to monitor payments made through the accounts payable system that should have been processed through the medical officers' payment system, and will address any incorrect payments promptly.

## **Rural Support Service**

The RSS provides financial services to all six country local health networks (LHNs), but is under BHFLHN governance and reported in BHFLHN's financial statements. The issues below relate to all country LHNs.

**A contract was extended for three years without a new procurement process**

We found that a contract that had ended, with all extensions exhausted, was extended for another three years without a new procurement process being performed.

BHFLHN responded that it will ensure procurements are properly planned for and will only extend completed contracts for a short time if needed.

**No approval for expenditure above the contract amount**

We found that expenditure against a large contract used by all country LHNs was not tracked to ensure additional approval was sought if expenditure exceeded the approved amount. Based on the 2024-25 expenditure for this contract, it is likely the total spend is already well above the approved amount.

BHFLHN advised us that it has informed the country LHNs of their responsibility for monitoring their own expenditure and seeking revised financial authorisations where required.

**Debt management needs to improve**

We found instances where the follow-up and recovery of longstanding debtors was ineffective or not performed. This may result in lost revenue for country LHNs.

BHFLHN advised us that it is waiting on SA Health for system changes to provide it with access to the debt management system. In the meantime it will ensure debt collection is undertaken promptly.

**Most specialists are working without a contract**

Specialists providing medical services at country hospitals charge a fee for this service, but most of them do not have a service contract. We have been reporting this issue since 2018.

BHFLHN advised us that it is finalising contract templates and acquisition, risk and evaluation plans, with contract negotiations to start soon.

**Manual overrides of medical officers rates are not reviewed**

The medical officers' payment system allows users to overwrite the rates in the system, but rate changes are not independently reviewed. This may impact the amounts paid to medical officers.

BHFLHN advised us that its manual pricing override report was fixed in April 2025 and will now be reviewed, with any discrepancies followed up. The report will be signed to evidence the review.



## Interpretation and analysis of the financial report

The consolidated accounts of BHFLHN include the incorporated Health Advisory Councils within the BHFLHN region. These Councils undertake an advocacy role on behalf of the community, to provide advice about health services, health issues, goals, priorities, plans and strategic initiatives.

We are only showing the consolidated amounts below, as the differences between the consolidated and parent amounts are immaterial.

### Highlights of the financial report – consolidated

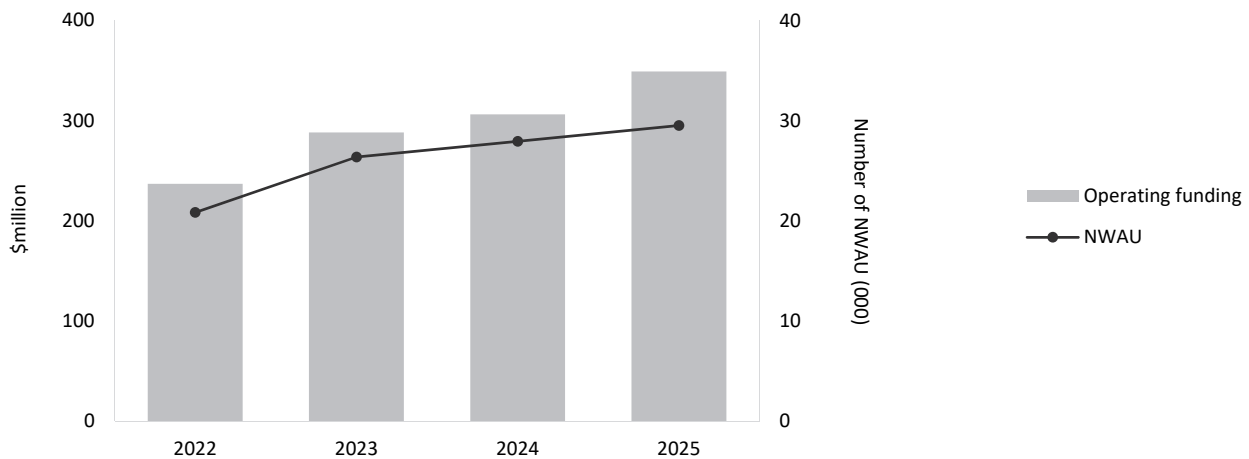
	2025 \$million	2024 \$million
<b>Income</b>		
Revenues from SA Government	404	328
Fees and charges	21	23
Grants and contributions	51	48
Other income	38	37
<b>Total income</b>	<b>514</b>	<b>436</b>
<b>Expenses</b>		
Staff related expenses	283	258
Supplies and services and other expenses	182	160
Depreciation and amortisation	10	10
<b>Total expenses</b>	<b>475</b>	<b>428</b>
<b>Net result</b>	<b>39</b>	<b>8</b>
<b>Total other comprehensive income</b>	<b>(8)</b>	<b>48</b>
<b>Total comprehensive result</b>	<b>31</b>	<b>56</b>
<b>Assets</b>		
Current assets	65	61
Non-current assets	256	226
<b>Total assets</b>	<b>321</b>	<b>287</b>
<b>Liabilities</b>		
Current liabilities	91	90
Non-current liabilities	46	43
<b>Total liabilities</b>	<b>137</b>	<b>133</b>
<b>Net assets</b>	<b>184</b>	<b>154</b>

### Statement of Comprehensive Income

#### Revenues from SA Government

Revenues from the SA Government account for 79% of income and increased by \$76 million (23%). They are received from the Department for Health and Wellbeing and comprise:

- \$349 million (\$306 million) in operating funding, with the increase for additional activity (see chart below) and a rise in the price per National Weighted Average Unit (NWAU) paid
- \$55 million (\$22 million) in capital funding, with the increase mainly to fund the new Mount Barker Hospital.

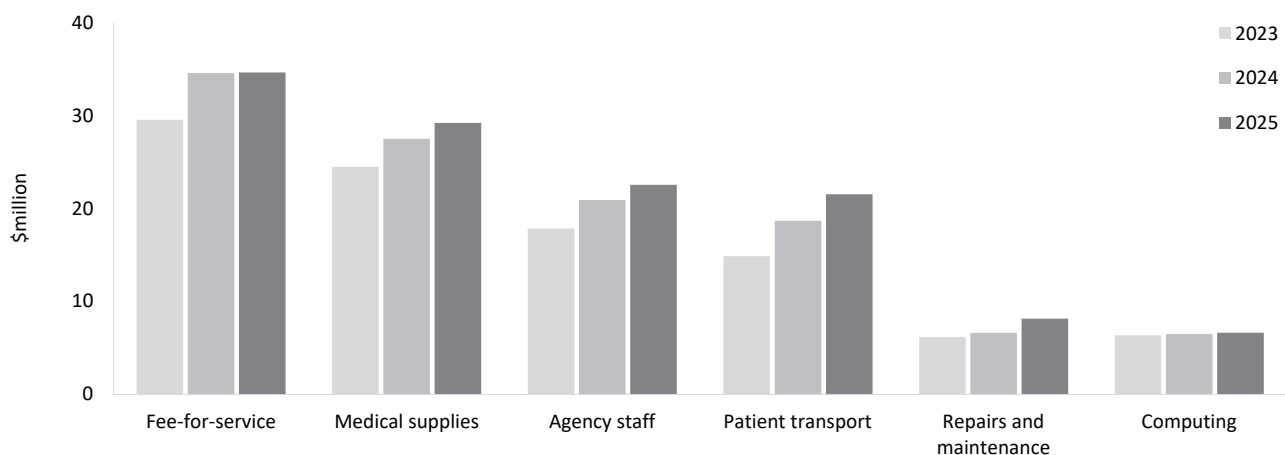


### Staff related expenses

Staff related expenses account for 60% of expenses and increased by \$25 million (10%). The increase is mainly due to an additional 153 FTEs as BHFLHN recruited more staff to cover increased activity and place less reliance on agency and fee-for-service staff – see ‘Supplies and services’.

### Supplies and services

Supplies and services account for 36% of expenses and increased by \$14 million (9%). There are six main categories that account for 71% of this expenditure, as shown in the chart below.



The main increases in supplies and services were:

- \$2.6 million in drug supplies, \$1.7 million in medical supplies and \$1.6 million in agency staff due to increased activity and the higher cost of these goods and services
- \$2.9 million in patient transport due to increased kilometres claimed and expanding the scope of the eligible reimbursable services. Patient transport expenses are for all country LHNs.

## Statement of Financial Position

### Property, plant and equipment

Property, plant and equipment increased by \$29 million (13%) due to \$57 million in additions offset by \$10 million in depreciation, \$8 million in revaluation decrements and \$8 million in disposals. The additions were mainly for capital works in progress for the Mount Barker Hospital.

### Payables

Payables decreased by \$7 million (42%) due to a decrease in creditors and accrued expenses following a change in payment terms from 30 to 15 days and one creditor being behind in invoicing BHFLHN in 2024.

### Staff related liabilities

Staff related liabilities increased by \$9 million (11%) due to the increase of 153 FTEs and the related cost of these staff.

## Functional responsibility

---

BHFLHN was established to provide health services in the Barossa, Hills and Fleurieu region of South Australia. This map of South Australia shows the BHFLHN region.



### Rural Support Service

Although the RSS is within BHFLHN's governance and reported in BHFLHN's financial statements, it is accountable to all six country LHNs. It provides a range of specialist clinical and corporate functions to these LHNs including business services, governance and risk assurance, workforce development and clinical services development and support. The country LHNs reimburse the RSS for the cost of these services.

### Governance

LHN governing boards are responsible for the governance and oversight of local health service delivery, including governance of performance, budget achievement, clinical safety and quality and risk. Each LHN chief executive officer is accountable to, and subject to the direction of, the governing board for managing the operations and affairs of the LHN.

## Scope of the audit

---

Financial services for BHFLHN are provided by several agencies:

- BHFLHN, including the RSS
- the Department for Health and Wellbeing
- Shared Services SA.

The audit program covered major financial systems at these agencies to obtain sufficient evidence to form an opinion on the financial report and internal controls. A contracted accounting firm assisted the Auditor-General with the audit. Areas of audit attention in 2024-25 included:

- payroll
- accounts payable, including procurement
- revenue, including debt management
- property, plant and equipment
- asset management
- cash
- general ledger.

# Central Adelaide Local Health Network Incorporated (CALHN)

## Financial report opinion


### Modified

CALHN did not disclose the value of procurements with South Australian and non-South Australian businesses for 2024-25, although it was required to by the Treasurer's Instruction (Accounting Policy Statements)

## Audit findings

- Important controls for payroll and leave management need to improve.
- Some staff do not have current performance reviews.
- Some medical officers started their employment without a letter of offer.
- Some key contract management processes could be improved.
- Asset management and maintenance processes under the Across Government Facilities Management Arrangements (AGFMA) could be improved.
- User access reviews for the Sunrise electronic medical records and patient administrative system could be improved.


## Financial statistics

 **\$3.6 billion**  
Total income

 **\$3.57 billion**  
Total expenditure

 **13,507**  
FTEs

 **\$200 million**  
Borrowing costs for the  
Royal Adelaide Hospital

 **150,440**  
Total patient activity

## Significant events and transactions

- The Clinical Services Building at The Queen Elizabeth Hospital was opened on 1 July 2024.
- 70 additional beds were opened at the Hampstead Rehabilitation Centre for the Care of the Older Person and Community Transition Project (CO-ACT).

- 77 staff from other local health networks (LHNs) were transferred to CALHN between March and May 2025 to form a statewide aged care assessment service in response to the Commonwealth Government introducing a new single assessment aged care system across all jurisdictions. CALHN started providing the new service from 1 July 2025.
  - Quarterly service payments totalling \$386.5 million were paid for the Royal Adelaide Hospital in line with the project agreement.
-

## Audit findings

---

We communicated our audit findings in management letters to the Chief Executive Officer. The main findings and CALHN's responses are discussed below.

### Payroll

CALHN employs 13,507 FTEs and has significant payroll-related costs, with \$1.9 billion in staff-related expenses paid and \$693.1 million in staff-related liabilities and associated on-costs as at 30 June 2025. Given the significance of these costs, we review key payroll controls each year.

Important controls for payroll and leave management need to improve

We found a number of payroll issues in 2024-25 that we have previously reported on.

#### Key payroll information was not always reviewed

Key payroll reports for staff differ depending on the type of employee. Effectively reviewing these reports helps to ensure payments to staff are accurate and valid. For staff who are automatically paid each fortnight, key payroll information is captured on bona fide and leave return certificates.

Although the monitoring of bona fide and leave return certificates across CALHN, including for the Statewide Clinical Support Services (SCSS), improved from 2024, further improvement is still required. We found that:

- the number of bona fide certificates not reviewed remained steady at CALHN at 21% and was 27% (36%) at SCSS
- the number of leave return certificates not reviewed remained steady at CALHN at 21% and was 39% (29%) at SCSS.

When payroll information is not reviewed there is an increased risk of inaccurate payments to staff, which may result in financial loss to CALHN and leave taken by staff not being completely and accurately recorded.

CALHN responded that it has an established framework for the regular monitoring and review of bona fide and leave return certificate approval rates and that it implements corrective actions to achieve target KPIs. It will review compliance data to identify areas of non-compliance and consider targeted communication and/or training for its staff.

SCSS responded that it has sent a communication to its staff about the importance of regularly reviewing bona fide and leave return certificates. It will also continue to assess its bona fide data and provide it to each SCSS service and its executive management team monthly.

#### No process to ensure that all medical officers' timesheets are approved and submitted accurately

In prior years we found that there was no process to ensure all medical officers' timesheets were promptly submitted and approved before payment. This is particularly important where medical officers are established in the payroll system as automatically paid, regardless of whether a timesheet is submitted.

To mitigate the risk, a process was introduced across all LHNs from 2022-23, where medical practitioners are paid their base salary for the fortnights where timesheets are not submitted. Only when a timesheet is submitted will the base pay be adjusted to reflect the actual hours worked and additional allowances or penalties due.

We tested outstanding timesheets at April 2025 and found that 1,855 timesheets were not submitted by 748 medical officers across CALHN and SCSS.

We were advised that Shared Services SA (SSSA) now emails divisions to confirm that medical officers are still employed if they have a contract but have not submitted timesheets.

CALHN responded that it continues to review outstanding timesheets and liaises with business units to address missing timesheets. It will consider strategies to address outstanding timesheets and strengthen fortnightly controls for timesheet submission.

#### Medical practitioners started their employment without a signed letter of offer

A letter of offer acts as a formal offer of a position and is signed by the successful applicant as evidence of their acceptance of the position, before starting the role. We found instances where the letter of offer was issued or signed by the recipient after the start date.

If a letter of offer is not signed before employment commences, CALHN and its staff may be unclear about their obligations in the event of a dispute.

CALHN responded that it has started daily monitoring and reporting of late contracts and will analyse the causes to develop strategies to address this issue. It is finalising plans to implement offer functionality in its recruitment system to improve the timeliness of issuing and acceptance of employment offers.

#### Some staff do not have current performance reviews

We found that 54% of CALHN staff and 57% of SCSS staff had current performance reviews at the time of our audit. This is below the 80% KPI that the Department for Health and Wellbeing (DHW) has established and documented in service level agreements.

Effective performance reviews create a culture of accountability and continuous improvement.

CALHN responded that it has established a framework for regular monitoring and review of performance review rates. It continues to focus on initiatives to streamline the completion and recording of development discussions. It has implemented an online management tool to automate the scheduling of development discussions. CALHN will continue to develop effective strategies and plans to improve and sustain reported participation rates.

SCSS responded that an improvement plan was endorsed by its executive to assess performance and development review rates. The compliance rate was 65% at 30 June 2024 but it had plateaued at 61% in 2025. SCSS will review its improvement plan to ensure performance rates improve.



## No job plan for senior medical practitioners and consultants

The annual job planning process for senior medical practitioners and consultants defines the agreed duties, responsibilities and objectives of the position for the coming year. It provides clarity about the expectations, commitments and support required to achieve outcomes, and ensures resources are aligned with service priorities and plans.

In previous years we have reported there are no job plans for some senior medical officers and consultants. In response CALHN established mechanisms to record completed job plans in its payroll system, Chris21. It introduced a job plan process and is currently collecting and collating job plan information in Chris21.

CALHN's job plan dashboard reported a 5.8% compliance rate for CALHN and 0.7% compliance rate for SCSS in May 2025,. However, we were advised that the job plan data is not accurate, as job plans may have been completed but not recorded in Chris21.

As we have found before, job plans for medical officers we sampled this year were either not provided or there was no evidence that they had been updated annually.

The lack of job plans may result in senior medical officers and consultants performing duties inconsistent with their role description or not in line with management's expectation.

CALHN advised us that in response to previous audit findings it established mechanisms to record completed job plans in Chris21 and communicated these requirements to medical leads and heads of units. It is continuing its efforts to ensure Chris21 is updated to more accurately reflect the current level of documented job plans.

## Non-compliance with SA Health's mandatory training policy

CALHN's new learning management system includes mandatory training modules that all SA Health staff and contracted staff must complete, and captures training completion data.

The mandatory training compliance report for:

- April 2025 noted an average completion rate of 82% for CALHN
- May 2025 noted an average completion rate of 82% for SCSS.

We do not consider this reasonable for mandatory training. SA Health's mandatory training policy states that each health agency is responsible for complying with mandatory training requirements and reporting on it annually to its Workforce Executive Director.

CALHN responded that it will continue to focus on improving compliance rates across all mandatory courses, including ongoing performance monitoring. It has recently implemented enhanced reporting functionality to help with this.

SCSS responded that it will communicate to all staff about the importance of being up to date with mandatory training modules. It will provide the mandatory training completion rate data to each SCSS service and its executive management team monthly.

## **Asset management and maintenance processes under the AGFMA could be improved**

CALHN has property, plant and equipment worth \$3.4 billion. Its main assets are the Royal Adelaide Hospital (RAH) and The Queen Elizabeth Hospital (TQEH). We followed up the process for managing the maintenance of these assets. We did not perform detailed work on maintenance at the RAH, as this is covered by separate public private partnership arrangements.

### **No site inspection plans and asset condition reports**

CALHN and SCSS have not received annual site inspection plans or asset condition reports from its facilities services provider under the AGFMA, Ventia.

Ventia is required to provide CALHN and SCSS with an annual inspection plan for the following year which is to be approved by CALHN and SCSS. Ventia is then required to complete the annual inspections and provide asset condition reports to CALHN and SCSS. These reports are important for identifying asset conditions for safety and for planning preventive maintenance and replacement of assets.

The lack of asset condition reports means the data in Ventia's asset system (Panorama) cannot be used for asset management purposes.

Although Ventia is responsible for preparing the annual site inspection plan and asset condition reports, the risk of not having current asset condition data remains with CALHN and SCSS. Poorly maintained assets can lead to operational inefficiencies, service disruption, increased downtime and instances of regulatory non-compliance.

CALHN advised us that:

- Ventia has failed to provide site inspections across all SA Government agencies
- the Department for Infrastructure and Transport (DIT) and DHW are working with Ventia to ensure this contract requirement is fulfilled
- it will continue to liaise with DIT and DHW to address the ongoing contract non-compliance issues with Ventia.

SCSS advised us that:

- SA Pathology has had this as a standing action for the last 12 months for its Frome Road site
- SA Dental had some sites inspected in 2023 but the quality of them was poor. In the interim, SA Dental's asset manager has been doing annual visits to review asset condition, but this is a limited inspection
- this issue has been escalated through DHW to the Across Government Facilities Management Governance Group
- it has requested annual site inspections plans and asset condition reports from Ventia but it has not had a response.

## Annual service delivery plans are not based on asset data

Ventia prepares the annual service delivery plans and budget based on prior year expenditure with indexation.

CALHN could not provide us with evidence that a review is being performed to ensure all assets are included in the annual service delivery plans and that the asset data reconciles with the data in Panorama. This is due to incomplete data in Panorama.

While Ventia is responsible for maintaining asset data in Panorama and preparing annual service delivery plans, the risk of not maintaining the data or incomplete annual service delivery plans remains with CALHN. Therefore, CALHN's assets may not be effectively managed and maintained to ensure the safety and functionality of core assets, their optimal life and their value realisation.

CALHN responded that it will continue to highlight the issues and pursue improvements with Ventia to address the risk.

## Accounts payable and goods and services expenditure

CALHN's supplies and services expenditure was \$1.3 billion in 2024-25.

### Contract management plan and contract not signed before work started

We found that the panel provider contracts for the provision of medical imaging services were signed in June 2025, but the contract started on 31 January 2025. SCSS advised us that this was consistent with a directive from DHW.

SCSS advised us that while the contracts were being finalised by the Crown Solicitor's Office, letters of intent were issued to the private provider panel members. While the letter of intent notifies the supplier of SCSS's intent to enter into a contract, it does not cover contract deliverables, supplier performance or set out dispute resolution processes.

We also noted that the contract management plan was being developed at the time of our audit in July 2025. Procurement SA's contract management policy requires a contract management plan to be developed and approved for all complex and strategic contracts, no later than the contract commencement date.

SCSS responded that it will ensure all staff involved with procurement and contracts are aware:

- that contracts with suppliers must be signed before any services start
- of the requirement to monitor key deliverables in contracts to ensure supplier performance through the annual contract management report.

## Revenue

CALHN received \$485 million in patient and client fees and \$44.8 million in private practice fees in 2024-25.

## No private practice revenue audits performed

CALHN did not have a method of independently ensuring the completeness and accuracy of rights of private practice (RoPP) fees it received.

Memorandums of agreement (MoAs) for private practice allow medical officers to undertake RoPP outside of CALHN with written approval. The MoAs require medical officers to transfer all offsite generated RoPP fees collected to CALHN. They are then distributed in line with the MoA requirements.

In previous years, we found that CALHN had not performed independent private practice audits allowed for in the MoAs. CALHN advised us that it would develop a formal program for reviewing RoPP fees from medical officers under the MoAs.

In 2024-25 CALHN implemented a statutory declaration process for RoPP conducted outside the SA Health offsite billing process for 30 June 2025. It sent a questionnaire to all medical officers with an RoPP arrangement to be returned to CALHN by 31 May 2025.

We noted that, at August 2025:

- 22 of the 41 medical officers providing RoPP services outside of SA Health facilities had returned a statutory declaration signed by a Justice of the Peace
- the statutory declaration process does not ensure offsite fees generated from RoPP services have been completely and accurately transferred to CALHN.

CALHN responded that:

- auditing the private practices of medical officers who generate offsite fees is not feasible and it does not have the specialised expertise to do this
- it has assessed the financial risk of loss of revenue from non-compliance by these medical officers to be low
- the current statutory declaration process mitigates the residual risk by ensuring medical officers are aware of their responsibilities
- it will continue to complete the statutory declaration process in 2025-26 and review the associated revenue risk to ensure it is low.

## Weaknesses in user access review for the Sunrise electronic medical records and patient administrative system (EMR)

EMR is a records system used by South Australian public hospitals and health care facilities to record patient and revenue data.

We have previously identified that there was no user access review performed to ensure all CALHN EMR users have appropriate access in line with their roles and responsibilities.

In response CALHN's finance staff implemented a six-monthly review of user access to the EMR.

We found that CALHN does not:

- check to ensure that all user access is appropriate to employee roles and responsibilities
- check against payroll information to ensure users are current CALHN employees
- verify user access information with managers
- have policies or procedures established for the periodic review of user access.

CALHN responded that the EMR finance module is used for billing private health funds and other compensable debtors, therefore the limited number of debtors in EMR means the risk of EMR being used to gain personal benefit from inappropriate use of the system is considered to be minimal. It will request suitable reports to effectively perform user access reviews.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2025		2024	
	Consolidated \$million	Parent \$million	Consolidated \$million	Parent \$million
<b>Income</b>				
Revenues from SA Government	2,566	2,566	2,536	2,536
Fees and charges	572	553	523	504
Grants and contributions	325	326	293	293
Resources received free of charge	17	17	16	16
Other revenue/income	131	124	118	117
<b>Total income</b>	<b>3,611</b>	<b>3,586</b>	<b>3,486</b>	<b>3,466</b>
<b>Expenses</b>				
Staff benefits expenses	1,945	1,930	1,881	1,868
Supplies and services	1,269	1,268	1,178	1,176
Borrowing costs	200	200	207	207
Depreciation and amortisation	136	135	117	116
Other expenses	21	18	15	13
<b>Total expenses</b>	<b>3,571</b>	<b>3,551</b>	<b>3,398</b>	<b>3,380</b>
<b>Net result</b>	<b>40</b>	<b>35</b>	<b>88</b>	<b>86</b>
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>141</b>	<b>141</b>
<b>Total comprehensive result</b>	<b>40</b>	<b>35</b>	<b>229</b>	<b>227</b>
<b>Assets</b>				
Current assets	373	356	335	319
Non-current assets	3,407	3,392	3,423	3,413
<b>Total assets</b>	<b>3,780</b>	<b>3,748</b>	<b>3,758</b>	<b>3,732</b>
<b>Liabilities</b>				
Current liabilities	505	501	486	483
Non-current liabilities	2,713	2,712	2,748	2,747
<b>Total liabilities</b>	<b>3,218</b>	<b>3,213</b>	<b>3,234</b>	<b>3,230</b>
<b>Net assets</b>	<b>562</b>	<b>535</b>	<b>524</b>	<b>502</b>

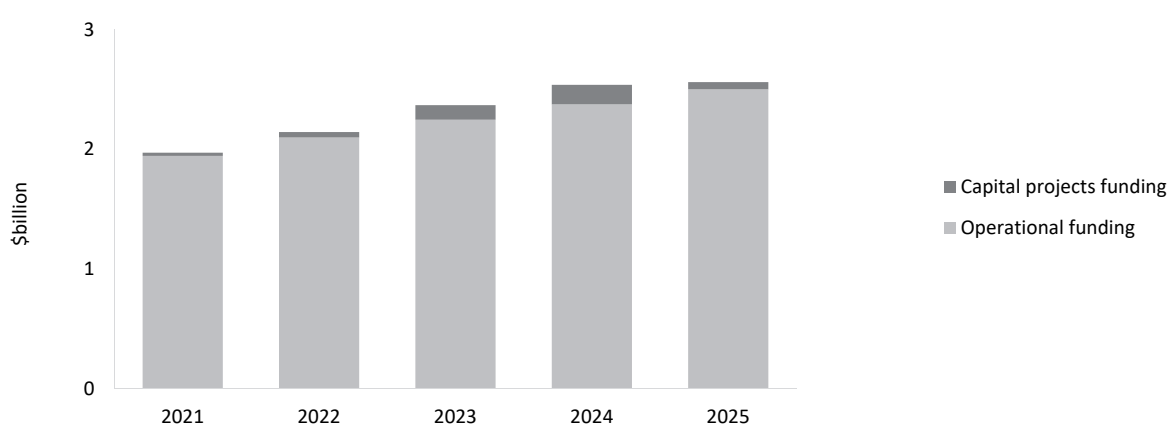
## Statement of Comprehensive Income

### Income

#### Revenues from SA Government

CALHN is mainly funded through operational and capital funding from DHW. CALHN received operational funding of \$2.5 billion in 2024-25, an increase of \$125.8 million. The increase in operational funding is mainly additional funding for increased patient activity and indexation of costs. CALHN also received capital funding of \$66.2 million, mainly for the construction of the new mental health facility at the TQEH and the Hampstead Rehabilitation Centre refurbishment.

The following chart shows CALHN's revenues from the SA Government over the last five years.



#### Fees and charges

Fees and charges increased by \$48.8 million to \$571.8 million (9.3%). This was mainly due to patient and client fees rising by \$42.6 million due to an overall increase in patient activity, resulting in:

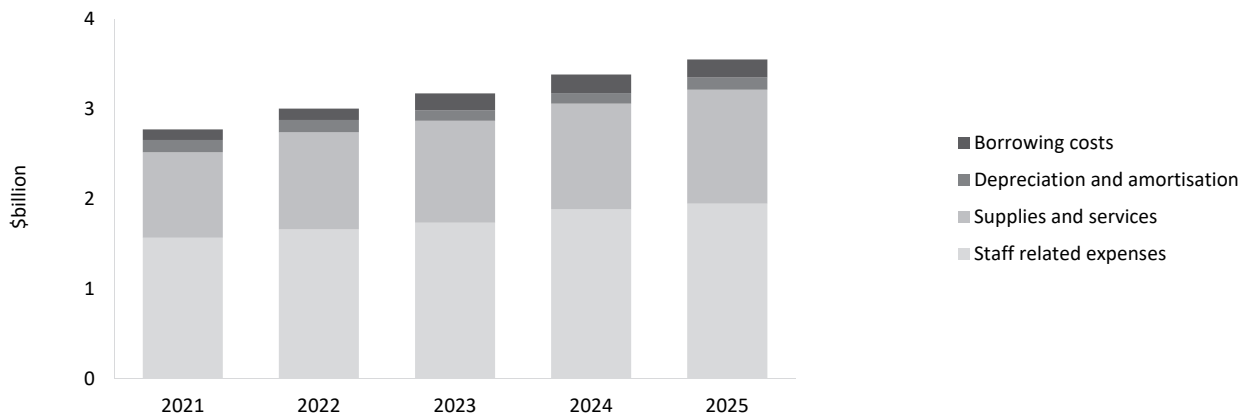
- an \$11.9 million increase in fees from day and overnight procedures
- increases of \$16.6 million in medical imaging fees and \$15.5 million in private and public pathology fees due to increased activity levels and the introduction of the cost recovery model for pathology and medical imaging services provided by SCSS to other LHNs.

#### Grants and contributions

Grants and contributions increased by \$32.6 million (11.2%), mainly due to an increase in the Pharmaceutical Benefits Scheme (PBS) Commonwealth subsidy of \$30 million (11.6%), which is in line with the increase in drug supplies expenses of \$37.3 million.

### Expenses

Total expenses increased by \$172.9 million (5.1%) to \$3.6 billion in 2024-25. The following chart shows the composition of expenses for the last five years.



### Staff related expenses

Staff related expenses of \$1.9 billion, which represent 54% of CALHN's total expenses, increased by \$64.1 million (3%) in 2024-25. This was due to increases in:

- salaries and wages of \$73.7 million, reflecting:
  - 451 additional FTEs, including extra nursing and medical officers for increased activity levels
  - enterprise bargaining agreement increases, including those for nursing and medical officers which increased nursing salaries and wages by \$20.4 million and costs of consultants, medical officers and medical practitioners by \$19.3 million
- annual leave expense rising by \$3.8 million, mainly due to increased FTEs
- superannuation rising by \$19.7 million. This aligns with the increases in salaries and wages and annual leave expenses, and the superannuation guarantee rate rising from 1 July 2024.

These increases were offset by decreases to:

- long service leave expense of \$22.2 million due to the annual revaluation of the long service leave liability
- worker compensation expense of \$11.6 million due to payments of \$8.7 million and the annual actuarial re-measurement of the provision of \$5.5 million.

The following table shows the breakdown of CALHN's total staff numbers between medical, nursing and non-medical staff since 2021-22. It shows overall growth in FTEs over the four years to 2024-25.

	2021-22 FTEs	2022-23 FTEs	2023-24 FTEs	2024-25 FTEs
Medical officers	1,525	1,561	1,629	1,697
Nurses	4,994	5,088	5,297	5,439
Non-medical	6,251	6,019	6,130	6,371
Total FTEs	12,770	12,668	13,056	13,507

The slight fall in 2022-23 reflects the decrease in non-medical staff of 232 FTEs due to the reduced level of COVID-19 testing and the closure of COVID-19 testing sites, offset by increases in the number of medical officers and nurses. The increase over the past two years is due to the employment of more medical and nursing staff as a result of increased patient activity.

## Supplies and services

Supplies and services increased by \$91.2 million (8%) to \$1.3 billion, with significant components being:

- drug supplies, up by \$37.3 million (11%), mainly due to an increase in drugs supplied to outpatients of \$32.7 million, as there was growth in non-PBS drug expenditure associated with high costs drugs and an increase in drug prices from suppliers
- fee for service, up by \$30.7 million (40%) mainly due to increases in:
  - private bed usage (\$16 million)
  - elective surgery outsourcing costs (\$5 million)
  - medical imaging fees as services were outsourced to private providers (\$4 million)
- medical, surgical and laboratory supplies, up by \$21.9 million (10%), mainly due to increases in medical and laboratory supplies (\$5.2 million), outside medical imaging costs (\$5.2 million) and prostheses and implants (\$3.8 million).

## Depreciation

Depreciation increased by \$20.7 million (18.5%) mainly due to:

- a \$10.3 million increase in depreciation for medical, surgical, dental and biomedical equipment due to additions of equipment of \$16.9 million and capitalisation of work in progress on projects of \$30.9 million in 2024-25
- a \$6.3 million increase in amortisation of the right-of-use buildings for additional leases entered into and recognised in 2024-25
- a \$2.9 million increase in depreciation for buildings due to the capitalisation of the \$254.9 million TQEH Clinical Services Building.

## Statement of Financial Position

### Assets

Total assets increased by \$22.2 million to \$3.8 billion.

### Property, plant and equipment

Property, plant and equipment represents 89% of CALHN's total assets, with the carrying value decreasing by \$18.6 million to \$3.4 billion. Significant movements in 2024-25 were asset additions of \$118.4 million, including:

- \$24 million in right-of-use building assets due to the start of new leases and the recognition of additional leases for SA Pathology collection sites
- \$53.3 million in work in progress mainly for works associated with the new 24-bed mental health facility at the TQEH
- \$16.9 million in medical, surgical, dental and biomedical equipment
- \$23.1 million in plant and equipment work in progress.

These increases were offset by depreciation of \$132.5 million.



## Cash and cash equivalents

Cash and cash equivalents increased by \$29.6 million (14%) to \$237.2 million.

Cash is received in the form of operating and capital funding from DHW timed to ensure sufficient cash is on hand to meet immediate obligations. Consistent with this arrangement, the current increase in cash held is mainly due to the timing difference between the receipt of cash funding and current obligations.

## Liabilities

Current liabilities increased by \$19.2 million to \$505.7 million and exceeded current assets of \$373.2 million. CALHN works with DHW to ensure sufficient funding is provided to meet CALHN's expected cash flows for its administration and program delivery. Cash and cash equivalents of \$237.2 million are sufficient to meet current payables of \$98.6 million.

## Staff related liabilities

Staff related liabilities make up \$693.1 million (21.5%) of total liabilities at 30 June 2025, comprising:

- staff related liabilities of \$633.8 million (\$600.2 million)
- the workers compensation provision of \$59.3 million (\$59.3 million).

The increase in staff related liabilities of \$33.6 million mainly relates to the increase in the number of nursing and medical staff. In particular there were increases to:

- the long service leave liability of \$13.5 million
- the annual leave liability of \$10.8 million, which was also impacted by the increase in the salary inflation rate from 2.4% to 3.2%
- staff on-costs of \$2.9 million, as staff related liabilities and the superannuation guarantee fee increased.

The provision for workers compensation remained steady at \$59.3 million.

## Financial liabilities

Financial liabilities decreased by \$47.6 million to \$2.4 billion as a result of payments of \$63.6 million associated with RAH quarterly service payments and an additional \$14.5 million repayment of leases associated with right-of-use assets. This was offset by increases in financial liabilities of \$17.9 million for additional leases entered into in 2024-25.

## Functional responsibility

---

CALHN is established by the *Health Care Act 2008*. It establishes, provides, maintains and enhances hospital, medical and allied health services in its local area. This map of South Australia shows the CALHN local area.

### Governance

LHN governing boards are responsible for the overall governance and oversight of local health service delivery, including governance of performance, budget achievement, clinical governance, safety and quality, risk management and the achievement of the board functions and responsibilities.

Each LHN chief executive officer is accountable to, and subject to the direction of, the governing board for managing the operations and affairs of the LHN.

A service agreement between CALHN and DHW outlines the requirements of the formal relationship between them, and sets out performance expectations and funding arrangements. The 2024-25 CALHN service agreement and SCSS service agreement were executed in February 2025.



## Scope of the audit

---

Financial services for CALHN are provided by CALHN, DHW and SSSA. The audit program covered major financial systems at these agencies to obtain sufficient evidence to form an opinion on the financial report and internal controls.

Areas of audit attention in 2024-25 included:

- property, plant and equipment
- payroll and workforce management
- cash and online banking
- general ledger and financial accounting
- patient billing and rights of practice revenue
- accounts receivable and debtor management
- good and services expenditure and accounts payable
- borrowings
- SA Pharmacy revenue, expenditure and inventory management
- SA Pathology revenue
- SA Medical Imaging revenue
- corporate governance.

We reviewed controls over bank accounts, employee expenses, goods and service expenditure, financial liabilities, buildings and improvements and the AGFMA as part of our overall controls opinion, which is discussed in Part B of this report.

# Eyre and Far North Local Health Network Incorporated (EFNLHN)

---

## Financial report opinion

## Modified

EFNLHN did not disclose the value of procurements with South Australian and non-South Australian businesses for 2024-25, although it was required to by Treasurer’s Instructions (Accounting Policy Statements).


---

## Audit findings

- Invoices were paid with no accompanying purchase orders.
- There was no contract for a regular service.
- There was inadequate segregation of duties for patient revenue.
- The strategic asset management plan was not finalised.
- Medical officers were paid outside the medical officers’ payment system.
- Potential overpayments were not recovered.


---


## Financial statistics

 **\$188 million**  
Total income

 **\$200 million**  
Total expenditure

 **837**  
FTEs

 **15**  
Hospital and health service sites

 **11,797**  
Total inpatient activity

---

## Significant events and transactions

Activation of the Electronic Medical Records System was completed.

---

## Audit findings

---

We communicated our audit findings in a management letter to the Chief Executive Officer of EFNLHN. The main findings and EFNLHN's responses are discussed below.

We also identified several findings for control activities performed by the Rural Support Service that impact EFNLHN. They are reported under 'Barossa Hills Fleurieu Local Health Network Incorporated' in this report.

### **Invoices paid without purchase orders**

We found invoices with no accompanying purchase orders raised, for which exemptions did not apply. This increases the risk of payments being made for goods or services not received or not at the agreed price.

SA Health policy mandates the use of requisitions and purchase orders, unless the item purchased is on the approved purchase order exemption list or below \$2,200.

EFNLHN advised us that it will continue to monitor compliance and provide training and education to its staff.

### **No contract for a regular service**

We found that there was regular and significant expenditure with one supplier that EFNLHN did not have a signed contract with. This increases the risk that EFNLHN may not be achieving value for money and of inaccurate or disputed charges.

EFNLHN replied that it has now conducted a procurement process and is working to establish a contract.

### **Inadequate segregation of duties for patient revenue**

Revenue officers can modify the length of hospital stay and charge types, increasing the risk of inappropriate adjustments to invoiced fees.

EFNLHN replied that it will review a report on any changes made and sign it as evidence of the review.

### **No strategic asset management plan**

We found that EFNLHN did not have a strategic asset management plan or an asset management plan. This increases the risk that funding is not allocated to the most critical assets or areas.

EFNLHN advised us that it will finalise its strategic asset management plan by June 2026.

### **Medical officers paid outside the medical officers' payment system**

We identified a number of instances where locums were paid outside the system, which led to incorrect payments. The system is designed with inbuilt controls to ensure payments are accurate.

EFNLHN advised us that it will ensure locums are paid through the system in future and the incorrect payments will be followed up.

### Potential overpayments not recovered

We noted that the Rural Support Service had identified a number of potential overpayments to EFNLHN medical officers, but they had not been recovered.

EFNLHN replied that the potential overpayments have been investigated and any verified overpayments are being recovered.

## Interpretation and analysis of the financial report

The consolidated accounts of EFNLHN include the incorporated Health Advisory Councils within the EFNLHN region. These Councils undertake an advocacy role on behalf of the community, to provide advice about health services, health issues, goals, priorities, plans and strategic initiatives.

We are only showing the consolidated amounts below, as the differences between the consolidated and parent amounts are immaterial.

### Highlights of the financial report – consolidated

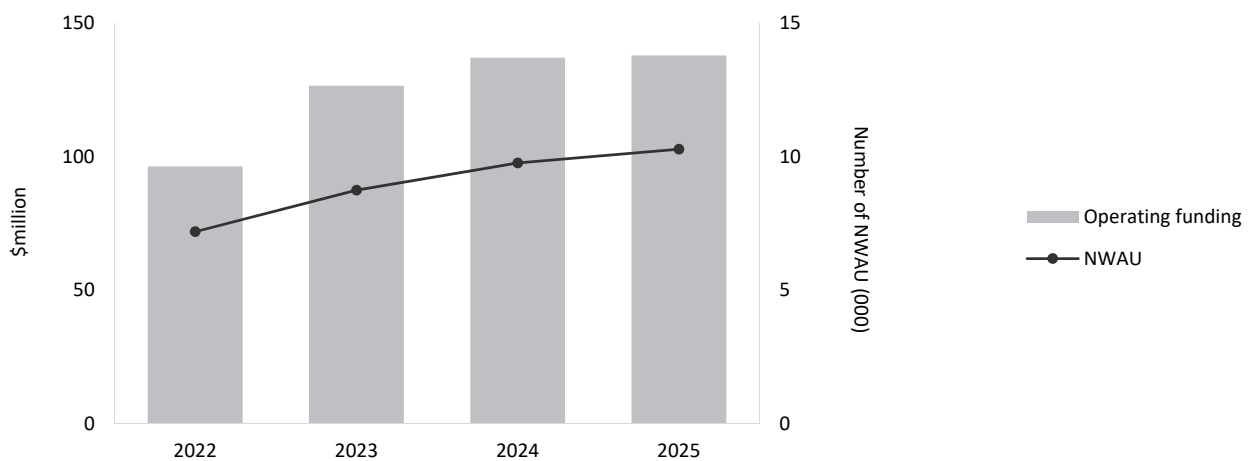
	2025 \$million	2024 \$million
<b>Income</b>		
Revenues from SA Government	140	141
Fees and charges and other income	16	17
Grants and contributions	32	30
<b>Total income</b>	<b>188</b>	<b>188</b>
<b>Expenses</b>		
Staff related expenses	90	86
Supplies and services and other expenses	100	93
Depreciation and amortisation	10	8
<b>Total expenses</b>	<b>200</b>	<b>187</b>
<b>Net result</b>	<b>(12)</b>	<b>1</b>
<b>Total other comprehensive income</b>	<b>-</b>	<b>51</b>
<b>Total comprehensive result</b>	<b>(12)</b>	<b>52</b>
<b>Assets</b>		
Current assets	42	47
Non-current assets	175	181
<b>Total assets</b>	<b>217</b>	<b>228</b>
<b>Liabilities</b>		
Current liabilities	37	37
Non-current liabilities	14	13
<b>Total liabilities</b>	<b>51</b>	<b>50</b>
<b>Net assets</b>	<b>166</b>	<b>178</b>

## Statement of Comprehensive Income

### Revenues from SA Government

Revenues from the SA Government, which account for 74% of income, are received from the Department for Health and Wellbeing and comprise:

- \$138 million (\$137 million) in operating funding, which increased slightly as they were predicting no growth in activity but the price per National Weighted Average Unit (NWAU) paid increased
- \$2 million (\$4 million) in capital funding.

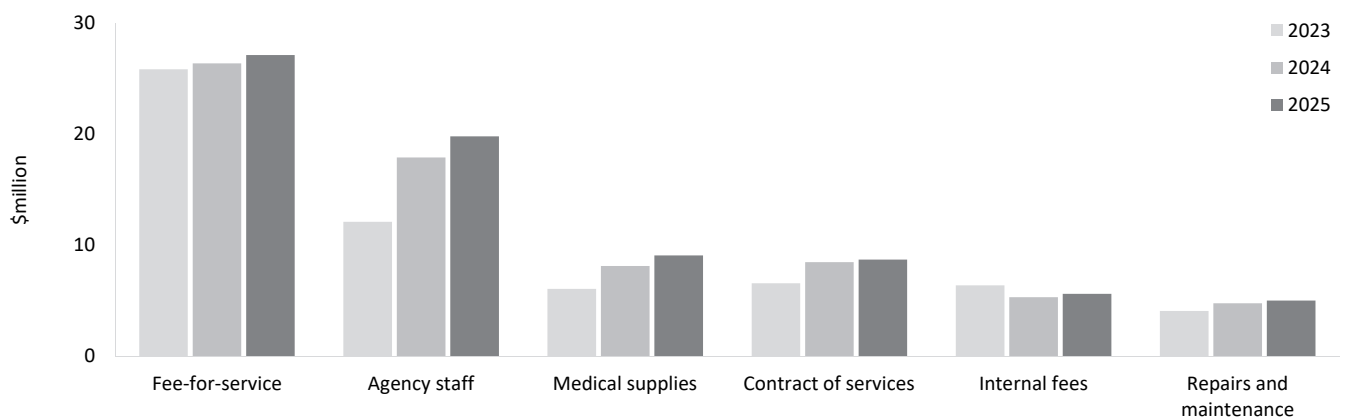


### Staff related expenses

Staff related expenses account for 45% of expenses and increased by \$4 million (5%). The increase was mainly due to an additional 10 medical officers and a rise in the cost of staff.

### Supplies and services

Supplies and services account for 49% of expenses and increased by \$6 million (6%). There are six main categories that account for 77% of this expenditure, as shown in the chart below.



The increases of \$2 million in agency staff and \$1 million in fee-for-service relate to EFNLHN's inability to recruit staff to remote areas and the increased cost of these services. The \$1 million increase in medical supplies is driven by growth in the imaging and pathology services provided.

## Statement of Financial Position

### Receivables

Receivables decreased by \$2 million (31%) due to a large outstanding debt at 30 June 2024 being received in 2025.

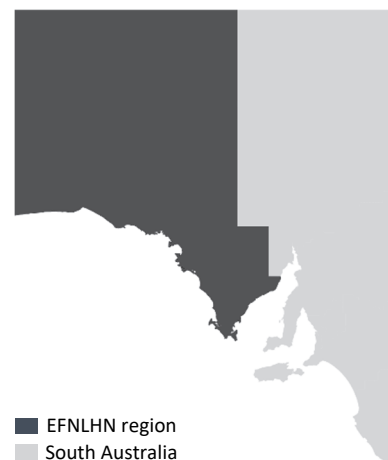
### Property, plant and equipment

Property, plant and equipment decreased by \$8 million (4%) due to depreciation of \$10 million offset by \$3 million in additions.

## Functional responsibility

---

EFNLHN is established to provide health services in the Eyre and Far North region of South Australia. This map of South Australia shows the EFNLHN region.



### Governance

Local health network (LHN) governing boards are responsible for the governance and oversight of local health service delivery, including governance of performance, budget achievement, clinical safety and quality and risk. Each LHN chief executive officer is accountable to, and subject to the direction of, the governing board for managing the operations and affairs of the LHN.

## Scope of the audit

---

Financial services for EFNLHN are provided by several agencies:

- EFNLHN
- the Rural Support Service within the Barossa Hills Fleurieu LHN
- the Department for Health and Wellbeing
- Shared Services SA.

The audit program covered major financial systems at these agencies to obtain sufficient evidence to form an opinion on the financial report and internal controls. A contracted accounting firm assisted the Auditor-General with the audit. Areas of audit attention in 2024-25 included:

- payroll
- accounts payable, including procurement
- revenue, including debt management
- property, plant and equipment
- asset management
- cash
- general ledger.

# Flinders and Upper North Local Health Network Incorporated (FUNLHN)

## Financial report opinion


### Modified


FUNLHN did not disclose the value of procurements with South Australian and non-South Australian businesses for 2024-25, although it was required to by the Treasurer's Instructions (Accounting Policy Statements).

## Audit findings


- Invoices were paid with no accompanying purchase order.
- Debt management needs improvement.
- The strategic asset management plan is not finalised.
- Asset condition assessments were not performed regularly.
- Locums were engaged without a procurement process.

## Financial statistics

 **\$196 million**  
Total income

 **\$198 million**  
Total expenditure

 **787**  
FTEs

 **7**  
Hospital and health service sites

 **17,302**  
Total inpatient activity

## Significant events and transactions

The upgrade of the birthing unit at Whyalla Hospital was completed.



## Audit findings

---

We communicated our audit findings in a management letter to the Chief Executive Officer of FUNLHN. The main findings and FUNLHN's responses are discussed below.

We also identified several findings for control activities performed by the Rural Support Service that impact FUNLHN. They are reported under 'Barossa Hills Fleurieu Local Health Network Incorporated' in this report.

### **Invoices paid without purchase orders**

We found invoices with no accompanying purchase orders raised, for which exemptions did not apply. This increases the risk of payments being made for goods or services not received or not at the agreed price.

SA Health policy mandates the use of requisitions and purchase orders, unless the item purchased is on the approved purchase order exemption list or below \$2,200.

FUNLHN advised us that it hired a manager of procurement and contracts in April 2025 and is creating educational staff communications to address this finding.

### **Debt management needs to improve**

We found instances where the follow-up and recovery of longstanding debtors was ineffective or not performed. This may result in lost revenue for FUNLHN.

FUNLHN advised us that it has implemented a structured process to record all debt activities performed.

### **No strategic asset management plan**

We found that FUNLHN did not have a strategic asset management plan or an asset management plan. This increases the risk that funding is not allocated to the most critical assets or areas.

FUNLHN advised us that its strategic asset management plan was being reviewed and approved, with the asset management plan to follow.

### **Condition assessments need to be performed more regularly**

While we noted that an asset condition assessment for Whyalla Hospital was in progress, the last condition assessment was done in 2018-19.

FUNLHN advised us that it has now received the condition assessment report for Whyalla Hospital.

### **Engaging locums without a procurement process**

We found that a number of locums were engaged without a procurement process or approval for a direct market approach, which increases the risk of disputed charges.

FUNLHN replied that it has hired a manager of procurement and contracts and part of their role will be to ensure correct process for hiring locums is followed.

## Interpretation and analysis of the financial report

The consolidated accounts of FUNLHN include the incorporated Health Advisory Councils within the FUNLHN region. These Councils undertake an advocacy role on behalf of the community, to provide advice about health services, health issues, goals, priorities, plans and strategic initiatives.

We are only showing the consolidated amounts below, as the differences between the consolidated and parent amounts are immaterial.

### Highlights of the financial report – consolidated

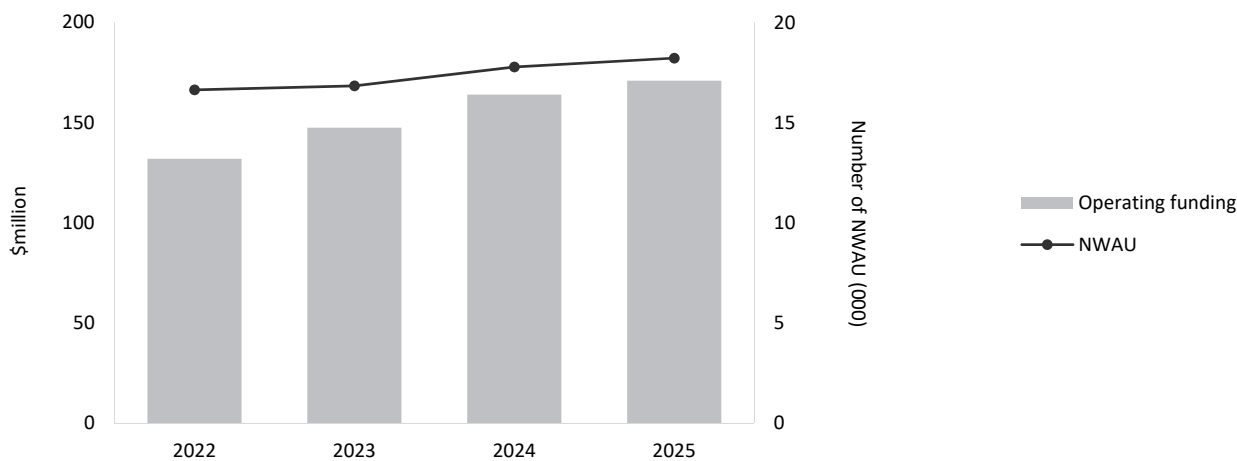
	2025 \$million	2024 \$million
<b>Income</b>		
Revenues from SA Government	177	168
Fees and charges and other income	10	9
Grants and contributions	9	9
<b>Total income</b>	<b>196</b>	<b>186</b>
<b>Expenses</b>		
Staff related expenses	90	85
Supplies and services and other expenses	96	93
Depreciation and amortisation	12	10
<b>Total expenses</b>	<b>198</b>	<b>188</b>
<b>Net result</b>	<b>(2)</b>	<b>(2)</b>
<b>Total other comprehensive income</b>	<b>-</b>	<b>36</b>
<b>Total comprehensive result</b>	<b>(2)</b>	<b>34</b>
<b>Assets</b>		
Current assets	15	15
Non-current assets	145	151
<b>Total assets</b>	<b>160</b>	<b>166</b>
<b>Liabilities</b>		
Current liabilities	24	26
Non-current liabilities	36	39
<b>Total liabilities</b>	<b>60</b>	<b>65</b>
<b>Net assets</b>	<b>100</b>	<b>101</b>

### Statement of Comprehensive Income

#### Revenues from SA Government

Revenues from the SA Government account for 90% of income and increased by \$8 million (5%). They are received from the Department for Health and Wellbeing and comprise:

- \$171 million (\$164 million) in operating funding, with the increase mainly for a rise in the price per National Weighted Activity Unit (NWAU) paid
- \$6 million (\$4 million) in capital funding, mainly for upgrades to the Port Augusta Hospital.



### Staff related expenses

Staff related expenses account for 46% of expenses and increased by \$5 million (6%). The increase is mainly due to an additional nine medical officer FTEs as FUNLHN recruited more staff to reduce its reliance on agency and fee-for-service staff – see ‘Supplies and services’.

### Supplies and services

Supplies and services account for 48% of expenses and remained fairly stable for the first time in a number of years, increasing by \$885,000. There are six main categories that account for 75% of this expenditure, as shown in the chart below.



There was a \$1 million increase in medical supplies expenses due to a rise in both cost and the number of emergency department patients. This was offset by a \$1 million decrease in fee for service and agency staff expenses due to the increase in the number of salaried medical officers.

### Statement of Financial Position

#### Property, plant and equipment

Property, plant and equipment decreased by \$7 million (4%) due to depreciation of \$12 million offset by \$6 million in additions. The additions were mainly in capital works in progress.

## Payables

Payables decreased by \$3 million (43%) due to a decrease in creditors and accrued expenses. This followed a change in FUNLHN's payment terms from 30 to 15 days and a reduction in the accrued expense for fee for service and agency staff invoices.

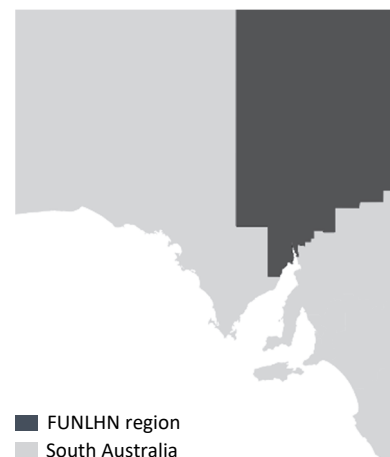
## Financial liabilities

Financial liabilities decreased by \$3 million (11%) because there is one less year remaining on property lease agreements.

## Functional responsibility

---

FUNLHN was established to provide health services in the Flinders and Upper North region of South Australia. This map of South Australia shows the FUNLHN region.



## Governance

Local health network (LHN) governing boards are responsible for the governance and oversight of local health service delivery, including governance of performance, budget achievement, clinical safety and quality and risk. Each LHN chief executive officer is accountable to, and subject to the direction of, the governing board for managing the operations and affairs of the LHN.

## Scope of the audit

---

Financial services for FUNLHN are provided by several agencies:

- FUNLHN
- the Rural Support Service within the Barossa Hills Fleurieu LHN
- the Department for Health and Wellbeing
- Shared Services SA.

The audit program covered major financial systems at these agencies to obtain sufficient evidence to form an opinion on the financial report and internal controls. A contracted accounting firm assisted the Auditor-General with the audit. Areas of audit attention in 2024-25 included:

- payroll
- accounts payable, including procurement
- revenue, including debt management
- property, plant and equipment
- asset management
- cash
- general ledger.

# Limestone Coast Local Health Network Incorporated (LCLHN)

---

## Financial report opinion

## Modified

LCLHN did not disclose the value of procurements with South Australian and non-South Australian businesses for 2024-25, although it was required to by the Treasurer’s Instructions (Accounting Policy Statements).


---


## Audit findings

- Invoices were paid without accompanying purchase orders.
- Debt management needs improvement.
- Patient election forms are not obtained for emergency admissions.
- The strategic asset management plan is not finalised.
- Locums were engaged without a procurement process.


---


## Financial statistics

 **\$266 million**  
Total income

 **\$253 million**  
Total expenditure

 **1,178**  
FTEs

 **10**  
Hospital and health service sites

 **18,645**  
Total inpatient activity

## Audit findings

---

We communicated our audit findings in a management letter to the Chief Executive Officer of LCLHN. The main findings and LCLHN's responses are discussed below.

We also identified several findings for control activities performed by the Rural Support Service that impact LCLHN. They are reported under 'Barossa Hills Fleurieu Local Health Network Incorporated' in this report.

### **Invoices paid without purchase orders**

We found invoices with no accompanying purchase orders raised, for which exemptions did not apply. This increases the risk of payments being made for goods or services not received or not at the agreed price.

SA Health policy mandates the use of requisitions and purchase orders, unless the item purchased is on the approved purchase order exemption list or below \$2,200.

LCLHN advised us that it will continue to provide targeted staff education and monitoring.

### **Debt management needs to improve**

We found instances where the follow-up and recovery of longstanding debtors was ineffective or not performed. This may result in lost revenue for LCLHN.

LCLHN replied that it will continue to review and follow up debts.

### **No strategic asset management plan**

We found that LCLHN did not have a strategic asset management plan or an asset management plan. This increases the risk that funding is not allocated to the most critical assets or areas.

LCLHN advised us that its draft strategic asset management plan will be reviewed and approved by November 2025.

### **No patient election forms for emergency admissions**

We found that it is standard practice for staff not to obtain patient election forms for treatment received in the emergency department. This does not comply with the *National Health Reform Agreement 2011*. These forms record a patient's choice to receive treatment either as a public or private patient.

LCLHN advised us that it will review its processes and educate its staff to ensure election forms are completed.

### **Engaging locums without a procurement process**

We found that a number of locums were engaged without a procurement process or approval for a direct market approach, which increases the risk of disputed charges.

LCLHN advised us that it has implemented a new process to ensure all locum services are appropriately procured.

## Interpretation and analysis of the financial report

The consolidated accounts of LCLHN include the incorporated Health Advisory Councils within the LCLHN region. These Councils undertake an advocacy role on behalf of the community, to provide advice about health services, health issues, goals, priorities, plans and strategic initiatives.

We are only showing the consolidated amounts below as the differences between the consolidated and parent amounts are immaterial.

### Highlights of the financial report – consolidated

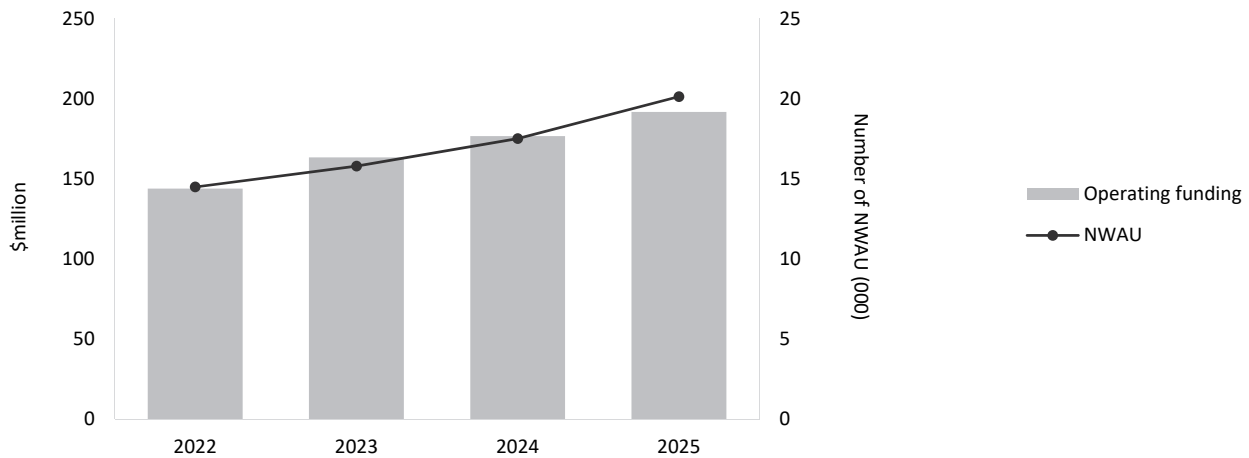
	2025 \$million	2024 \$million
<b>Income</b>		
Revenues from SA Government	206	182
Fees and charges and other income	24	30
Grants and contributions	36	32
<b>Total income</b>	<b>266</b>	<b>244</b>
<b>Expenses</b>		
Staff related expenses	137	132
Supplies and services and other expenses	108	97
Depreciation and amortisation	8	7
<b>Total expenses</b>	<b>253</b>	<b>236</b>
<b>Net result</b>	<b>13</b>	<b>8</b>
<b>Total other comprehensive income</b>	<b>1</b>	<b>21</b>
<b>Total comprehensive result</b>	<b>14</b>	<b>29</b>
<b>Assets</b>		
Current assets	53	45
Non-current assets	155	146
<b>Total assets</b>	<b>208</b>	<b>191</b>
<b>Liabilities</b>		
Current liabilities	55	50
Non-current liabilities	47	50
<b>Total liabilities</b>	<b>102</b>	<b>100</b>
<b>Net assets</b>	<b>106</b>	<b>91</b>

### Statement of Comprehensive Income

#### Revenues from SA Government

Revenues from the SA Government account for 78% of income and increased by \$25 million (14%). They are received from the Department for Health and Wellbeing and comprise:

- \$191 million (\$177 million) in operating funding, with the increase for additional activity (see the chart below) and a rise in the price per National Weighted Average Unit (NWAU) paid
- \$15 million (\$5 million) in capital funding, with the increase mainly to fund upgrades to the Mount Gambier Hospital, which opened in August 2025.

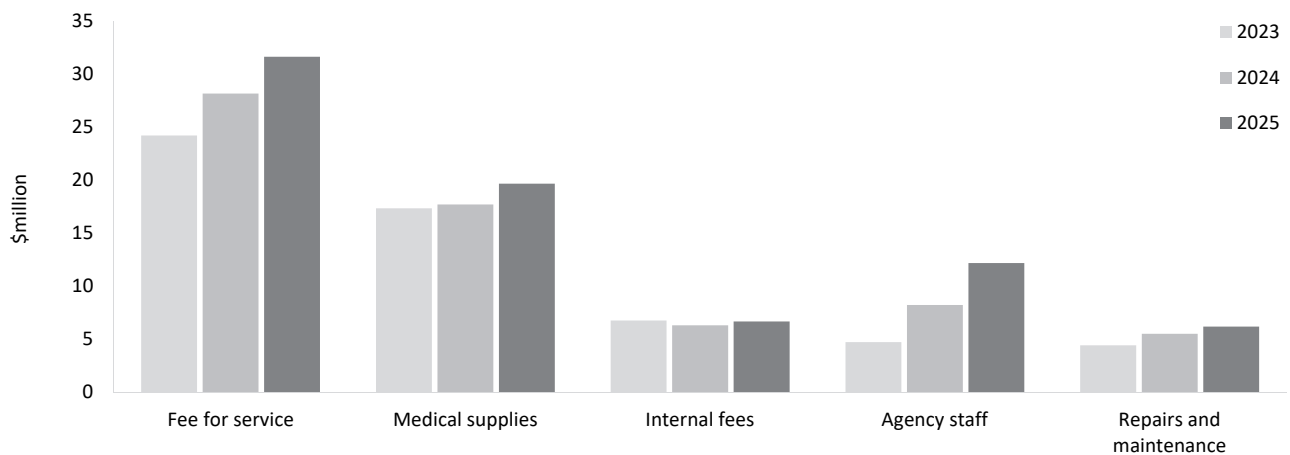


### Staff related expenses

Staff related expenses account for 54% of expenses and increased by \$5 million (4%). The increase was mainly due to an additional 68 FTEs as LCLHN recruited more staff to cover increased activity and the increase in the cost of staff.

### Supplies and services

Supplies and services account for 42% of expenses and increased by \$13 million (13%). There are five main categories that account for 71% of this expenditure, as shown in the chart below.



The increase of \$3 million in fee for service and \$4 million in agency staff results from the increased use of locums and agency nurses due to higher activity and difficulty recruiting staff, and the increased cost of these services.

The \$2 million increase in medical supplies is due to increased costs and higher activity.



## Statement of Financial Position

### Other financial assets

Other financial assets increased by \$3 million (13%) due to an increase in term deposits. Most of these funds are aged care refundable deposits and the number of deposits increased.

### Property, plant and equipment

Property, plant and equipment increased by \$7 million (5%) due to additions of \$15 million offset by depreciation of \$8 million. The additions were in capital works in progress, mainly for upgrades to the Mount Gambier Hospital.

### Financial liabilities

Financial liabilities decreased by \$3 million (10%) because there is one less year remaining on property lease agreements.

### Staff related liabilities

Staff related liabilities increased by \$3 million (10%) due to the increase of 68 FTEs and the related costs of these staff.

### Contract and other liabilities

Contract and other liabilities increased by \$3 million (16%) due to the rise in the number of refundable accommodation deposits for residential aged care.

## Functional responsibility

---

LCLHN was established to provide health services in the Limestone Coast region of South Australia. This map of South Australia shows the LCLHN region.

### Governance

Local health network (LHN) governing boards are responsible for the governance and oversight of local health service delivery, including governance of performance, budget achievement, clinical safety and quality and risk. Each LHN chief executive officer is accountable to, and subject to the direction of, the governing board for managing the operations and affairs of the LHN.



## Scope of the audit

---

Financial services for LCLHN are provided by several agencies:

- LCLHN
- the Rural Support Service (RSS) within the Barossa Hills Fleurieu LHN
- the Department for Health and Wellbeing
- Shared Services SA.

The audit program covered major financial systems at these agencies to obtain sufficient evidence to form an opinion on the financial report and internal controls. A contracted accounting firm assisted the Auditor-General with the audit. Areas of audit attention in 2024-25 included:

- payroll
- accounts payable, including procurement
- revenue, including debt management
- property, plant and equipment
- asset management
- cash
- general ledger.

# Northern Adelaide Local Health Network Incorporated (NALHN)

## Financial report opinion


### Modified


NALHN did not disclose the value of procurements with South Australian and non-South Australian business for 2024-25, although it was required to by the Treasurer's Instruction (Accounting Policy Statements).

## Audit findings

- Improved procurement and contract management processes are needed.
- Asset management and maintenance processes under the Across Government Facilities Management Arrangements (AGFMA) could be improved.
- NALHN's strategic workforce plan has not been finalised.
- Important controls for payroll processing and leave management need to improve.
- Some employees may not have the required clearances and immunisations.
- Some staff do not have current performance reviews and have not completed mandatory training.
- Improvements to billing and debt management processes are needed.


## Financial statistics

 **\$1.3 billion**  
Total income

 **\$1.2 billion**  
Total expenditure

 **5,212**  
FTEs

 **\$755 million**  
Staff related expenses

 **\$571 million**  
Value of buildings

 **84,398**  
Total inpatient activity\*

\* Data provided by SA Health and unaudited.

## Significant events and transactions

- Construction of the Modbury Hospital health precinct continued in 2024-25, including new mental health services, a cancer centre and a multi-level carpark.
- The redevelopment of the Lyell McEwin Hospital was completed in August 2024, providing an additional 48 sub-acute beds.

## Audit findings

---

We communicated our audit findings in management letters to the Chief Executive Officer of NALHN. The main findings and NALHN's responses are discussed below.

### **Supplies and services expenditure**

NALHN spent \$411 million on supplies and services in 2024-25. We considered its controls for effective procurement, contracting and purchasing of goods and services.

Improved procurement and contract management processes are needed

We reviewed the procurement processes for an air conditioning upgrade at the Modbury GP Plus centre and for benchmarking software.

Market research to support a direct market approach was not adequately documented

NALHN used a direct market approach for both procurements. It could not provide us with evidence that it had conducted market research to clearly determine why it used this approach.

Approaching only one supplier increases the risk that a procurement does not provide value for money.

NALHN responded that it will ensure future acquisition plans include documented market research and a detailed market approach.

Complexity assessments were not adequately documented

We found that NALHN's complexity assessments for both procurements only considered risk and value to determine complexity and did not consider other factors such as commercial availability, specifications and customisation, criticality and procurement requirements. As a result, the complexity ratings may not be appropriate.

Incorrect complexity assessment may result in an inappropriate level of staffing, expertise and risk management being assigned to procurements.

NALHN responded that it will review compliance requirements and deliver regular and tailored education sessions to staff.

The estimated procurement value for a procurement did not include all costs

The estimated cost of the air conditioning upgrade was above \$550,000. However, NALHN followed Procurement SA (PSA) processes for low-value acquisitions (those less than \$550,000), increasing the risk that the procurement was not properly managed and value for money was not achieved.

NALHN responded that it recognises the need for full cost consideration in procurement planning and will educate its staff on procurement thresholds to ensure future procurements are fully costed and documented.

## Evaluation of submissions was not documented

For both procurements, it was unclear whether NALHN had evaluated the suppliers' proposals against the approved criteria in the acquisition plan.

Not properly evaluating proposals increases the risk that the objectives of the procurement are not met and contracts do not achieve value for money.

NALHN responded that review checklists will be developed to require evaluation panels to review supplier proposals against approved evaluation criteria.

## Key approvals were not obtained before decisions were made on procurements

### *The acquisition plan and purchase recommendation for a procurement were completed and approved after the contract was signed*

The acquisition plan and purchase recommendation for the benchmarking software procurement were completed after the contract was signed. The purchase recommendation was not approved by all members of the evaluation team. Therefore, at the time the contract was signed, there was no approval to approach the market and no approval to award and sign the contract.

Treasurer's Instruction 18 *Procurement* and PSA's sourcing policy require procurements to be approved by the appropriate delegate before approaching the market. PSA policy also requires agencies to obtain approval of the procurement outcome before awarding the contract.

Without the required approvals, there is an increased risk of NALHN being committed to expenditure that does not meet its business needs and does not achieve value for money.

NALHN responded that it will ensure future contract arrangements are proactively included in the Forward Procurement Plan and the Procurement Activity Reporting System. It will also reinforce completion of checklists that will ensure all evaluation members have endorsed the purchase recommendation before contract execution.

### *An exemption for a procurement outside of the whole-of-government arrangements was not received*

The air conditioning upgrade procurement is within the scope of services provided by Ventia, as part of the AGFMA. However, the procurement was performed internally by NALHN using a direct market approach.

SA Health policies require staff to use whole-of-Health and across-government contracts unless SA Health grants an exemption. NALHN did not obtain an exemption for this procurement.

By not using established arrangements, NALHN may not achieve best value for money as it is duplicating aspects of the services that have already been paid for under the AGFMA.

NALHN noted this audit finding.

*No evidence the secondary procurement of nursing agency staff complied with panel rules*

We assessed the secondary procurement processes that NALHN used to procure nursing agency staff against the panel rules for the Agency Nursing and Carer Panel.

NALHN could not provide us with evidence that it had performed the following panel steps when booking agency staff through the panel:

- comparing prices quoted by suppliers
- engaging all suppliers on the panel so they have an opportunity to fill the vacancy.

NALHN's internal procedures did not include these steps. This increases the risk that NALHN does not achieve the value for money expected through the panel arrangement for nursing agency staff.

NALHN responded that it will review the panel rules and update its procedures.

*Appropriate governance over executed contracts was not established*

We reviewed the contract management process for three of NALHN's contracts:

- medical imaging
- medical equipment maintenance
- benchmarking software.

*Executed contracts did not have a contract management plan or contract checklist*

Last year we reported that NALHN had not prepared a contract management plan (CMP) for its medical imaging contract. In March 2025, it still did not have a finalised CMP for this contract. This is a strategic contract with a value of \$32 million that commenced in September 2018.

For non-strategic contracts, SA Health requires agencies to complete a contract management checklist to ensure key contract management activities are considered. No checklists were completed for the medical equipment maintenance and benchmarking software contracts.

Without a CMP or a contract checklist, there is an increased risk of poor contract management and contracts not achieving value for money.

NALHN responded that it will review its contracts annually to:

- reconfirm the categorisation of contracts, based on their value, risk and complexity
- for contracts categorised as complex or strategic, request managers to provide a contract management plan
- confirm actual expenditure against the approved budget.

NALHN also responded that for routine and transactional contracts, a contract management checklist will be provided to managers to record evidence of their oversight.

### *Contract expenditure not monitored against the approved contract value*

For the medical imaging and benchmarking software contracts, there was no evidence that NALHN monitored contract expenditure against the approved contract amount or budgeted expenditure.

By March 2025, expenditure for the medical imaging contract was \$39 million which is about 20% over the approved contract amount with three years to go before the contract ends. NALHN estimates an additional spend of \$52 million, bringing the total value of this contract to \$87.9 million. We found that NALHN had not adjusted the projected spend or tracked actual expenditure against the new projected spend. NALHN also failed to obtain the required contract variation approval for this contract.

Treasurer's Instruction 8 *Financial Authorisations* (TI 8) requires contracts valued over \$15.5 million to be approved by Cabinet or the relevant minister if advice has been sought from the Department of Treasury and Finance (DTF) on the budget implications. Where amendments result in an increase of more than 5% of the contract value, TI 8 requires the approval to be based on the new estimated contract value, rather than the amendment. We found that NALHN had not sought advice from DTF on budget implications or sought further approval for the new value of the medical imaging contract.

Without proper monitoring of contract spend, NALHN may not identify potential or actual overspending and act early to minimise it. In addition, NALHN may not obtain additional approvals when required, in breach of TI 8.

NALHN responded that for contracts determined to be strategic or complex:

- a CMP will be put in place and will require monitoring actual expenditure against the TI 8 approved budget
- contract spend will be reported annually to NALHN's corporate governance committee.

NALHN also responded that it has received financial authority from the Minister for Health and Wellbeing for the additional spend on the medical imaging contract.

### *Contract risk registers need to be reviewed and updated*

Contract managers monitor risks through regular meetings and review of contractor performance. However, for the medical equipment maintenance contracts and benchmarking contracts, NALHN could not provide evidence of these meetings or the review of risks. NALHN does not have an effective process to ensure contract managers regularly review identified risks and the effectiveness of risk treatment plans, increasing the risk that contracts do not meet NALHN's needs and do not achieve value for money.

NALHN responded that it will review its contracts annually to ensure contract managers are reviewing risks and updating registers throughout the life of the contract.

### *Key performance indicators in contracts were not monitored*

For the three contracts we reviewed, NALHN could not provide evidence that KPIs were being monitored or that non-compliance was discussed with the provider. NALHN does not have a process to ensure contract performance is monitored and followed up by each contract manager. This increases the risk that NALHN may not identify issues with the contract and take appropriate action.

NALHN responded that it will review its contracts annually. Managers will be required to provide a checklist or other form of evidence that their contracts are managed in line with NALHN's contract management framework.

*Contract details recorded were incorrect*

NALHN did not enter the commencement and expiry dates for the medical equipment maintenance contract correctly into its procurement and contract management system (PCMS). NALHN does not have a review process to ensure contract details are correctly entered into PCMS for all procurements over \$55,000.

Recording incorrect contract dates may result in incorrect forecasting of expected contract spend. Contract reviews and renewals may not be initiated within a reasonable time frame.

NALHN responded that it will review its contracts annually to check the accuracy of recorded information.

*Some contract managers had not completed mandatory training*

We reviewed NALHN's contract manager training register and found that only five out of 31 contract managers had completed mandatory training. A further 18 contract managers recorded in PCMS were not in the register. NALHN has no documented procedure on completing mandatory training, including how the training register is monitored and updated.

Contract managers who do not complete mandatory training may not have the skills and knowledge needed to manage contracts effectively.

NALHN responded that it will review its contracts annually to ensure contract managers complete the required training and the training register is updated.

*Contract managers have not been replaced following departures*

The contract manager for the medical equipment maintenance contract resigned over a year ago, but at the time of our audit a new contract manager had not been appointed.

We noted that there was no effective process to ensure a contract manager was assigned to all NALHN contracts, meaning key contract management activities may not be performed to ensure contracts are achieving value of money and deliverables are being met.

NALHN responded that it will review its contracts to ensure contract managers are current employees and that any users not requiring access to PCMS are removed.

*Some expenditure was processed without a purchase order or contract*

NALHN incurred expenditure of \$1.4 million for translation services with a provider that was not on SA Health's panel of approved providers. There is no current contract with this provider and no purchase orders were raised for these transactions in 2024-25.



We also found that a standing purchase order was not in place for the hire of bariatric equipment, although around \$790,000 was paid to this supplier in 2024-25.

SA Health policies require purchases to be made from a panel contract unless it has granted an exemption to use a provider not listed on the panel. It also mandates the use of standing purchase orders where regular payments are made.

Not using established arrangements means that NALHN may not achieve best value for money. Not having a contract arrangement for significant suppliers providing regular services increases the likelihood of inaccurate or disputed charges.

NALHN responded that it will seek a formal exemption from SA Health to use this provider for translation services, and a standing purchase order will be established once the exemption is received. NALHN will also seek advice from SA Health to add this provider to the panel contract. It has raised a standing order for bariatric equipment for 2025-26.

Payments approved using special, super or manual authorisations were not reviewed

Last year, we reported that NALHN was not reviewing monthly Basware payment system reports promptly as SA Health was not providing them regularly. In 2025, NALHN did not provide evidence that these reports were reviewed.

The Basware exception reports list transactions that have been authorised using a special, super or manual authorisation. Reviewing them provides agencies with assurance over the validity of expenditure for large or usual payments or payments that are manually approved outside of Basware's inbuilt authorisation rules.

NALHN responded that it has performed monthly reviews of Basware exception reports since July 2024 and can provide evidence of returns to SA Health, however this was not provided to us at the time of our audit.

## **Asset management and maintenance**

Processes under the AGFMA could be improved

NALHN had property, plant and equipment totalling \$781 million at 30 June 2025. In 2024-25, we considered its processes to manage the maintenance of these assets. Our review of the AGFMA focused on the controls that NALHN exercises.

The strategic asset management plan (SAMP) and related asset management plan (AMP) was missing key information

For several years, we have reported that NALHN had not finalised its SAMP and accompanying AMP. This year, NALHN advised us that these plans had been finalised and endorsed by the NALHN Board. However, we found that the plans did not have some details required by SA Health's asset management policy.

An incomplete plan increases the risk that NALHN may not manage its assets in line with legislative, technical and service requirements, and the costs of maintaining and replacing them.

NALHN responded that it will incorporate the required information in its 2025-26 SAMP.

#### Improvements to user access reviews for asset systems are needed

Ventia uses the Panorama system to record asset data, and agencies use it to request, approve and track jobs to be performed by Ventia.

We understand that Ventia is responsible for sending a list of all Panorama users to NALHN annually, which NALHN should review. Any changes needed should be advised to Ventia for action. We consider this user access review should be performed more often than annually. We also found that NALHN has no policies or procedures for the review.

NALHN responded that it will review its current users quarterly.

#### Asset records were not accurately updated to reflect current conditions of assets

Due to limitations in the Panorama system, NALHN records and tracks the condition of its buildings in a traffic light report. It uses this report to prioritise repairs and upgrades and to inform its annual service delivery plan (ASDP). However, we found instances where the traffic light report was not updated to reflect the current condition of buildings, increasing the risk that decisions on asset management, maintenance and investment are not based on current information.

NALHN responded that the traffic light report will be modified to reflect recent capital investment and its 2025-26 SAMP and AMP, and will be integrated with Panorama, subject to its maturity.

#### There is no effective control to ensure reactive maintenance jobs are properly approved

NALHN does not have an effective control to ensure reactive maintenance jobs are approved by the appropriate delegate before the job is approved in Panorama. While planned maintenance jobs are pre-approved by the Chief Executive Officer through the ASDP, reactive jobs must be approved as they occur.

To ensure appropriate oversight of requested jobs, access to approve jobs in Panorama is restricted to the engineering and buildings services team (EBS). EBS has contract authority of \$2,200 and are required to seek approval for reactive jobs above this amount. However, we found that there was no mechanism to ensure this occurs.

NALHN responded that it will implement a retrospective review of all reactive jobs over \$2,200 and will consider increasing the EBS's delegation to \$5,500 to allow more efficient handling of reactive jobs and reduce the risk of non-compliance with financial authorisations.

## Risks under the AGFMA can be better managed

NALHN's strategic risk register includes the risk of it being unable to maintain and provide sufficient infrastructure to deliver contemporary and safe health services. While one of the causes stated for this risk is a lack of control over infrastructure maintenance decisions due to the AGFMA, there was no control or treatment plan identified to address the risk.

NALHN advised us that there are still significant issues with Ventia's performance, including issues with the Panorama system, lack of site inspections and data validation and delays in implementing ASDPs. However, there is no documented process to ensure risks that arise because of these gaps are assessed and appropriately controlled or treated.

NALHN responded that it will develop an operational risk register specifically to manage the AGFMA and will update its strategic risk register to adequately address AGFMA risks.

## Payroll

### Strategic workforce plan not finalised

NALHN has not finalised its strategic workforce plan. This increases the risk that it may not have the workforce it needs to meet its strategic objectives, resulting in it needing to hire temporary resources at an increased cost, or compromise the effective delivery of services where resources cannot be found.

NALHN responded that its workforce planning working group is reviewing its workforce plan and developing associated action plans.

### Some employees may not have the required clearances and immunisations

### Review of positions that require an aged care check not finalised

For several years we have reported that NALHN does not have an effective process to ensure only staff with a current aged care check (ACC) are working in positions that require this clearance. In 2025, NALHN formalised a criminal history check procedure that outlines how it will monitor the status of ACCs. However, it is still in the process of:

- identifying positions requiring an ACC
- updating its payroll system (Chris21) to reflect the positions that require this check.

The *Aged Care Act 1997* requires staff who work in Commonwealth funded aged care facilities to have a valid ACC every three years. Without identifying all positions that require an ACC, NALHN cannot effectively ensure all staff that work with aged care patients have the required clearance, increasing the risk of harm to these patients.

NALHN responded that it will finish identifying the positions that require an ACC and ensure compliance.

## Immunisation records in Chris21 are not accurate and complete

As of June 2025, immunisation records in Chris21 show that 91% of staff comply with SA Health's immunisation policy. NALHN is currently reviewing the records of the remaining staff.

Without complete immunisation records in Chris21, NALHN cannot ensure that its staff have the mandatory vaccinations required for their roles. This may compromise employee and patient safety.

NALHN responded that it has identified non-compliant staff and a process is underway to review the immunisation records of the remaining staff.

## Payroll planning, monitoring and approval processes could be improved

### Key payroll information not always reviewed

Key payroll reports for NALHN's staff differ depending on the employee type. The effective review of these reports helps to ensure staff payments are accurate and valid.

In 2024-25 we found that:

- managers were not reviewing bona fide and leave reports promptly. As at March 2025, 24% of bona fides and 26% of leave reports were not reviewed
- managers do not regularly review payments made to staff who submit manual timesheets and are not shown on bona fide reports.

By not reviewing these reports and payments made to staff who submit manual timesheets, incorrect payroll information may not be identified, potentially resulting in fraudulent or incorrect payments.

We also found that:

- some manual timesheets had missing information so we were not able to determine whether the timesheet authoriser was appropriate
- as at March 2025, timesheets for 10% of nursing and midwifery staff and 12% of salaried and allied health staff were not approved prior to payment.

Unauthorised timesheets could result in invalid payments and overpayments.

NALHN responded that it will establish working groups to investigate and implement alternate controls to reduce the risk of fraudulent or incorrect payments. It will also remind timesheet approvers to evidence their approval and record their details.

### Inconsistent medical rostering practices across divisions

Rostering practices for medical officers continue to vary across divisions. As there is no rostering system for them, and no central training for staff preparing their rosters, various local practices have developed. These inconsistencies increase the risk of complex enterprise agreements being interpreted differently across divisions.

We understand that SA Health was investigating moving medical officers from manual timesheets to an electronic system to help set consistent rules and practices for rostering and approving timesheets.

NALHN responded that it has representation on the Department for Health and Wellbeing (DHW) working group responsible for procuring digital rostering solution.

### Ineffective management of excessive leave

We identified a significant number of staff with excessive annual leave balances (more than two years' entitlement). In April 2025, 633 employees had annual leave balances over 300 hours, with six employees having more than 800 hours of annual leave.

NALHN policy requires staff with annual leave balances of more than two years to establish leave reduction plans, approved by a divisional director, showing how their leave balances will be reduced. We sampled six staff with excessive annual leave entitlements and found that only two had a leave reduction plan.

Excessive annual leave may impact staff wellbeing and productivity. It may also indicate issues with the completeness of leave recording.

NALHN responded that leave reduction requirements and KPIs are included in monthly performance review meetings with divisions and directorates. In 2025-26, greater emphasis will be placed on achieving these KPIs.

### Some employees do not have current performance reviews and have not completed mandatory training

We found that only 53% of NALHN's divisions had completed their mandatory training in the learning management system. NALHN's mandatory training procedure requires at least 80% of staff in each division to complete the mandatory training courses within the time frames specified in the mandatory training schedule.

We also found that only 64% of staff had completed a performance review as at March 2025. NALHN's performance review and development procedure requires 80% of employees to have a performance review every six months.

Not completing mandatory training and performance reviews increases the risk that staff are not adequately trained and may not be aware of expected performance standards, impacting NALHN's ability to achieve its strategic priorities.

NALHN responded that mandatory training requirements and KPIs are included in monthly performance review meetings with divisions and directorates. In 2025-26, greater emphasis will be placed on achieving these KPIs. NALHN also stated that performance reviews will be an ongoing focus at regular divisional performance meetings and weekly huddles. Executive leads will continue to work with People and Culture to improve compliance.

## Patient billing

NALHN received \$43 million in patient and client fees in 2024-25. This includes:

- revenue from patients electing to be admitted as private patients
- amounts recovered through compulsory third-party arrangements for motor vehicle accidents

- amounts recovered through the Return to Work Corporation of South Australia for workplace-related injuries
- revenue from non-Medicare eligible patients.

NALHN also managed over \$15 million in patient and client fee debts at 30 June 2025.

Improvements to billing and debt management processes are needed

The user access review of the revenue system has not occurred

NALHN has not completed a user access review since the Sunrise electronic medical records (EMR) revenue system was implemented in 2022-23. NALHN advised us that the third-party provider could not provide a current user list and NALHN had escalated this issue to SA Health. Users therefore may have inappropriate access to the system, increasing the risk of fraud or inappropriate transactions.

NALHN responded that it received an EMR user listing from the third-party provider in May 2025 and had now reviewed user access. NALHN has asked for this listing to be provided annually to review user access.

There is inadequate segregation of duties in the revenue system

Last year, we reported that revenue officers had access to change key data used for patient invoicing in Sunrise EMR. In 2025, we found that NALHN had yet to implement a control to prevent this from occurring.

Without appropriate system access controls, revenue officers may inappropriately adjust patient data, impacting fees charged.

NALHN responded that while it cannot restrict revenue officers' access to key data as valid changes are required to be made, it will investigate a report that lists changes to patient data performed by revenue staff, and ensure this is independently reviewed.

There is no effective control to ensure fee remissions are approved

We found that there is no system control to restrict or detect a user who requests, approves and processes a fee remission in Sunrise EMR. While NALHN manually records the remissions requested and approved on a register, there is no independent review to ensure all remissions processed have been authorised by the appropriate delegate and accurately recorded in the register.

Without an effective control, inappropriate and unauthorised remissions may be processed in Sunrise EMR in error or due to fraud, and may not be identified.

NALHN responded that while all remissions are approved and recorded, it will introduce an additional control in Sunrise EMR to ensure an independent person generates and reviews the remissions report.

## Follow up of outstanding debt needs to improve

For several years, we have identified issues with NALHN's follow up of outstanding debt. While NALHN made improvements that have resulted in reduced short-term debt, there was still a high percentage of debts (38%) that were outstanding for more than six months at June 2025.

In addition, NALHN last reviewed its debt management procedure in May 2020 and this reflects processes for revenue systems that are no longer used.

Ineffective debt recovery practices reduce the likelihood of collecting hospital billing debts.

NALHN responded that it will continue to investigate ways of improving its debt recovery processes to better support the prompt follow up and recovery of outstanding debts and will finalise its debt recovery procedures.

## Interpretation and analysis of the financial report

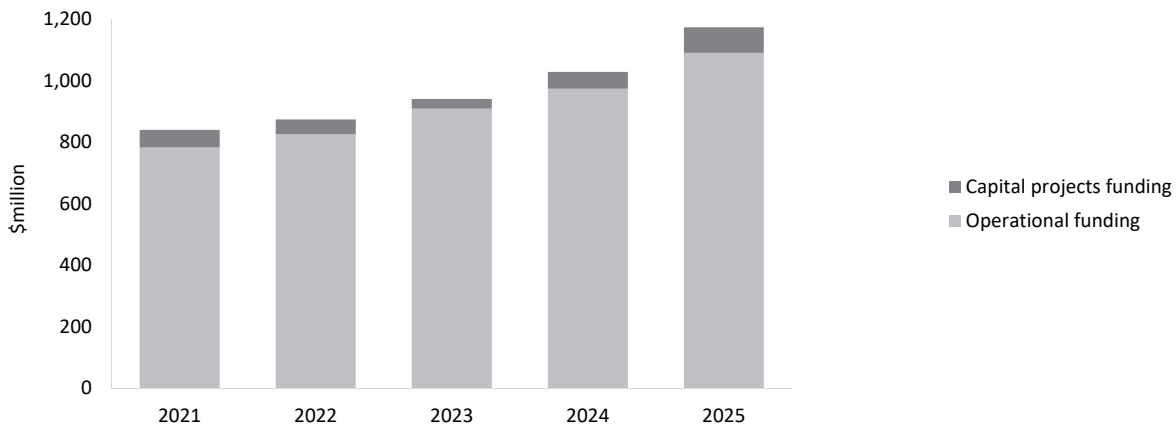
### Highlights of the financial report

	2025 \$million	2024 \$million
<b>Income</b>		
Revenues from SA Government	1,173	1,028
Fees and charges	60	55
Other income	20	18
<b>Total income</b>	<b>1,253</b>	<b>1,101</b>
<b>Expenses</b>		
Staff related expenses	755	711
Supplies and services	411	357
Depreciation and amortisation	43	36
Other expenses	6	6
<b>Total expenses</b>	<b>1,215</b>	<b>1,110</b>
<b>Net result</b>	<b>38</b>	<b>(9)</b>
<b>Other comprehensive income</b>	<b>40</b>	<b>172</b>
<b>Total comprehensive result</b>	<b>78</b>	<b>163</b>
<b>Assets</b>		
Current assets	62	35
Non-current assets	785	705
<b>Total assets</b>	<b>847</b>	<b>740</b>
<b>Liabilities</b>		
Current liabilities	173	151
Non-current liabilities	163	156
<b>Total liabilities</b>	<b>336</b>	<b>307</b>
<b>Net assets</b>	<b>511</b>	<b>433</b>

## Statement of Comprehensive Income

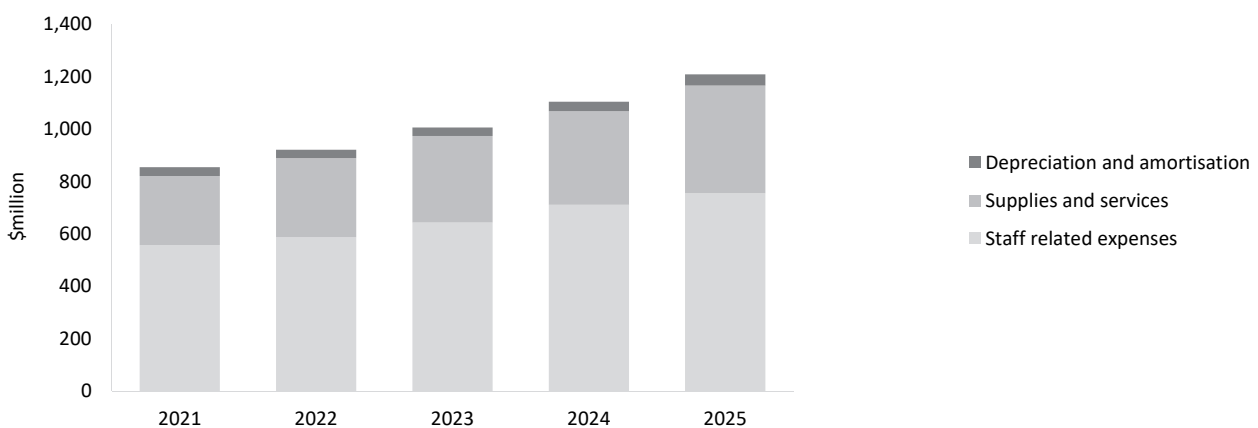
### Revenues from SA Government

NALHN is mainly funded through operational and capital funding from DHW. In 2024-25 it received operational funding of \$1.1 billion (\$973 million) and capital funding of \$83 million (\$55 million). The capital funding significantly contributed to NALHN's net result of \$38 million. It mainly relates to the Modbury Hospital redevelopment, the Crisis Retreat Facility and the provision of additional sub-acute beds at the Lyell McEwin Hospital. The following chart shows the overall growth in funding from the SA Government over the last five years.



### Expenses

Total expenses increased by \$105 million (9%) to \$1.2 billion. The following chart shows the composition of expenses for the last five years. All major expense categories increased over this period.



### Staff related expenses

Staff related expenses of \$755 million, which represent 62% (64%) of NALHN's total expenses, increased by \$44 million. This was mainly due to an increase in salaries and wages expenses and on-costs of \$52 million, as a result of 353 additional FTEs and annual salary increases between 1.5% and 3% in line with enterprise agreements. These increases were offset by:

- a \$5 million decrease in workers compensation
- a \$7 million decrease in the long service leave liability expense.



These amounts are impacted by actuarial assessments of the workers compensation provision and long service liability as at 30 June 2025.

The following table shows the breakdown of total staff numbers between medical, nursing and non-medical staff for the past five years. It shows the overall growth in FTEs over this time.

	2020-21 FTEs	2021-22 FTEs	2022-23 FTEs	2023-24 FTEs	2024-25 FTEs
Medical officers	687	749	750	809	865
Nurses	2,264	2,442	2,600	2,639	2,856
Non-medical	1,246	1,278	1,379	1,411	1,491
Total FTEs	4,197	4,469	4,729	4,859	5,212

### Supplies and services expenses

Supplies and services expenses increased by \$54 million to \$411 million. The significant movements were:

- an \$18 million increase in fee for service, mainly due to the outsourcing of elective surgeries and outpatients to reduce waiting times
- a \$10 million increase in medical, surgical and laboratory supplies, mainly due to additional amounts charged by Statewide Clinical Support Services for imaging and pathology services
- a \$6 million increase in security costs relating to patient minding, mainly due to increases in labour costs and patient activity
- a \$6 million increase in payments for services performed at new premises at the Lyell McEwin Hospital and at satellite offices
- a \$4 million increase in drug supplies, mainly due to an increase in the pharmacy service fee charged by Statewide Clinical Support Services.

### Statement of Financial Position

#### Property, plant and equipment

Property, plant and equipment represent 92% of NALHN's total assets and increased by \$80 million to \$781 million, mainly due to:

- \$76 million in additions to buildings work in progress, mostly related to the construction of the Modbury Hospital health precinct
- a \$40 million increase in the fair value of land and buildings as a result of an annual review using indices supplied by the Office of the Valuer-General
- offset by \$43 million in depreciation and amortisation expenses.

#### Staff related liabilities

Staff liabilities of \$231 million represent 69% of NALHN's total liabilities at 30 June 2025. They increased by \$17 million mainly due to a combined increase of \$13 million in the annual and long service leave liabilities, as a result of higher staff numbers as at 30 June 2025 and increased salary rates used to calculate leave entitlements.

## Functional responsibility

---

NALHN is established by the *Health Care Act 2008* and it establishes, provides, maintains and enhances hospital, medical and allied health services in its local area. This map of South Australia shows NALHN's local area.

### Governance

Local health network (LHN) governing boards are responsible for the overall governance and oversight of local health service delivery by the LHN, including governance of performance, budget achievement, clinical governance, safety and quality, risk management and the achievement of board functions and responsibilities.

Each LHN chief executive officer is accountable to, and subject to the direction of, the governing board for managing the operations and affairs of the LHN.

A service agreement between NALHN and DHW outlines the requirements of the formal relationship between them, and sets out performance expectations and funding arrangements. The 2024-25 NALHN service agreement was executed in November 2024.



## Scope of the audit

---

Financial services for NALHN are provided by NALHN, DHW and Shared Services SA. The audit program covered major financial systems at these agencies to obtain sufficient evidence to form an opinion on the financial report and internal controls.

Areas of audit attention in 2024-25 included:

- governance
- payroll and workforce management
- accounts payable, including procurement and contract management
- the AGFMA
- revenue, including debt management
- property, plant and equipment
- cash
- general ledger.

We reviewed controls over payroll, AGFMA, and procurement and contract management activities as part of our overall controls opinion, which is discussed in Part B of this report.

# Preventive Health SA (PHSA)


**Financial report  
opinion**


**Unmodified**

**Audit findings**

No findings.

**Financial statistics**

 **\$35 million**  
Total income

 **\$37 million**  
Total expenditure

 **95**  
FTEs

**Significant events  
and transactions**

In November 2024, the South Australian Parliament passed the *Preventive Health SA Act 2024*, which recognises preventive health as a crucial area of health policy with a permanent place in South Australia’s health system. The Act is yet to commence.

## Audit findings

We did not have any audit findings that needed to be communicated to PHSA.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2025 \$million	2024 \$million
<b>Income</b>		
Revenues from SA Government	34	27
Grants and contributions and other	1	3
<b>Total income</b>	<b>35</b>	<b>30</b>
<b>Expenses</b>		
Payments to SA Government	1	1
Employee benefits expenses	13	13
Supplies and services and other	13	9
Grants and subsidies	9	6
<b>Total expenses</b>	<b>36</b>	<b>29</b>
<b>Net result</b>	<b>(1)</b>	<b>1</b>
<b>Assets</b>		
Current assets	4	7
<b>Total assets</b>	<b>4</b>	<b>7</b>
<b>Liabilities</b>		
Current liabilities	3	5
Non-current liabilities	2	2
<b>Total liabilities</b>	<b>5</b>	<b>7</b>
<b>Total equity</b>	<b>(1)</b>	<b>-</b>

### Statement of Comprehensive Income

#### Revenue

#### Revenues from SA Government

PHSA's main source of revenue is appropriations, which totalled \$32.6 million in 2025 (\$25.9 million).

#### Grants and contributions

Grants and contributions funding decreased by \$2.7 million to \$100,000. PHSA received \$2.7 million from the Southern Adelaide Local Health Network Incorporated in 2024 to cover the costs of transferring Drug and Alcohol Services South Australia's non-clinical governance services to PHSA.

## Expenses

### Employee benefits expenses

Employee benefits expenses of \$12.7 million represents 35% of PHSA's total expenses.

### Supplies and services expenses

Supplies and services increased by \$4.6 million to \$13 million due to increases in:

- contracts for health services of \$2.4 million
- contractors of \$2.3 million for the full-year effect of the transfer of Drug and Alcohol Services South Australia's non-clinical services to PHSA.

### Grants and subsidies

Grants and subsidies increased by \$3 million to \$9.5 million, mainly due to an increase of \$2.7 million in support grants to non-government organisations.

## Statement of Financial Position

### Assets

Current assets decreased by \$2.9 million to \$4.1 million in 2025, comprising cash and cash equivalents of \$3.6 million (\$4.6 million) and receivables of \$500,000 (\$2.4 million).

### Liabilities

#### Employee-related liabilities

Employee-related liabilities of \$3.7 million made up 70% of PHSA's total liabilities in 2025.

## Functional responsibility

---

PHSA is an attached office of the Department for Health and Wellbeing by proclamation under the *Public Sector Act 2009*. It delivers evidence-based preventative actions to improve the health and wellbeing of South Australians by:

- reducing the burden of non-communicable conditions and their impacts on the health system
- reducing health inequities, with a particular focus on priority populations
- increasing evidence-based, cost-effective and integrated approaches that address the social, cultural and commercial determinants of health.

The Minister for Health and Wellbeing is responsible for PHSA.

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

Areas of audit attention in 2024-25 included:

- payroll
- expenditure
- grants and subsidies
- cash
- general ledger.

Financial services for PHSA are provided through:

- finance services within PHSA
- services provided by the Department for Health and Wellbeing
- services provided by Shared Services SA.

# Riverland Mallee Coorong Local Health Network Incorporated (RMCLHN)

## Financial report opinion

## Modified

RMCLHN did not disclose the value of procurements with South Australian and non-South Australian businesses for 2024-25, although it was required to by the Treasurer's Instructions (Accounting Policy Statements).

## Audit findings


- Invoices were paid without accompanying purchase orders.
- Debt management needs improvement.
- There was inadequate segregation of duties for patient revenue.
- The strategic asset management plan is not finalised.
- Incomplete data was used for preventative maintenance planning.
- Medical officers were paid outside the medical officers' payment system.


## Financial statistics

 **\$262 million**  
Total income

 **\$258 million**  
Total expenditure

 **1,270**  
FTEs

 **14**  
Hospital and health service sites

 **18,697**  
Total inpatient activity

## Significant events and transactions

Activation of the Electronic Medical Records System was completed.

## Audit findings

---

We communicated our audit findings in a management letter to the Chief Executive Officer of RMCLHN. The main findings and RMCLHN's responses are discussed below.

We also identified several findings for control activities performed by the Rural Support Service that impact RMCLHN. They are reported under 'Barossa Hills Fleurieu Local Health Network Incorporated' in this report.

### **Invoices paid without purchase orders**

We found invoices with no accompanying purchase orders raised, for which exemptions did not apply. This increases the risk of payments being made for goods or services not received or not at the agreed price.

SA Health policy mandates the use of requisitions and purchase orders, unless the item purchased is on the approved purchase order exemption list or below \$2,200.

RMCLHN advised us that it will continue to monitor and educate its staff.

### **Debt management needs to improve**

We found instances where the follow-up and recovery of longstanding debtors was ineffective or not performed. This may result in lost revenue for RMCLHN.

RMCLHN replied that it will continue to work with Shared Services SA to improve debt collection and will follow up longstanding debts, or write them off where appropriate.

### **Inadequate segregation of duties for patient revenue**

Revenue officers can modify the length of hospital stay and charge types, increasing the risk of inappropriate adjustments to invoiced fees.

RMCLHN replied that it will implement an independent review of a report on changes made by revenue officers.

### **No strategic asset management plan**

We found that RMCLHN did not have a strategic asset management plan or an asset management plan. This increases the risk that funding is not allocated to the most critical assets or areas.

RMCLHN advised us that it has made significant progress on these plans and the strategic asset management plan will be completed by December 2025.

### **Incomplete asset data used for preventative maintenance planning**

RMCLHN had not completed an asset data reconciliation and a number of its assets were not recorded on the asset management system.

RMCLHN advised us that it is waiting for direction from SA Health on how to proceed.



## Medical officers paid outside the medical officers' payment system

We identified a number of instances where locums were paid outside the medical officers' payment system, which led to incorrect payments. The system is designed with inbuilt controls to ensure payroll payments are accurate.

RMCLHN replied that it would follow up the instances we identified and ensure all locums are paid through the medical officers' payment system in future.

## Interpretation and analysis of the financial report

The consolidated accounts of RMCLHN include incorporated Health Advisory Councils within the RMCLHN region. These Councils undertake an advocacy role on behalf of the community, to provide advice about health services, health issues, goals, priorities, plans and strategic initiatives.

We are only showing the consolidated amounts below, as the differences between the consolidated and parent amounts are immaterial.

### Highlights of the financial report – consolidated

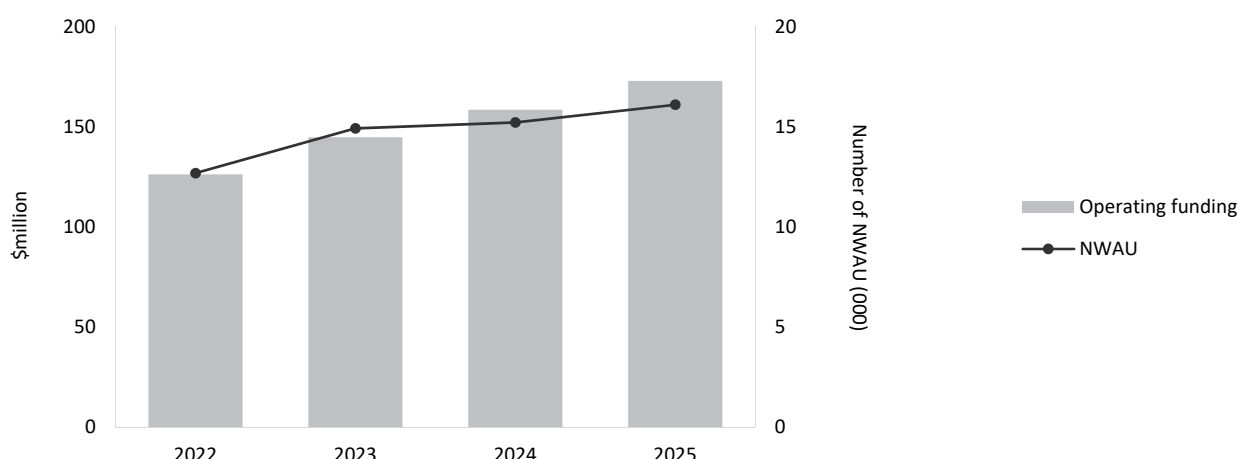
	2025 \$million	2024 \$million
<b>Income</b>		
Revenues from SA Government	182	163
Fees and charges and other income	24	22
Grants and contributions	56	51
<b>Total income</b>	<b>262</b>	<b>236</b>
<b>Expenses</b>		
Staff related expenses	140	125
Supplies and services and other expenses	108	100
Depreciation and amortisation	10	10
<b>Total expenses</b>	<b>258</b>	<b>235</b>
<b>Net result</b>	<b>4</b>	<b>1</b>
<b>Total other comprehensive income</b>	<b>-</b>	<b>39</b>
<b>Total comprehensive income</b>	<b>4</b>	<b>40</b>
<b>Assets</b>		
Current assets	66	57
Non-current assets	184	184
<b>Total assets</b>	<b>250</b>	<b>241</b>
<b>Liabilities</b>		
Current liabilities	72	67
Non-current liabilities	23	23
<b>Total liabilities</b>	<b>95</b>	<b>90</b>
<b>Net assets</b>	<b>155</b>	<b>151</b>

## Statement of Comprehensive Income

### Revenues from SA Government

Revenues from the SA Government account for 70% of income and increased by \$19 million (11%). They are received from the Department for Health and Wellbeing and comprise:

- \$173 million (\$158 million) in operating funding, with the increase for additional activity (see chart below) and a rise in the price per National Average Weighted Unit (NWAU) paid
- \$9 million (\$5 million) in capital funding, with the increase related to the Murray Bridge helipad upgrade.

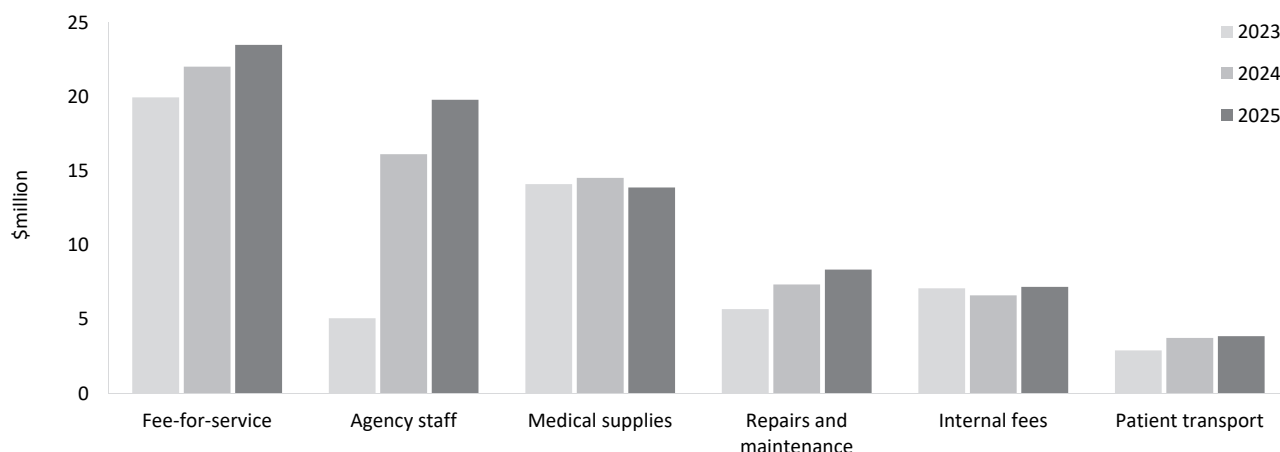


### Staff related expenses

Staff related expenses account for 54% of expenses and increased by \$15 million (12%). The increase is mainly due to an additional 58 FTEs as RMCLHN recruited more staff to cover increased activity and place less reliance on agency and fee-for-service staff – see ‘Supplies and services’. There was also an increase in the amount paid to staff.

### Supplies and services

Supplies and services account for 41% of expenses and rose by \$8 million (8%). There are six main categories that account for 72% of this expenditure, as shown in the chart below.



The main increases in supplies and services were \$1 million in fees for service and \$4 million in agency staff, which relate to difficulties in recruiting staff, increased activity, changes to the number of staff required and increases in the costs of services.

## Statement of Financial Position

### Other financial assets

Other financial assets increased by \$6 million (20%) due to an increase in term deposits. Most of these funds are aged care refundable deposits and the number of these deposits increased.

### Property, plant and equipment

Property, plant and equipment decreased by \$1 million due to depreciation of \$10 million offset by \$10 million in additions. The additions were mainly in capital works in progress.

### Staff related liabilities

Staff related liabilities increased by \$2 million (6%) mainly due to the increase of 58 FTEs and the related cost of these staff.

### Contract and other liabilities

Contract and other liabilities increased by \$5 million (13%), due to the rise in the number of refundable accommodation deposits for residential aged care.

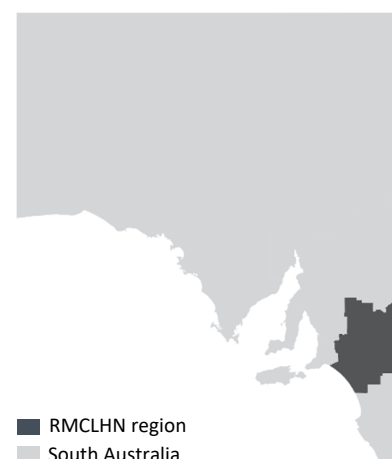
## Functional responsibility

---

RMCLHN is established to provide health services in the Riverland Mallee Coorong region of South Australia. This map of South Australia shows the RMCLHN region.

### Governance

Local Health Network (LHN) governing boards are responsible for the governance and oversight of local health service delivery, including governance of performance, budget achievement, clinical safety and quality and risk. Each LHN chief executive officer is accountable to, and subject to the direction of, the governing board for managing the operations and affairs of the LHN.



## Scope of the audit

---

Financial services for RMCLHN are provided by several agencies:

- RMCLHN
- the Rural Support Service within the Barossa Hills Fleurieu LHN
- the Department for Health and Wellbeing
- Shared Services SA.

The audit program covered major financial systems at these agencies to obtain sufficient evidence to form an opinion on the financial report and internal controls. A contract accounting firm assisted the Auditor-General with the audit. Areas of audit attention in 2024-25 included:

- payroll
- accounts payable, including procurement
- revenue, including debt management
- property, plant and equipment
- asset management
- cash
- general ledger.

# SA Ambulance Service Inc (SAAS)

## Financial report opinion

### Modified

SAAS did not disclose the value of procurements with South Australian and non-South Australian businesses for 2024-25, although it was required to by the Treasurer’s Instructions (Accounting Policy Statements).

## Audit findings

- SAAS’s financial authorisations were not approved and are inconsistent with the authorisations from the Department for Health and Wellbeing (DHW).
- There was no evidence that the Treasurer provided SAAS with the authority to waive debts.
- Some purchase card users did not have contract authority.
- Improvements to billing and debt management processes are needed.
- Important controls for payroll processing and leave management need to improve.
- There was no evidence that SAAS had the required approvals to pay staff allowances above the rates in the SA Ambulance Award.
- Some invoices showed no evidence of being reviewed before they were paid.

## Financial statistics



**\$613 million**  
Total income



**\$510 million**  
Total expenditure



**2,086**  
FTEs

## Significant events and transactions

- Construction of the new \$120 million ambulance headquarters at Mile End continued. It includes a new emergency operations centre and Adelaide ambulance station. It is expected to be completed by December 2025.
- The rebuild and upgrade of various ambulance stations across the State continued.

- Four new ambulance stations at Norwood, Edwardstown, Golden Grove and Woodville were completed.
  - Recruitment of paramedics and ambulance officers towards the SA Government's target of an additional 350 officers continued.
  - Development of the electronic patient care record system started to replace current paper-based patient records.
- 

## Audit findings

---

We communicated our audit findings in a management letter to the Chief Executive Officer (CEO) of SAAS. The main findings and SAAS's responses are discussed below.

### Financial authorisations

#### SAAS's financial authorisations were not approved

SAAS does not review its financial authorisations annually and the CEO has not approved the current authorisations.

While individual requests to amend financial authorisations are reviewed and approved by the CEO, there is no overall review of the existing financial authorisations document.

Treasurer's Instruction 8 *Financial Authorisations* requires chief executives to review authorisations at least annually. Regular reviews ensure authorisations are appropriate for current roles. Not ensuring they are up to date, increases the risk that inappropriate contracts are entered into and employees make inappropriate payments.

SAAS responded that it will ensure its financial authorisations are formally reviewed at least annually and signed by the CEO. It will also ensure that individual requests and approvals are checked to employee registers.

#### SAAS's financial authorisations are inconsistent with authorisations from DHW

The financial authorisations by the Chief Executive of DHW to the CEO of SAAS establish separate limits for specific types of expenditure.

We identified instances where limits relating to travel expenses and disposal of assets in SAAS's financial authorisations exceeded the limits established by the Chief Executive of DHW. This means that any expenditure relating to travel or asset disposal may not have been properly approved.

SAAS responded that it will check that authorisations are consistent with DHW's authorisations as part of the financial authorisations review.

## No evidence that the Treasurer provided the authority to waive debts

SAAS employees waived a number of debts in 2024-25, however SAAS could not provide us with the approval from the Treasurer allowing it to waive debts.

Treasurer's Instruction 5 *Debt Recovery and Write Offs* states that a debt can only be waived if approved by the Treasurer.

SAAS responded that it will seek approval from the Treasurer to waive debts.

## Some purchase card users do not have contract authority

We found that some purchase card users in SAAS's financial authorisations do not have contract authority. This increases the risk of inappropriate spending, leading to financial loss.

Treasurer's Instruction 12 *Purchase Cards* requires chief executives to ensure that purchase cards are only provided to employees who have contract authorisation and that purchase card limits do not exceed this authorisation.

SAAS responded that it will review the purchase card holders in its financial authorisations to ensure purchase card limits are in line with contract authority.

## Revenue

### Billing and debt management needs to improve

#### Lack of segregation of duties in the billings and collections team

There is no system control in SAAS's billing system to restrict users from processing adjustments to invoices. SAAS has not implemented a control to ensure all adjustments made are appropriate and approved in line with its financial authorisations.

Without an effective control, inappropriate and unauthorised adjustments may occur due to error or fraud and may not be identified.

SAAS responded that it will investigate a billing system control to ensure debt write-offs and waivers can only be approved by an authorised delegate and introduce a detection control to ensure all other adjustments are appropriate.

#### Outstanding debts are not referred to the Fines Enforcement and Recovery Unit (FERU)

SAAS has not referred any unpaid invoices to the SA Government's debt recovery unit, FERU, for active collection since its billing system was implemented in March 2024.

Invoices totalling \$59 million remain outstanding as at May 2025, with \$39 million of that outstanding for more than 54 days. SAAS's draft revenue and debt management policy requires invoices that are outstanding for more than 54 days to be referred to FERU for active collection.

Debts not being collected promptly may result in lost revenue for SAAS.

SAAS responded that this was originally a system issue that had required a considerable amount of work to ensure data was correct with the required changes in the final stages of development.

#### Delays in generating patient transport invoices

Delays in generating patient transport invoices continue to be an issue for SAAS. At 30 June 2025, SAAS had around \$7 million in invoices still to be raised for services provided since October 2024. Delays in invoicing reduce the likelihood of recovering this debt and may result in misstatement of transport revenue and associated contract asset balances in SAAS's financial statements.

SAAS responded that it will continue to monitor and report on its processing effectiveness and will seek further opportunities for efficiency.

#### Monitoring of patient clinical records (PCRs) needs to improve

SAAS does not have a process to ensure completed PCRs are recognised in the revenue system. Missing PCRs can be identified by matching call centre records to PCRs. However, SAAS does not regularly review and report unmatched call centre records to identify any missing PCRs. It does not reconcile the number of bags containing PCRs that are delivered to SAAS against the number of bags delivered to the contractor's site for scanning.

PCRs contain confidential patient information. Without an effective control to detect and monitor if they are missing, SAAS cannot mitigate any negative impact of possible breaches in patient confidentiality. Missing PCRs also result in unrecorded revenue for services SAAS delivers, resulting in financial loss.

SAAS responded that it expects the rollout of a new electronic PCR system will begin in mid-2026, which will remove the requirement for paper PCRs. In the meantime it will review unmatched call centre records monthly.

#### Instances of ambulance cover being incorrectly invoiced

We found instances where customers had paid their membership fees but their status was not updated in the billing system. This resulted in members being incorrectly invoiced for transport costs.

SAAS advised us that this is a system error, as membership status should automatically change on receipt of payment. However, we noted that SAAS had not implemented additional checks to ensure the system had the status correct. Customers being incorrectly charged is inefficient and results in reputational damage to SAAS.

SAAS responded that it will seek advice from the system vendor on whether changes in membership status can be automated and will look at viable options for regular reviews.



## Payroll

Important payroll and leave management controls need to improve

Significant errors in leave records have not been resolved

Unrecorded leave in the Chris21 payroll system has been a significant issue for SAAS for several years. The workforce team has reconciled leave recorded in the rostering system (GRS) and Chris21 for the period 1 July 2011 to 31 August 2024 and estimated that leave balances in Chris21 were overstated by 193,794 hours (excluding sick leave). However, SAAS has not actively started to address these variances.

By not correcting leave discrepancies, staff may unknowingly take more leave than they are entitled to. Delays increase the risk that these amounts cannot be recovered.

As discussed below, SAAS and Shared Services SA (SSSA) have additional processes to ensure that these issues do not have a material effect on employee benefits reported in SAAS's financial statements.

SAAS responded that it is looking at options to remedy the leave discrepancies identified in the leave reconciliation. It will also audit the employee leave balances in Chris21 and GRS annually to ensure any discrepancies are resolved promptly.

Leave reconciliation process needs to improve

To ensure liabilities are not overstated in its financial reports, SAAS adjusts Chris21 balances by any unrecorded leave identified in its leave reconciliations.

However, we found that SAAS has not recalculated or adjusted the identified variances for any leave subsequently processed into Chris21 or reconciled leave taken from 1 September 2024 to 30 June 2025.

While SSSA has adjusted the unrecorded leave balances to factor in leave subsequently processed, it would be more accurate if SAAS performed reconciliations promptly.

As at 30 June 2025, the leave liability including on costs was estimated to be overstated by \$15 million, based on SAAS's leave reconciliations and SSSA's adjustments.

SAAS responded that it has since re-audited the period from 2018 to 2020. It will audit leave balances in Chris21 and GRS annually to ensure any discrepancies are resolved promptly. It is also investigating an interface between Chris21 and GRS system to address leave and timesheet issues in the longer term.

Control weaknesses in the audit of leave balances on termination

Due to the issues with unrecorded leave, SAAS reconciles leave recorded in GRS and Chris21 before SSSA processes termination payments for staff leaving SAAS. However we found that SAAS has:

- no documented policies and procedures for performing these reconciliations
- no high-level monitoring to ensure reconciliations are performed and all discrepancies followed up.

Without an effective control, incorrect or inappropriate termination payments may be made to staff.

We also found that there were significant delays between termination dates and leave paid out, which could result in non-compliance with the SA Ambulance Service Award.

SAAS responded that it will develop a procedure for leave reconciliations on termination to ensure discrepancies are resolved promptly and any leave entitlements can be paid correctly on termination.

#### Leave reports are not reviewed

Some managers do not review leave reports promptly to ensure leave taken is accurately recorded in Chris21. At 31 July 2025, 12% of leave reports for 2024-25 were not reviewed. Another 33% were reviewed more than a month after the reports were made available.

Not reviewing leave reports means unrecorded leave may not be identified, resulting in staff taking more leave than they are entitled to and financial loss to SAAS.

SAAS responded that it will provide additional education and reporting through the appropriate governance committees for monitoring and compliance.

#### Ineffective management of excessive annual leave balances

We identified a significant number of non-operational employees with excessive annual leave balances (more than two years' entitlement). In May 2025, there were 77 employees (19% of SAAS's 400 non-operational employees) in this position.

SAAS policy requires staff with excessive leave to have a leave reduction plan, but no plans have been registered with the workforce services team.

We also noted that SA Ambulance Service Award employees are excluded from the excessive leave reports due to their leave balances being incorrect in Chris21. SAAS has not implemented other processes to monitor excess leave for these employees.

Excessive leave may impact staff wellbeing and productivity, and may also indicate problems with the completeness of leave recording.

SAAS responded that it will educate its non-operational leaders and will continue to provide reports to them to ensure leave plans are implemented. SAAS also stated that it is unable to manage excess leave plans given the ongoing operational leave audit and the fact that recorded balances may not be accurate.

## Key payroll information was not reviewed, resulting in incorrect payments to staff

### No effective review of payments made to medical practitioners

We found an instance where the hours paid to a medical practitioner exceeded the hours recorded on their approved timesheet. Medical practitioners often work part-time at other hospitals. In this case, the medical practitioner was paid by SAAS for hours worked at another hospital.

SAAS does not have a control to ensure the validity of payments made to medical practitioners.

SAAS responded that it will investigate the extra hours paid to this employee. It stated that it has controls to review and approve timesheets for medical practitioners, and will consider a review of payments to medical practitioners as part of its internal audit plan.

### Delays in processing changes in employee details and conditions

We identified instances where managers had not submitted the required forms for staff who had changed positions until several months after the staff member change. This has resulted in staff being incorrectly paid.

Although SSSA has corrected the under- or overpayments to these staff, delays in submitting the required forms result in inefficiencies and may make it more difficult for managers and workforce services to verify that staff have changed positions.

SAAS responded that it will review its processes to ensure leaders can submit the required forms within the required time frames.

### Bona fide reports are not reviewed

Some managers do not review bona fide reports promptly to ensure the validity of payments made to automatically paid staff.

At 31 July 2025, 9% of bona fide reports were not reviewed for 2024-25. Another 24% were reviewed more than a month after the end of the pay period, making it more difficult to verify that payments made were correct. This increases the risk that incorrect payroll information is not identified, resulting in fraudulent or incorrect payments going undetected.

SAAS responded that it will provide additional education and reporting through the appropriate governance committees for monitoring and compliance.

## No evidence that SAAS has approval to pay staff allowances above award rates

We identified instances where operational employees were paid overtime rates for filling an on-call shift vacancy. These rates exceed those specified in the SA Ambulance Award. SAAS's human resource delegations require allowances paid above the award to be approved by the Chief Executive of the DHW and the Commissioner for Public Sector Employment. SAAS could not provide evidence that it had this approval, meaning unauthorised payments are being made to employees.

SAAS responded that it will review its processes and update its documentation to ensure it complies with the industrial instruments and human resource delegations.

## Expenditure

No evidence that some invoices were reviewed before payment

We reviewed a sample of invoices and found instances where there was no evidence that anyone had checked that the goods/services were received before authorising the invoice for payment. We could not determine who approved these invoices.

This creates an increased risk that incorrect charges are not identified and/or unauthorised payments are made to suppliers without receiving the goods or service.

SAAS responded that it will streamline its processes, and educate and train its staff to reinforce compliance requirements.

## Interpretation and analysis of the financial report

### Highlights of the financial report

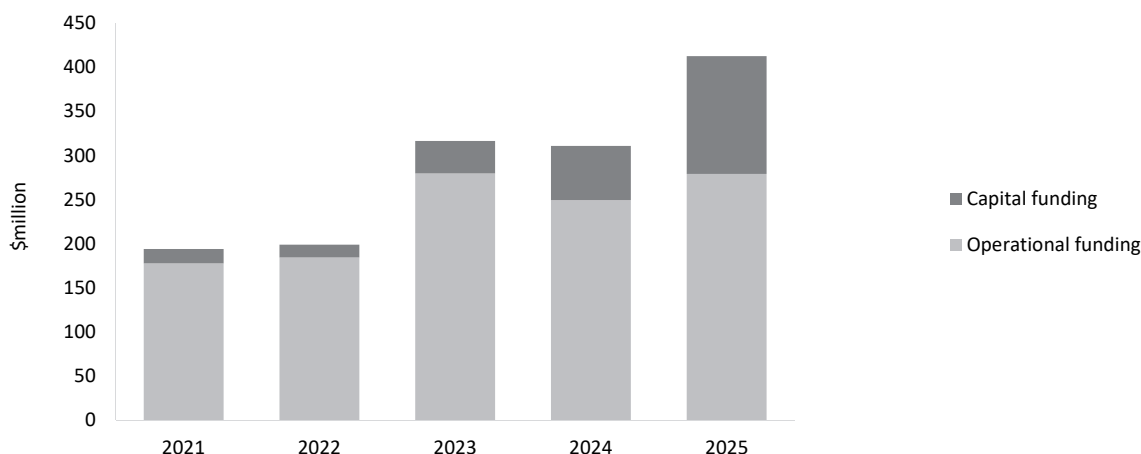
	2025 \$million	2024 \$million
<b>Income</b>		
Revenues from SA Government	413	311
Fees and charges	188	166
Other income	12	11
<b>Total income</b>	<b>613</b>	<b>488</b>
<b>Expenses</b>		
Staff related expenses	350	342
Supplies and services	103	89
Depreciation and amortisation	21	17
Other expenses	36	35
<b>Total expenses</b>	<b>510</b>	<b>483</b>
<b>Net result</b>	<b>103</b>	<b>5</b>
Other comprehensive income	10	38
<b>Total comprehensive income result for the year</b>	<b>113</b>	<b>43</b>
<b>Assets</b>		
Current assets	79	67
Non-current assets	405	288
<b>Total assets</b>	<b>484</b>	<b>355</b>
<b>Liabilities</b>		
Current liabilities	108	101
Non-current liabilities	115	106
<b>Total liabilities</b>	<b>223</b>	<b>207</b>
<b>Net assets</b>	<b>261</b>	<b>148</b>

## Statement of Comprehensive Income

### Revenues from SA Government

SAAS depends on revenue from the SA Government, which is 67% of its total revenue and rose by \$102 million to \$413 million in 2025. It comprised operational funding of \$279 million (\$250 million) and capital funding of \$134 million (\$61 million). The increase in capital funding significantly contributed to SAAS's net result of \$103 million. It was provided for the construction of SAAS's new headquarters, new ambulance stations, the upgrade of existing stations and the purchase of new ambulance vehicles.

The following chart shows SA Government funding to SAAS over the last five years. While there have been changes in the composition of SA Government funding over this period, there was an overall rise between 2021 and 2025, with a significant increase between 2022 and 2023. SAAS received additional funding in 2022-23 to cover the cost of back pay and associated on-costs to eligible staff under the SA Ambulance Enterprise Agreement 2022, and to fund 2022 election commitments, including the purchase of land for the new headquarters and more ambulance vehicles. SAAS continues to receive additional funding to complete the headquarters and deliver other election commitments.



### Revenues from fees and charges

Revenues from fees and charges increased by \$22 million to \$188 million, mainly due to an increase in ambulance transport revenue. Significant components were:

- ambulance cover revenue of \$30 million (\$31 million)
- ambulance transport revenue of \$150 million (\$129 million).

Ambulance cover revenue is from member subscriptions to the SAAS ambulance cover scheme. This provides members with cover for the cost of all ambulance transport in South Australia, while Ambulance Cover Plus covers members for transport Australia-wide.

Ambulance transport revenue is earned from the provision of first aid and patient transportation. It increased by \$21 million in 2024-25 due to a 3% increase in ambulance transport fees and increased activity.

## Staff related expenses

Staff related expenses of \$349 million represented 68% of SAAS's total expenses and increased by \$6 million. Salaries and wages expense increased by \$17 million to \$259 million as a result of 83 additional FTEs and annual salary increases of between 1.5% and 3% in line with enterprise agreements. This increase was offset by:

- a \$6 million decrease in workers compensation expense
- a \$4 million decrease in long service leave liability expense.

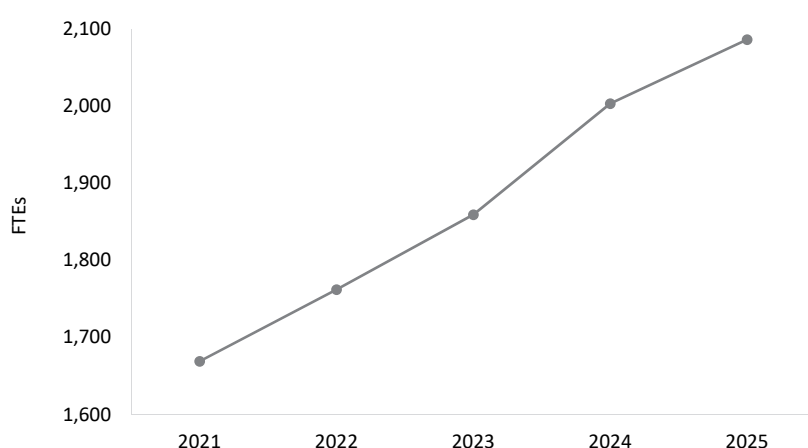
These amounts are impacted by the actuarial assessment of the workers compensation provision and the long service liability as at 30 June 2025.

Total FTEs employed by SAAS increased by 417 FTEs to 2,086 FTEs over the five years to 30 June 2025. This comprised:

- 1,573 (1,502) emergency services
- 24 (27) medical
- 39 (41) nursing
- 450 (434) non-medical staff.

This information is based on Office of the Commissioner for Public Sector Employment data and is unaudited.

The number of emergency services staff is expected to continue to increase in the coming years, with the SA Government committing to increasing the number of paramedics and ambulance officers by 350 over four years in the 2022-23 State Budget. The following chart shows the overall growth in FTEs over the past five years.



## Supplies and services expenses

Supplies and services expenses increased by \$14 million to \$103 million. This is mainly due to a \$10 million increase in aeromedical fixed-wing inter-hospital transfer costs, resulting from higher fixed fees under the new contract with the Royal Flying Doctor Service.

## Statement of Financial Position

### Property, plant and equipment

Property, plant and equipment represents 73% of SAAS's total assets. Their carrying value increased by \$103 million to \$354 million at 30 June 2025, primarily due to:

- \$114 million in additions for building works in progress, of which \$78 million relates to the construction of the new headquarters and \$36 million for the upgrade/rebuild of ambulance stations across the State
- offset by depreciation and amortisation of \$21 million.

### Other assets

Receivables make up 18% of total assets and totalled \$87 million. They increased by \$28 million mainly due to:

- a \$16 million increase in debtors from transport services
- a \$10 million increase in the defined benefit superannuation scheme receivable resulting from an actuarial review.

Contract assets decreased by \$11 million to \$5 million due to the decrease in the backlog of unprocessed patient transport invoices.

### Staff related liabilities

Staff liabilities represent \$178 million (80%) of SAAS's total liabilities at 30 June 2025, comprising:

- staff benefits liabilities and related on-costs of \$120 million (\$114 million)
- provisions for workers compensation of \$57 million (\$49 million).

Staff benefits liabilities increased by \$6 million to \$120 million, mainly due to a \$4 million increase in the long service leave liability as a result of higher staff numbers at 30 June 2025, combined with increased salary rates used to calculate leave entitlement balances.

The provision for workers compensation increased by \$8 million to \$57 million, based on an independent actuarial assessment.

## Functional responsibility

---

SAAS is a body corporate constituted under the *Health Care Act 2008* (HC Act) and is the principal provider of ambulance services in South Australia. It delivers:

- out-of-hospital emergency care and transport
- non-emergency patient care and transport
- emergency and major event management
- medical retrieval services.

## Governance

Under the HC Act the Chief Executive, DHW is responsible for administering SAAS. This includes appointing SAAS's Chief Executive Officer. The Chief Executive, DHW cannot give a direction about a person's clinical treatment.

SAAS enters into a service agreement with the Chief Executive, DHW that sets out expectations and deliverables for the financial year, with the intent that it binds both parties. The 2024-25 service agreement was executed in July 2024.

## Scope of the audit

---

Financial services for SAAS are provided by SAAS, DHW and SSSA. The audit program covered major financial systems at these agencies to obtain sufficient evidence to form an opinion on the financial report and internal controls.

Areas of audit attention in 2024-25 included:

- revenue
- payroll
- expenditure
- fixed assets
- cash
- general ledger.

We reviewed internal audit activities in planning and conducting the audit, but did not place reliance on the work of internal audit.



# Southern Adelaide Local Health Network Incorporated (SALHN)

---

## Financial report opinion

### Modified

SALHN did not disclose the value of procurements with South Australian and non-South Australian businesses for 2024-25, although it was required to by the Treasurer's Instructions (Accounting Policy Statements).


---

## Audit findings

- Important controls for payroll processing need to improve.
  - Asset management and maintenance processes under the Across Government Facilities Management Arrangements (AGFMA) could be improved.
  - Reviews of some key expenditure controls could be improved.
  - Some contract management processes could be improved.
- 


## Financial statistics

 **\$1.8 billion**  
Total income

 **\$1.8 billion**  
Total expenditure

 **7,534**  
FTEs

 **\$933 million**  
Fair value of buildings

 **115,151**  
Total inpatient activity

---

## Significant events and transactions

- Work continued on expansions and upgrades at the Flinders Medical Centre, Noarlunga Hospital and new facilities at the Repat Health Precinct (the Repat).
  - The annual review of the fair value of SALHN's land and buildings resulted in a \$57.8 million valuation increase.
-

## Audit findings

---

We communicated our audit findings in management letters to the Chief Executive Officer. The main findings and SALHN's responses are discussed below.

### Payroll

Important controls for payroll processing need to improve

SALHN employs around 7,534 FTEs and has significant payroll-related costs, with \$1.1 billion in staff-related expenses paid in 2024-25 and \$412 million in staff-related liabilities at 30 June 2025.

We reported a number of payroll issues in 2024-25, which we have previously reported.

#### Aged care staff working without a current aged care check

The *Aged Care Act 1997* requires screening checks to be obtained for staff working in Commonwealth Government subsidised aged care roles. We have previously reported multiple instances of SALHN staff working in aged care roles without valid aged care checks. SALHN developed a weekly reporting dashboard to monitor aged care compliance using workforce reporting data that includes data on aged care employment checks.

In 2024-25, we identified 21 out of 267 staff (7%) who did not have the valid aged care employment checks required for their roles. This may increase the risk of harm to older people when aged care employment checks are not performed. SALHN may also be subject to penalties for not ensuring that staff have these valid employment checks, resulting in financial loss.

SALHN responded that it will continue to address outdated employment checks internally and escalate matters to its executive management committee as needed.

#### Prescribed employees working without a current working with children check

SA Health's criminal history screening policy requires a current working with children clearance (WWCC) for all staff before they start in a prescribed position. This reflects the requirements of the *Child Safety (Prohibited Persons) Act 2016*.

In 2024-25, we identified 154 out of 6,123 staff (2.5%) without the required WWCC. This may increase the risk of harm to children when WWCCs are not performed. SALHN may also be subject to penalties for not ensuring that staff have valid WWCCs, resulting in financial loss.

SALHN responded that it will continue to address outdated employment checks internally and escalate matters to its executive management committee as needed.

#### Non-compliance with SA Health's immunisation policy

SA Health's addressing vaccine preventable disease policy requires staff across various job categories to be vaccinated to protect them and others against specified vaccine preventable diseases. Staff who interact with patients must meet higher vaccination requirements as this is considered an effective way to safeguard staff and patients from harmful diseases, before they interact.

In 2024-25, we found that 551 out of 10,670 employees (5%) did not have their mandatory vaccinations.

SALHN responded that it would ensure staff have their mandatory vaccinations and vaccination records are promptly updated. SALHN will address this matter through the SALHN Safety Council.

### 30% of staff do not have a current performance review

Effective performance reviews create a culture of accountability and continuous improvement. SALHN requires annual performance reviews for all staff, with performance discussions held every six months.

We found 3,004 out of 10,123 employees (30%) did not have current performance reviews in 2024-25. Therefore, only 70% of performance reviews are current. It also sets an 80% target benchmark for annual performance reviews.

SALHN responded that it has developed a strategic risk tolerance for performance review completion within the accepted target.

### Inconsistent medical rostering practices

Rostering accuracy is important for ensuring that resources are available for high quality and efficient patient care, and allowances paid to medical staff are complete and accurate.

For the past six years, we have found inconsistent rostering practices across SALHN, with different processes, tools and approaches being used. To address this, SALHN:

- established a medical workforce project team to develop guidelines for the rostering of trainee medical officers
- was waiting for SA Health's time and attendance policy directive and medical officer timesheet/attendance guideline to be completed
- was exploring IT solutions to improve its rostering processes and time and attendance information.

SALHN advised us that it is working with the Department for Health and Wellbeing (DHW) to select an enterprise rostering system. The procurement process is being performed to select a vendor by the end of 2025.

SALHN responded that it has a roster practice guide for junior medical staff. It will consider roster guides for medical consultants as part of a broader project to implement an electronic rostering system across the whole of health.

### Non-compliance with SA Health's mandatory training policy

The SA Health's mandatory training policy states that it is each health agency's responsibility to comply with mandatory training requirements and provide annual reporting on it to its workforce executive director.

A new learning management system(iLearn) was implemented by SA Health in 2024 to provide employee training programs and capture their completion status. This includes mandatory training modules that all SA Health employees and contracted staff must complete when they start work.

In 2024-25 we found that 24,777 (17%) out of 150,002 mandatory courses had not been promptly completed. The data from iLearn included 7,828 employees and showed that 1,836 employees (23%) were fully compliant.

We also found that SALHN had completed personal file compliance checks in November 2024. At the time of our audit, SALHN advised us its annual reporting was not due to be completed until June 2025.

SALHN responded that the annual reporting in June 2025 is now complete and it will assess the risk of its mandatory training obligations against organisational needs.

### **Across Government Facilities Management Arrangements**

Asset management and maintenance processes under the AGFMA could be improved

SALHN has property, plant and equipment with a fair value of \$1.2 billion. In 2024-25, we considered SALHN's controls to manage the maintenance of these assets.

#### **Asset management processes could be improved**

Consistent with last year, we found:

- financial delegation limits in the system used to order maintenance work (Panorama) were not aligned with SALHN's approved financial delegations
- there were a significant number and value of outstanding contractor invoices that were being disputed and could not be approved for payment in a timely manner
- SALHN made 73 payments totalling \$32.1 million to its facilities management service provider (Ventia). Of these, 21 payments totalling \$21.1 million (66%) were not paid within 14 days of receiving the invoice, which is required by the memorandum of administrative arrangements with the Department for Infrastructure and Transport (DIT) for the AGFMA
- new SALHN assets were not added to service delivery plans in the maintenance work order system. This included significant infrastructure developments with a combined value of over \$34 million that were capitalised in May 2025
- instances where DIT had not provided SALHN with operational and maintenance manuals for new assets, which are required to inform service delivery plans.

In 2024-25, we also found that:

- Panorama user access reviews were not performed regularly to ensure all delegations and user access are accurate and appropriate
- Ventia had not provided annual site inspection plans, so SALHN could not ensure that all required assets were inspected
- SALHN has not maintained a register of its AGFMA issues, including the status of the issues discussed above.

SALHN responded that it would:

- incorporate AGFMA financial delegation requirements into its general financial delegations to align the two systems
- regularly review Panorama user access so that all delegations and active change-agent roles are regularly audited to ensure appropriate access and control
- update its AGFMA issues register to report these items to the quarterly Participating Agencies Forum Group meeting
- continue to work with Ventia and DIT to promptly resolve the above issues.

### **Contract management expenses**

SALHN paid over \$584 million for supplies and services in 2024-25.

Review of some key expenditure controls could be improved

SALHN requires divisions to perform quarterly reviews of user access to the Basware and Oracle systems to ensure that access to these systems is accurate and appropriate. We found that SALHN had only performed these reviews for the quarters ending July 2024 and April 2025. SALHN advised us that the quarterly reviews were paused after the July 2024 review due to:

- technical challenges faced by SA Health in generating reports compatible with the new system
- project improvement delays arising from internal restructures in its procurement team
- its procurement team implementing a self-service model in the Oracle system.

This may lead to unauthorised or invalid transactions and increases the risk for financial misstatements due to insufficient oversight.

SALHN acknowledged our findings and advised us that the quarterly reviews can be resumed as the self-service model is now effective in the Oracle system.

Some contract management processes could be improved

In 2024-25, we continued to identify deficiencies in SALHN's contract management activities. We reviewed the contract management process for two key SALHN contracts and found instances where:

- monthly contract management meetings were not held and/or documented
- the 2023-24 annual contract review was not finalised and signed.

This does not comply with the requirements set by Procurement SA and SA Health.

Poor contract management increases the risk of negative impacts on the overall delivery of the contract, including delays in assessing whether the contract is delivering value for money.

SALHN responded that:

- it has updated its contract management plan to reflect that contract management meetings must be held and documented, and these records will be reviewed and approved by their contract manager and contract owner
- the contract manager and contract owner are reviewing the draft annual contract review report before they approve it.

## Interpretation and analysis of the financial report

### Highlights of the financial report

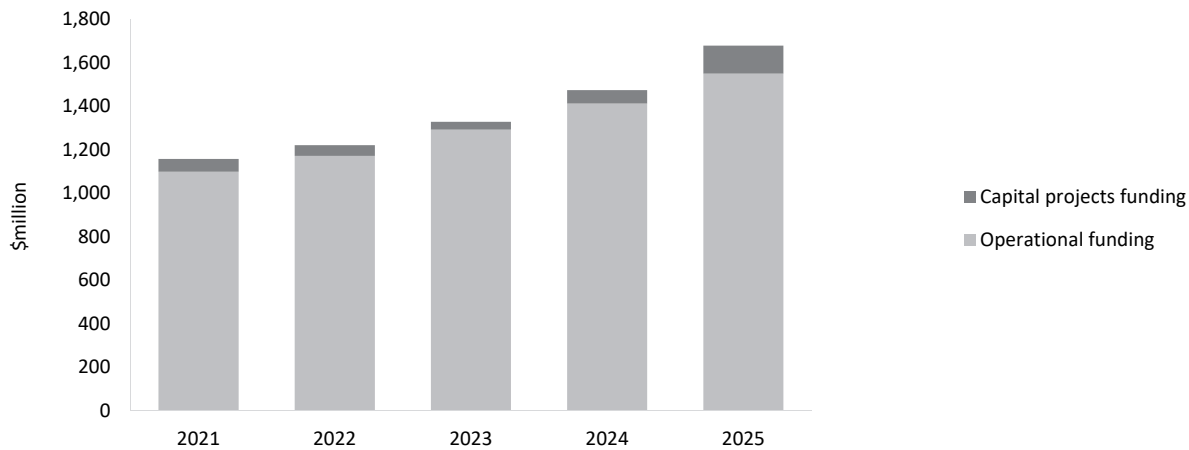
	2025 \$million	2024 \$million
<b>Income</b>		
Revenues from SA Government	1,678	1,473
Revenue from fees and charges	91	79
Grants and contributions	8	6
Other income	37	33
<b>Total income</b>	<b>1,814</b>	<b>1,591</b>
<b>Expenses</b>		
Staff related expenses	1,110	1,009
Supplies and services	584	534
Depreciation and amortisation	56	47
Other expenses	7	12
<b>Total expenses</b>	<b>1,757</b>	<b>1,602</b>
<b>Net result</b>	<b>57</b>	<b>(11)</b>
<b>Total comprehensive result</b>	<b>115</b>	<b>260</b>
<b>Assets</b>		
Current assets	99	66
Non-current assets	1,179	1,046
<b>Total assets</b>	<b>1,278</b>	<b>1,112</b>
<b>Liabilities</b>		
Current liabilities	257	228
Non-current liabilities	216	195
<b>Total liabilities</b>	<b>473</b>	<b>423</b>
<b>Total equity</b>	<b>805</b>	<b>689</b>

### Statement of Comprehensive Income

#### Income

#### Revenues from SA Government

SALHN is mainly funded through recurrent and capital funding from DHW. Revenues from the SA Government accounted for 93% (93%) of its total income in 2024-25. The following chart shows revenues from the SA Government over the last five years.



Revenues from the SA Government increased by \$205 million (14%) to \$1.68 billion in 2024-25, due to increases in:

- operational funding of \$139 million (10%) to \$1.5 billion, reflecting increased costs for providing more services
- capital funding of \$66 million (105%) to \$128 million for investing expenses, including the Flinders Medical Centre (FMC) upgrade and expansion project and more mental health beds in the Noarlunga Hospital.

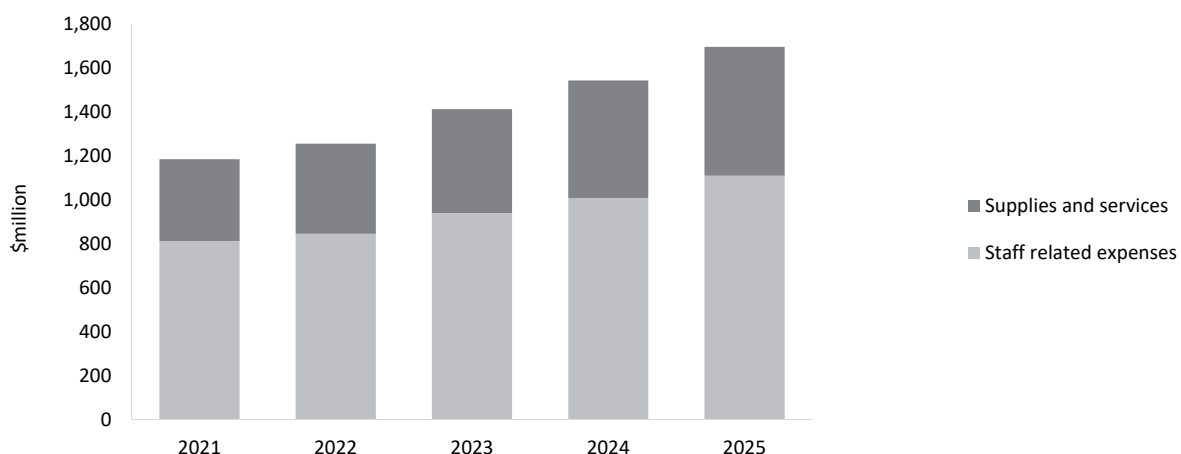
### Revenue from fees and charges

Revenue from fees and charges increased by \$12 million (15%) to \$91 million in 2025, mainly due to increases in:

- patient and client fees of \$8 million (16%), mainly from private stays and providing prostheses
- fees for health services of \$3 million (20%).

### Expenses

Total expenses increased by \$155 million (10%) to \$1.76 billion in 2025. The following chart shows SALHN's main expenses for the last five years.



## Staff related expenses

Staff related expenses represent 63% of total expenses and increased by \$101 million (10%) to \$1.1 billion, mainly due to increases in:

- salaries and wages of \$69 million (9%) to \$859 million
- staff superannuation on-costs of \$15 million (15%) to \$110 million
- workers compensation of \$14 million (238%) to \$20 million.

The increases in salaries and wages and staff superannuation on-costs are mainly driven by an increase of 520 FTEs and a 0.5% increase in the employer superannuation contribution rate. The increase in workers compensation is due to changes in the actuarial assumptions and allocation method used to calculate the worker compensation provisions. The outcomes of the actuarial valuation include:

- a \$7 million re-measurement of seriously injured claims relating to injuries suffered before 2024-25
- \$8 million for new accidents in 2024-25.

The following table shows the breakdown of FTEs between medical, nursing and non-medical staff since 2020-21. It shows an overall growth in FTEs over the five years.

	2020-21 FTEs	2021-22 FTEs	2022-23 FTEs	2023-24 FTEs	2024-25 FTEs
Nurses	3,084	3,335	3,463	3,633	3,913
Non-medical	2,056	2,140	2,247	2,317	2,484
Medical officers	963	981	1,040	1,064	1,137
Total FTEs	6,103	6,456	6,750	7,014	7,534

## Supplies and services

Supplies and services represent 33% of total expenses and increased by \$50 million (9%) to \$584 million, mainly due to increases in:

- fee-for-service of \$18 million (19%) to \$114 million, mainly from more payments to visiting specialists and outsourced beds
- medical, surgical and laboratory supplies of \$16 million (10%) to \$176 million, mainly from increased imaging supplies and charges, pathology charges and medical and laboratory supplies
- repairs and maintenance of \$6 million (23%) to \$32 million, mainly from increased unplanned refurbishment and minor works
- drug supplies of \$4 million (14%) to \$33 million, mainly for additional service fees paid to the Central Adelaide Local Health Network pharmacy
- food supplies of \$3 million (18%) to \$20 million.

The increase in supplies and services is consistent with the increased provision of services across SALHN.



## Statement of Financial Position

### Assets

#### Cash and cash equivalents

Cash and cash equivalents represent 58% of current assets and increased by \$28 million (98%) to \$58 million, mainly due to increases in:

- the deposits to the Treasurer's general operating account of \$25 million (248%) to \$34 million. These are funds transferred from DHW timed to ensure sufficient cash is on hand to meet SALHN's immediate obligations
- the deposits to the Treasurer's special purpose funds account of \$2 million (13%) to \$21 million.

#### Property, plant and equipment

Property, plant and equipment represent 92% of total assets. Their carrying value increased by \$132 million (13%) to \$1.2 billion, mainly due to:

- valuation increments of \$57.8 million, comprising increases in land (\$4 million) and buildings (\$53 million). This resulted from the annual fair value assessment of land and buildings using indices provided by the Office of the Valuer-General for estimated cost and market values based on location
- additions of \$131 million, mainly for \$124 million for capital works in progress at FMC and the Noarlunga Hospital.
- offset by depreciation charges of \$55 million.

### Liabilities

Total liabilities increased by \$50 million (12%) to \$473 million. Current liabilities increased by \$29 million (13%) to \$257 million and exceeded current assets by \$158 million. The cash and cash equivalents of \$58 million were sufficient to meet the current payables of \$55 million at 30 June 2025. SALHN works with DHW to ensure sufficient funding is provided to meet the expected cash flows for its administration and program delivery.

Total staff liabilities of \$412 million represent 87% of this balance comprising:

- staff related liabilities of \$357 million (\$328 million)
- workers compensation provisions of \$55 million (\$43 million).

Staff related liabilities increased by \$29 million (8.9%), mainly due to increases in:

- annual leave liabilities (\$11 million)
- long service leave liabilities (\$10 million)
- staff on-costs payable (\$3 million).

## Further commentary on operations

---

### **SALHN infrastructure changes**

SALHN recorded completed capital works of around \$38.7 million at 30 June 2025.

#### **Repat Health Precinct capital works**

Work at the Repat continued in 2024-25, with building works for its new facilities. SALHN recorded completed capital works at the Repat of around \$21 million in 2025, mainly for the geriatric evaluation and management project.

#### **Flinders Medical Centre capital works**

SALHN recorded completed capital works at FMC of \$17 million in 2025 mainly comprising:

- \$6.5 million for its imaging upgrades, including CT and MRI scanner building works
- \$3.6 million for child protection service works
- \$3 million for general plant and ward upgrades, including compliance works.

SALHN also recorded capital works in progress of \$95 million for the FMC upgrade and expansion project.

#### **Noarlunga Hospital capital works**

In 2025, SALHN recorded capital works in progress of \$52.4 million for the Noarlunga Hospital upgrade and expansion project, including the addition of more beds.

## Functional responsibility

---

SALHN was established under the *Health Care Act 2008*. It provides, maintains and enhances hospital, medical and allied health services in its local area. This map of South Australia shows the SALHN local area.

### **Governance**

Local Health Network (LHN) governing boards are responsible for the overall governance and oversight of local health service delivery, including governance of performance, budget achievement, clinical governance, safety and quality, risk management and the achievement of the board functions and responsibilities.

Each LHN chief executive officer is accountable to, and subject to the direction of, the governing board for managing the operations and affairs of the LHN.

A service agreement between SALHN and DHW outlines the requirements of the formal relationship between them, and sets out performance expectations and funding arrangements. The 2024-25 SALHN service agreement was executed in December 2024.



## Scope of the audit

---

Financial services for SALHN are provided by SALHN, DHW and Shared Services SA. The audit program covered major financial systems at these agencies to obtain sufficient evidence to form an opinion on the financial report and internal controls.

Areas of audit attention in 2024-25 included:

- governance
- accounts payable and goods and services expenditure
- payroll and workforce management
- patient billing and debtor management
- medical officer professional development
- cash and online banking
- general ledger and financial accounting
- property, plant and equipment.

We reviewed controls over employee expenses, goods and services expenses, buildings and improvements and the AGFMA as part of our overall controls opinion, which is discussed in Part B of this report.

# Women's and Children's Health Network Incorporated (WCHN)

---

## Financial report opinion

### Modified

WCHN did not disclose the value of procurements with South Australian and non-South Australian businesses for 2024-25, although it was required to by the Treasurer's Instructions (Accounting Policy Statements).


---


## Audit findings

- Important controls for payroll processes need improvement.
- There are inconsistent rostering practices for medical officers.


---

## Financial statistics

 **\$883 million**  
Total income

 **\$732 million**  
Total expenditure

 **3,454**  
FTEs

 **37,515**  
Total inpatient activity

---

## Significant events and transactions

- In November 2024 the SA Government announced a \$427 million package for foundational works to prepare the main site while the finalisation of the new Women's and Children's Hospital (nWCH) concept design continues. Construction of the eight-story carpark continued in 2024-25 and is expected to be completed in 2027. We have been advised that the nWCH is expected to be completed in 2031.
- The SA Government continues to provide sustainment funding for the existing hospital while the nWCH is being completed. Funding of \$51 million is to be provided over multiple years.

## Audit findings

---

We communicated our audit findings in a management letter to the Chief Executive Officer of WCHN. The main findings and WCHN's responses are discussed below.

### **Important payroll controls need to improve**

#### **Bona fide report review processes need improvement**

For a number of years we have reported that WCHN managers and team leaders have not always reviewed bona fide reports after each pay period to ensure the completeness and accuracy of payments to staff who receive automatic pays.

This year we found that there was still an excessive number of outstanding bona fide reports. In May 2025, 4,766 (4,108) reports were outstanding for more than 12 months, while 530 (475) reports were outstanding for between six and 12 months.

We understand that a significant number of these outstanding reports are for previous financial years, however the growing number of reports outstanding for more than 12 months indicates an ongoing trend of non-compliance. Failure to ensure payroll information is valid and accurate may result in fraudulent or incorrect payments going undetected.

WCHN responded that it will provide managers with regular reports on outstanding bona fides for their action and explain the need for timely completion. It will liaise with Shared Services SA (SSSA) to identify ways to progress outstanding bona fides for employees who have resigned, who make up a significant number of the historical bona fides.

#### **Timesheets in the rostering system are not always approved before staff are paid**

Consistent with prior years, the interface between the ProAct rostering system and the payroll system does not prevent unauthorised timesheets from being uploaded and paid. We found that 6% of ProAct timesheets processed in 2024-25 were unauthorised, which is consistent with our 2023-24 findings.

Unauthorised timesheets could result in invalid payments and overpayments.

WCHN responded that regular reminders will be sent to ProAct managers to authorise timesheets before they are uploaded to SSSA.

#### **Payroll processes need to improve to minimise salary overpayments**

We found that there were 184 instances of overpayments to staff, with a total value of \$747,000, as of June 2025.

Overpaying salaries and wages to employees can occur through payroll processing by WCHN and SSSA. The common causes include:

- amendment to, or late submission of, employee contracts
- submitting leave without pay forms late
- late roster changes reflected in manual rostering systems.

Inappropriate checking mechanisms, including late reviews of bona fide reports and processing unauthorised timesheets, could contribute to an increase in the value and number of WCHN's overpayments.

WCHN responded that it will provide regular overpayment reporting to divisional leads outlining the cause of the overpayments, and will provide targeted training and information to its staff.

### Inconsistent rostering practices for medical officers

We have previously reported that WCHN had inconsistent practices across its divisions for managing its medical officer's rosters, including manual processing using spreadsheets.

WCHN has introduced a clinical rostering resource manual to establish best practice for managing and allocating responsibility for rosters. While we acknowledge that implementing the manual is a positive step to address some of the concerns we have previously raised, it is not a substitute for an electronic rostering system and better controls.

WCHN responded that the Department for Health and Wellbeing (DHW) is leading a project to move medical officers from manual timesheets to an electronic system to help set consistent rules and practices for rostering and approving timesheets. DHW is finalising the acquisition plan and tender documents for approaching the market. Work has also started on the consultation and engagement plan.

## Interpretation and analysis of the financial report

### Highlights of the financial report

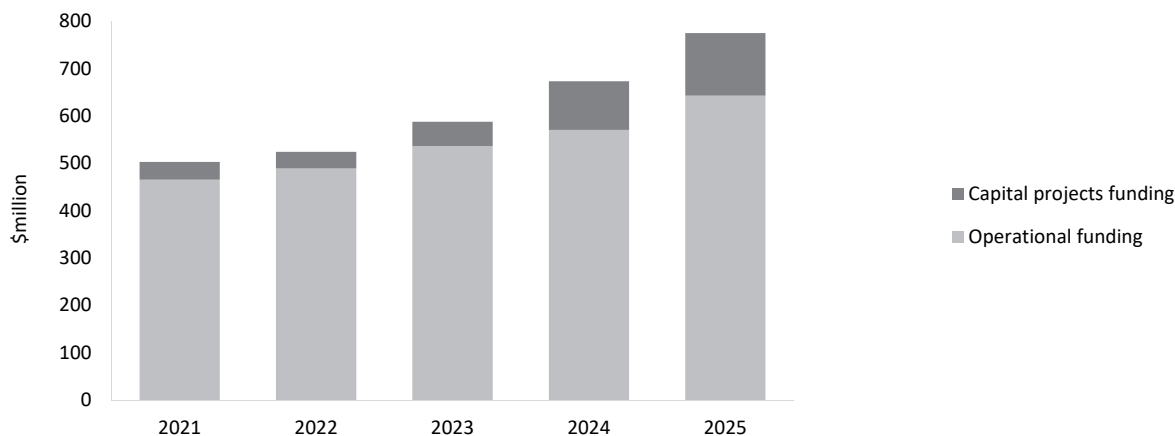
	2025 \$million	2024 \$million
<b>Income</b>		
Revenues from SA Government	775	673
Fees and charges	47	39
Grants and contributions	17	15
Other income	44	17
<b>Total income</b>	<b>883</b>	<b>744</b>
<b>Expenses</b>		
Staff related expenses	504	482
Supplies and services	205	182
Depreciation and amortisation	20	26
Other expenses	3	1
<b>Total expenses</b>	<b>732</b>	<b>691</b>
<b>Net result</b>	<b>151</b>	<b>53</b>
<b>Assets</b>		
Current assets	57	38
Non-current assets	647	489
<b>Total assets</b>	<b>704</b>	<b>527</b>
<b>Liabilities</b>		
Current liabilities	105	93
Non-current liabilities	100	94
<b>Total liabilities</b>	<b>205</b>	<b>187</b>
<b>Net assets</b>	<b>499</b>	<b>340</b>

## Statement of Comprehensive Income

### Revenues from SA Government

WCHN is principally funded through operational and capital funding from DHW. In 2024-25 it received operational funding of \$643 million (\$571 million) and capital funding of \$132 million (\$103 million). The capital funding contributed significantly to WCHN's net result of \$151 million.

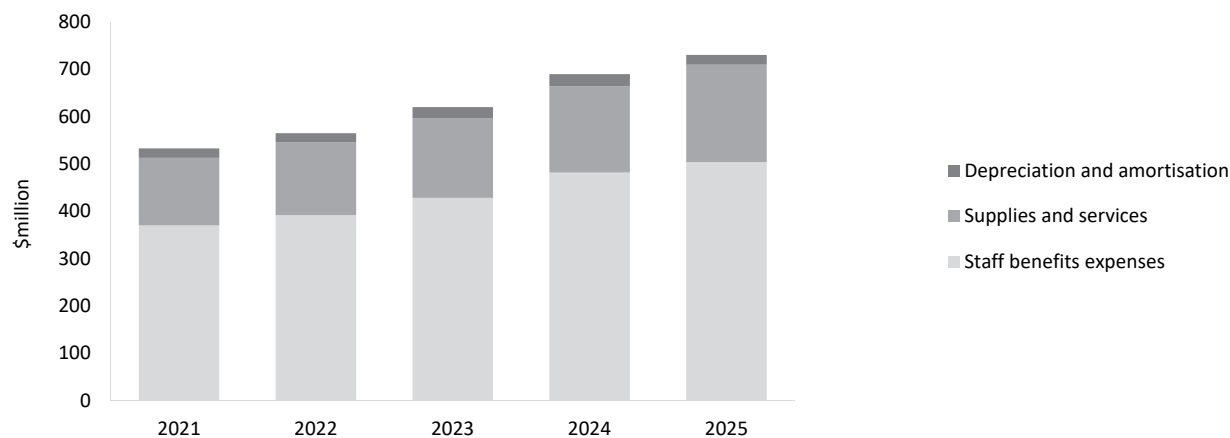
Capital funding mainly related to the nWCH and sustainment works at the current hospital to address high priority clinical and infrastructure requirements while the nWCH is built. The following chart shows revenues from the SA Government over the last five years.



The chart shows the overall growth in both operational and capital revenue from the SA Government over the last five years. There has been additional spending on capital projects in the last three years, mostly for the nWCH and sustainment works at the current hospital.

### Expenses

Total expenses increased by \$40 million to \$732 million. The following chart shows the significant components of expenses for the last five years, and the growth in all components over this period.



## Staff related expense

Staff related expenses of \$504 million, representing 69% of WCHN's total expenses, increased by \$22 million. This movement is mainly due to an increase in salaries and wages expense and on-costs of \$36 million, as a result of 209 additional FTEs and annual salary increases of between 1.5% and 3% in line with enterprise agreements. The increase is offset by:

- a \$12 million decrease in workers compensation expense
- a \$6 million decrease in long service leave liability expense.

These amounts are impacted by the actuarial assessment of the workers compensation provision and long service liability at 30 June 2025.

The following table shows the breakdown of total staff numbers between medical, nursing and non-medical since 2020-21. It shows the overall growth in FTEs over five years.

	2020-21	2021-22	2022-23	2023-24	2024-25
	FTEs	FTEs	FTEs	FTEs	FTEs
Medical officers	347	378	383	439	491
Nurses	1,393	1,501	1,557	1,580	1696
Non-medical	1,151	1,184	1,196	1,226	1,267
Total FTEs	2,891	3,063	3,136	3,245	3,454

## Supplies and services expenses

Supplies and services expenses increased by \$23 million to \$205 million. Some of the more significant movements were:

- a \$7 million increase in medical, surgical and laboratory supplies, mainly due to additional amounts charged by Statewide Clinical Support Services for imaging and pathology services
- a \$7 million increase in repairs and maintenance, mainly due to ageing infrastructure costs
- a \$4 million increase in drug supplies, mainly due to an increase in the pharmacy service fee charged by Statewide Clinical Support Services.

## Statement of Financial Position

### Property, plant and equipment

Property, plant and equipment represents 88% of WCHN's total assets and increased by \$156 million to \$620 million, mainly due to:

- \$130 million in additions to buildings work in progress, mostly related to the nWCH and sustainment works at the existing hospital
- \$26 million of land received free of charge for the nWCH
- an \$8 million increase in the fair value of land as a result of an annual review using indices supplied by the Office of the Valuer-General
- offset by \$20 million in depreciation and amortisation expenses.

The SA Government has committed over \$3.2 billion to build the nWCH at the Thebarton Police Barracks site. We have been advised that it is expected to be completed in 2031.



## Staff related liabilities

Staff liabilities represents \$162 million (79%) of WCHN's total liabilities at 30 June 2025. This balance increased by \$13 million mainly due to a combined increase of \$8 million in annual and long service leave liabilities, a result of higher staff numbers at 30 June 2025 and increased salary rates used in the calculation of leave entitlement balances.

## Functional responsibility

---

WCHN is an incorporated hospital established under the *Health Care Act 2008*. Its functions include providing health services to women and children, with its principal unit being the Women's and Children's Hospital.

### Governance

Local health network (LHN) governing boards are responsible for the overall governance and oversight of local health service delivery, including governance of performance, budget achievement, clinical safety and quality, risk management and the achievement of the board functions and responsibilities.

Each LHN chief executive officer is accountable to, and subject to the direction of, the governing board for managing the operations and affairs of the LHN. A service agreement between WCHN and DHW outlines the requirements of the formal relationship between them, and sets out performance expectations and funding arrangements. The intent of the service agreement is to be binding on all parties. The 2024-25 WCHN service agreement was executed in August 2024.

## Scope of the audit

---

Financial services for WCHN are provided by WCHN, DHW and SSSA. The audit program covered major financial systems at these agencies to obtain sufficient evidence to form an opinion on the financial report and internal controls. A contracted accounting firm assisted the Auditor-General with the audit.

Areas of audit attention in 2024-25 included:

- cash
- payroll
- purchasing, procurement and payments
- fixed assets
- revenue
- general ledger.

We reviewed WCHN's internal audit activities in the planning and conduct of the audit, but did not place reliance on the work of internal audit.

# Yorke and Northern Local Health Network Incorporated (YNLHN)

---

## Financial report opinion

## Modified

YNLHN did not disclose the value of procurements with South Australian and non-South Australian businesses for 2024-25, although it was required to by the Treasurer's Instructions (Accounting Policy Statements).

---

## Audit findings

- Invoices were paid without accompanying purchase orders.
- Debt management needs improvement.
- There was inadequate segregation of duties for patient revenue.
- The strategic asset management plan is not finalised.
- Medical officers were paid outside the medical officers' payment system.
- Locums were engaged without a procurement process.

---

## Financial statistics



**\$278 million**  
Total income



**\$274 million**  
Total expenditure



**1,342**  
FTEs



**19**  
Hospital and health service sites



**17,538**  
Total inpatient activity

---

## Significant events and transactions

Activation of the Electronic Medical Records System was completed.

---

## Audit findings

---

We communicated our audit findings in a management letter to the Chief Executive Officer of YNLHN. The main findings and YNLHN's responses are discussed below.

We also identified several findings for control activities performed by the Rural Support Service that impact YNLHN. They are reported under 'Barossa Hills Fleurieu Local Health Network Incorporated' in this report.

### **Invoices paid without purchase orders**

We found invoices with no accompanying purchase orders raised, for which exemptions did not apply. This increases the risk of payments being made for goods or services not received or not at the agreed price.

SA Health policy mandates the use of requisitions and purchase orders, unless the item purchased is on the approved purchase order exemption list or below \$2,200.

YNLHN advised us that it will present the purchase order exemption report to the Corporate Services Committee meeting as a standing report and is finalising a standing purchase order work instruction.

### **Debt management needs to improve**

We found instances where the follow-up and recovery of longstanding debtors was ineffective or not performed. This may result in lost revenue for YNLHN.

YNLHN replied that it will continue to work with Shared Services SA to improve debt collection and will follow up longstanding debts.

### **Inadequate segregation of duties for patient revenue**

We found that revenue officers can modify the length of hospital stay and charge types, increasing the risk of inappropriate adjustments to invoiced fees.

YNLHN replied that it will implement an independent review of a report on changes made by revenue officers.

### **No strategic asset management plan**

We found that YNLHN did not have a strategic asset management plan or an asset management plan. This increases the risk that funding is not allocated to the most critical assets or areas.

YNLHN advised us that it has made significant progress and the plans will be complete by March 2026.

### **Medical officers paid outside the medical officers' payment system**

We identified a number of instances where locums were paid outside the medical officers' payment system, which led to incorrect payments. The system is designed with inbuilt controls to ensure payments are accurate.

YNLHN replied that from 1 July 2025 all locums would be paid through the medical officers' payment system.

## Engaging locums without a procurement process

We noted that a number of locums were engaged without a procurement process or approval for a direct market approach, which increases the risk of disputed changes.

YNLHN advised us that it has developed a validation tool to ensure compliance.

## Interpretation and analysis of the financial report

The consolidated accounts of YNLHN include the incorporated Health Advisory Councils within the YNLHN region. These Councils undertake an advocacy role on behalf of the community, to provide advice about health services, health issues, goals, priorities, plans and strategic initiatives.

We are only showing the consolidated amounts below, as the differences between the consolidated and parent amounts are immaterial.

### Highlights of the financial report – consolidated

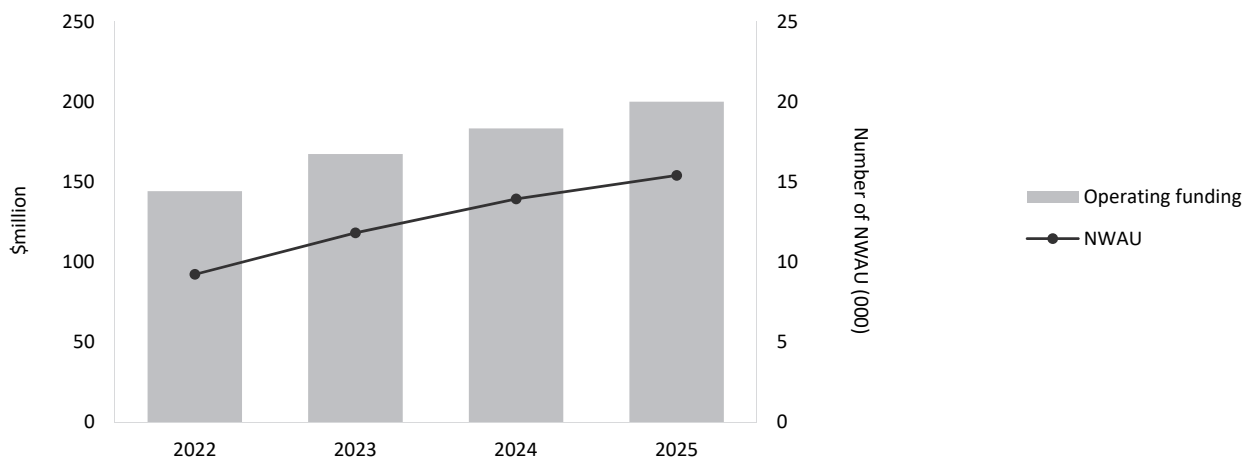
	2025 \$million	2024 \$million
<b>Income</b>		
Revenues from SA Government	216	188
Fees and charges and other income	21	20
Grants and contributions	41	41
<b>Total income</b>	<b>278</b>	<b>249</b>
<b>Expenses</b>		
Staff related expenses	145	138
Supplies and services and other expenses	115	105
Depreciation and amortisation	14	11
<b>Total expenses</b>	<b>274</b>	<b>254</b>
<b>Net result</b>	<b>4</b>	<b>(5)</b>
<b>Total other comprehensive income</b>	<b>(3)</b>	<b>62</b>
<b>Total comprehensive result</b>	<b>1</b>	<b>57</b>
<b>Assets</b>		
Current assets	53	47
Non-current assets	206	205
<b>Total assets</b>	<b>259</b>	<b>252</b>
<b>Liabilities</b>		
Current liabilities	53	47
Non-current liabilities	24	23
<b>Total liabilities</b>	<b>77</b>	<b>70</b>
<b>Net assets</b>	<b>182</b>	<b>182</b>

## Statement of Comprehensive Income

### Revenues from SA Government

Revenues from the SA Government account for 78% of income and increased by \$28 million (15%). They are received from the Department for Health and Wellbeing and comprise:

- \$200 million (\$184 million) in operating funding, with the increase for additional activity (see chart below) and a rise in the price per National Weighted Average Unit (NWAU) paid
- \$16 million (\$4 million) in capital funding, with the increase to fund the Port Pirie Hospital emergency department upgrade.

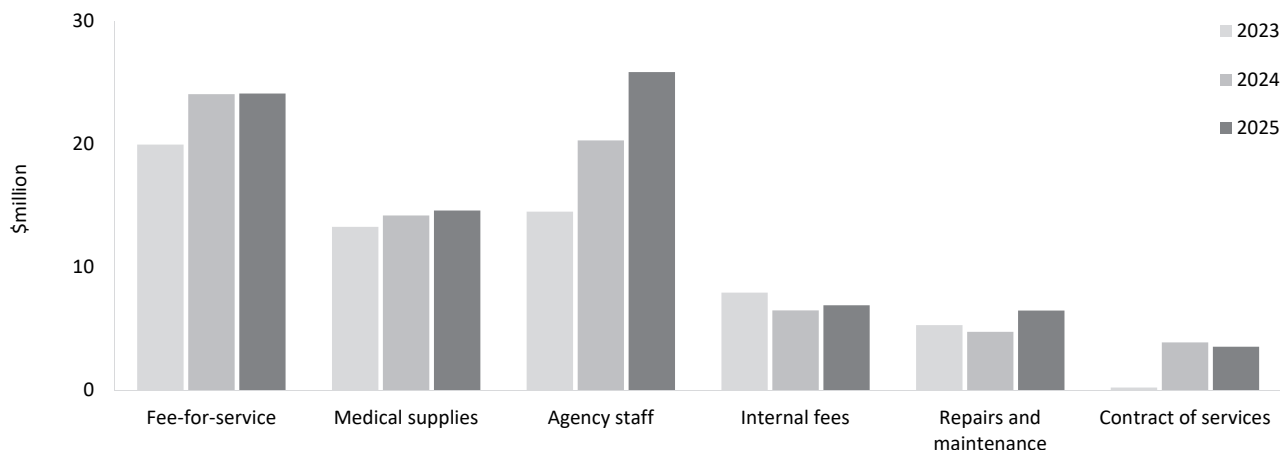


### Staff related expenses

Staff related expenses account for 53% of total expenses and increased by \$7 million (5%). The increase is mainly due to an additional 55 FTEs as YNLHN recruited more staff to cover increased activity and place less reliance on agency and fee-for-service staff – see ‘Supplies and services’.

### Supplies and services

Supplies and services account for 42% of expenses and increased by \$11 million (10%). There are six main categories that account for 71% of this expenditure, as shown in the chart below.



The main increases in supplies and services were:

- \$6 million in agency staff, which relates to ongoing shortages and backfilling positions for Electronic Medical Records System implementation training and the increased cost of services
- \$2 million in repairs and maintenance due to the poor condition of some assets and the prolonged pigeon infestation in a Port Pirie building.

## Statement of Financial Position

### Other financial assets

Other financial assets increased by \$2 million (11%) due to an increase in term deposits. Most of these funds are aged care refundable deposits and the number of these deposits rose.

### Property, plant and equipment

Property, plant and equipment remained steady due to depreciation of \$14 million and disposals of \$2 million, offset by \$18 million in additions. The additions were mainly in capital works in progress.

### Payables

Payables increased by \$2 million (24%) due to outstanding invoices for repairs and maintenance.

### Staff related liabilities

Staff related liabilities increased by \$2 million (5%) due to the increase of 55 FTEs and the related cost of these staff, which is in line with the increase in salaries and wages expenses.

### Contract and other liabilities

Contract and other liabilities increased by \$3 million (17%), due to the rise in the number of refundable accommodation deposits for residential aged care.

## Functional responsibility

---

YNLHN was established to provide health services in the Yorke and Northern region of South Australia. This map of South Australia shows the YNLHN region.

### Governance

Local health network (LHN) governing boards are responsible for the governance and oversight of local health service delivery, including governance of performance, budget achievement, clinical safety and quality and risk. Each LHN chief executive officer is accountable to, and subject to the direction of, the governing board for managing the operations and affairs of the LHN.



## Scope of the audit

---

Financial services for YNLHN are provided by several agencies:

- YNLHN
- the Rural Support Service within the Barossa Hills Fleurieu LHN
- the Department for Health and Wellbeing
- Shared Services SA.

The audit covered the major financial systems at these agencies to obtain sufficient evidence to form an opinion on the financial report. A contracted accounting firm assisted the Auditor-General with the audit. Areas of audit attention in 2024-25 included:

- payroll
- accounts payable, including procurement
- revenue, including debt management
- property, plant and equipment
- asset management
- cash
- general ledger.

# HomeStart Finance (HomeStart)

## Financial report opinion

## Unmodified

### Audit findings

- Ineffective oversight of some key risks of IT projects, with one major project being terminated due to project risks not mitigated and another not meeting management expectations.
- Decommissioning of the legacy loan system prevented us from testing the effectiveness IT general controls.

## Financial statistics



**\$286.8 million**

Total income



**\$221.7 million**

Total expenditure (excluding income tax and dividend expense)



**141**

FTEs



**12,941**

Number of outstanding loans



**67.7 million**

Dividends and tax equivalents paid

## Significant events and transactions

- HomeStart is required to pay the Treasurer an annual dividend of 100% of its after tax profit. For 2025 this is \$45.6 million, comprising a \$44 million payment in 2024-25 and a provision of \$1.6 million to be paid in June 2026.
- The Treasurer approved an increase in HomeStart's borrowing limit of \$263 million to \$3.7 billion.
- Borrowings increased by \$450.8 million to support increases in loans and advances.
- Loans and advances increased by \$440.7 million, reflecting demand for new lending.



## Audit findings

---

We communicated our audit findings in a management letter to the Chief Executive. The main findings and HomeStart's responses are discussed below.

### Information technology

#### Customer and Loans Management System (CALMS)

The CALMS project was initiated to modernise HomeStart's loan administration infrastructure. The project experienced issues and was discontinued in May 2025, resulting in the impairment of capitalised costs totalling \$5 million over the life of the project.

The project faced several risks, including:

- disruption when the vendor was acquired by another entity
- external factors such as the COVID-19 pandemic and geopolitical instability, which led to developer shortages and delays
- vendor performance issues, impacting the vendor's responsiveness and delivery commitment.

While HomeStart recorded these risks in the project risk register and discussed them in meetings, they were not effectively mitigated and this resulted in the project being terminated. We found that HomeStart had no documented contingency plans or vendor performance frameworks, and project timelines were not adjusted in response to emerging risks.

HomeStart advised us that:

- a new project framework is now in place and provides flexibility in delivery and engagement requirements
- the new framework covers risk and issue management, and roles and responsibilities are clearly defined
- in future, the board may engage independent assurance and governance support to help it to oversee larger projects effectively.

#### Loanworks loan system

In October 2024 HomeStart implemented a new loan system, Loanworks, to support its customer onboarding. We found that Loanworks was delivered and operational, but did not fully meet management's original expectations in terms of broker and customer experience and operational efficiency on implementation. We found that HomeStart's governance of the project could be improved and project delivery roles were not clearly defined. As a result the project experienced misaligned expectations, delays, delivery inefficiencies and the impairment of capital costs totalling \$2.28 million. The system also requires ongoing updates and enhancements, resulting in increased costs.

In response, HomeStart advised us that by June 2025, operational efficiency had improved as users became more proficient with the system, reflecting delayed realisation of some key benefits.

HomeStart is planning further investment to deliver enhancements – both newly identified opportunities and delivering previously identified benefits that have not yet been realised – which will result in additional costs moving forward.

HomeStart also responded that for future projects:

- its new project framework will help it to deliver projects
- benefit and decision registers will be used
- risk and issue management is covered in the new framework
- the board may engage independent assurance and governance support to help it to oversee larger projects.

### Inability to test IT controls for the legacy lending system

Loanworks replaced HomeStart's legacy loan system, LendFast, which was then decommissioned. Subsequent difficulty accessing system/backup information from LendFast resulted in us not being able to test the effectiveness of the system's IT general controls for the period it was operational in 2024-25.

HomeStart responded that it had retained access to the back-end data, however the user interface was disabled. A custom reporting tool was available to generate PDFs from this data, ensuring continued access. For in-progress applications at the time of decommissioning, both screenshots and PDFs of LendFast were created to preserve data integrity. HomeStart believes the data remains reliable, but acknowledges the challenges to audit testing. It will consult us earlier in the decommissioning process when its systems change in future.

## Interpretation and analysis of the financial report

### Highlights of the financial report\*

	2025 \$million	2024 \$million
Interest income	245	192
Interest expense	(139)	(104)
<b>Net interest income</b>	<b>106</b>	<b>88</b>
Other income	42	30
Other expenses	(51)	(46)
Government guarantee fee	(32)	(23)
<b>Profit (Loss) before income tax equivalents</b>	<b>65</b>	<b>49</b>
Income tax equivalent expense	(19)	(15)
<b>Profit (Loss) after income tax equivalents</b>	<b>46</b>	<b>34</b>
Other comprehensive income	(9)	(12)
<b>Total comprehensive result</b>	<b>37</b>	<b>22</b>
<b>Assets</b>		
Loans and advances	3,520	3,079
Other assets	11	26
<b>Total assets</b>	<b>3,531</b>	<b>3,105</b>

	2025 \$million	2024 \$million
<b>Liabilities</b>		
Borrowings	3,344	2,894
Other liabilities	27	42
<b>Total liabilities</b>	<b>3,371</b>	<b>2,936</b>
<b>Total equity</b>	<b>160</b>	<b>169</b>

## Statement of Comprehensive Income

### Profit for the year

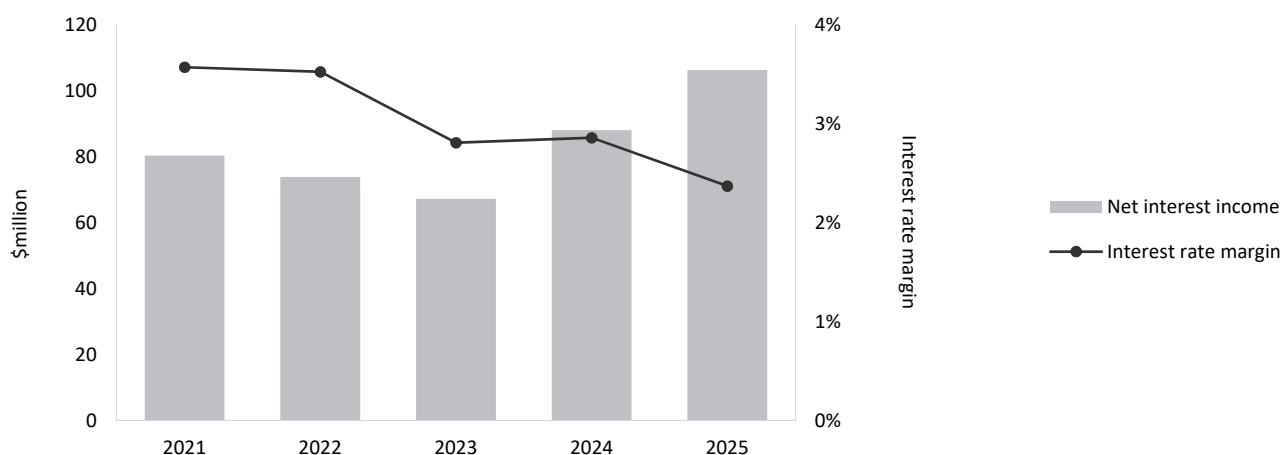
Profit before income tax equivalent payments increased by \$15.8 million to \$65.1 million. The analysis below outlines the main factors contributing to this result.

### Net interest income

Net interest income increased by \$18.3 million (21%) to \$106.3 million, reflecting:

- the interest rate HomeStart charged on fixed and variable loans increasing by more than the interest rate charged on its borrowings from the South Australian Government Financing Authority (SAFA)
- borrowing and loan interest rates decreased during the year.

The following chart compares net interest income to the interest rate margin between loans and cost of funds, excluding the cost of the government guarantee fee.



The chart shows the interest rate margin between loans and cost of funds decreasing by 0.5% to 2.4% in 2025.

HomeStart's standard variable rate is set to be generally in line with the standard variable rate of major lenders. It generally adjusts its rates when the Reserve Bank of Australia changes the official cash rate.

Borrowings from SAFA increased by \$450.8 million (15.6%), in line with the increase in loans and advances. Interest expense increased by \$34.5 million (33%) due to increased borrowing volume over the year. The weighted interest rate charged by SAFA decreased from 4.58% in 2024 to 4.1% in response to the Reserve Bank of Australia lowering the cash rate from 4.35% to 3.85% in 2025.

## Other income

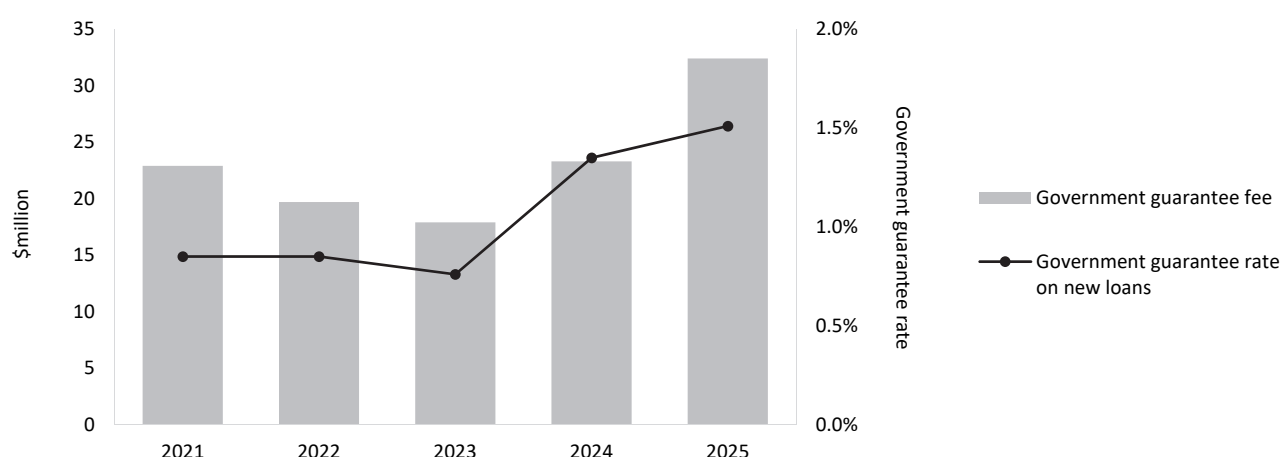
Other income increased by \$11.4 million to \$41.6 million (38%). This was due to gains in the fair value of HomeStart's Breakthrough and Shared Equity Option loans, reflecting higher price growth in the Adelaide property market in 2025 compared to 2024 – see 'Breakthrough and Shared Equity Option loans' below for further information.

## Expenses other than interest and income tax equivalent

Expenses other than interest and income tax equivalent payments increased by \$13.9 million to \$82.8 million in 2025. This was due to:

- a \$9.1 million increase in government guarantee fees
- a \$3 million increase in depreciation, amortisation and impairment expense due mainly to the write-off of capitalised software costs associated with the two loan systems, Loanworks and CALMS
- a \$1.5 million increase in employee related expenses related to a pay increase of 3% effective at the start of the financial year.

The increase in government guarantee fees is shown in the chart below.



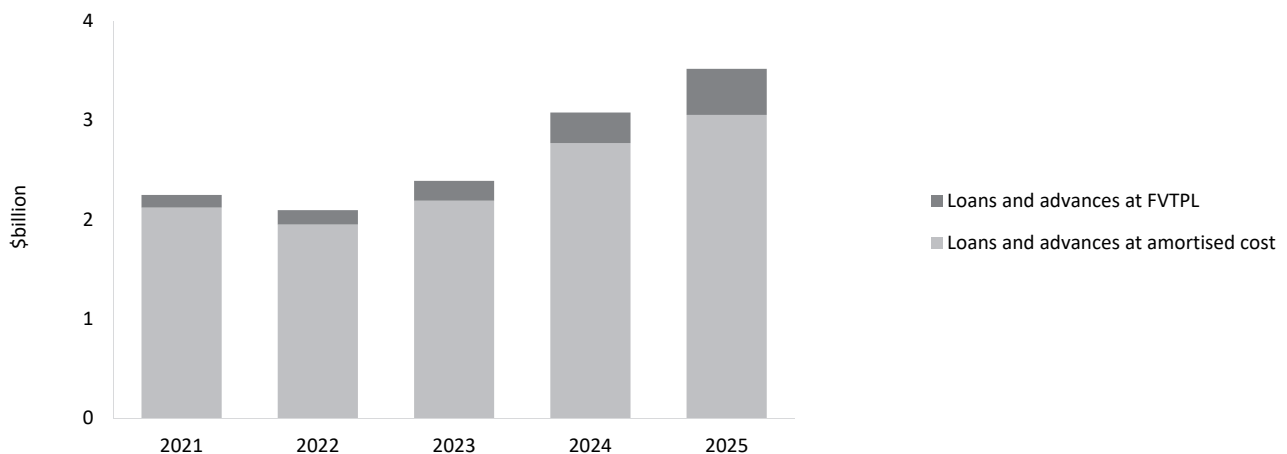
Government guarantee fees are impacted by the total value of borrowings from SAFA and the government guarantee fee at the time of borrowing. The guarantee fee for borrowings drawn down in 2024-25 increased from 1.34% to 1.51%. Existing debt attracted the legacy rates approved in previous financial years, ranging from 0.76% to 1.34%.

## Statement of Financial Position

### Assets

#### Loans and advances

Total loans and advances were valued at \$3.5 billion at 30 June 2025, an increase of \$441 million (14%) from the previous year. The following chart shows the value of loans and advances over the past five years.

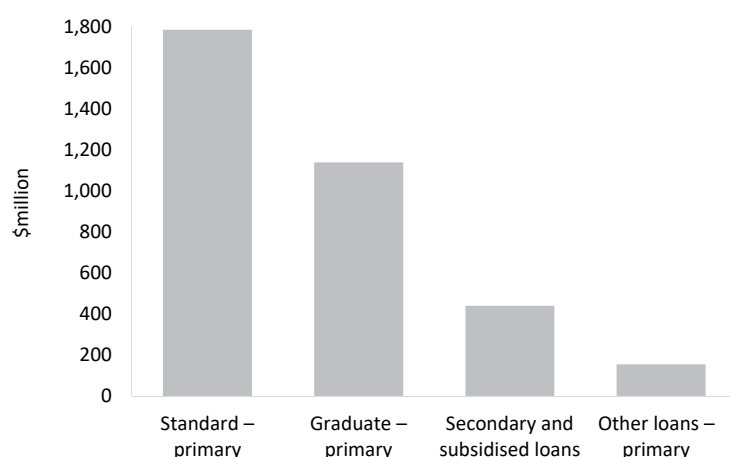


The portfolio of primary and subsidised loans measured at amortised cost has increased by \$284 million since June 2024, driven by strong loan settlements. HomeStart loan products remain attractive to customers who face challenges securing credit from other commercial lenders. The growth in loans and advances measured at fair value through profit or loss (FVTPL) is mainly due to the appreciation in South Australian property values underpinning shared equity loans and the settlement of Shared Equity Option loans.

HomeStart interest rates are generally higher than those of mainstream lenders, as its core business is to provide loans to low to moderate income earners who may not be able to borrow through mainstream lenders. It also provides loans with a high loan-to-value ratio without charging lenders mortgage insurance, and products that assist with upfront costs.

HomeStart's loan portfolio includes both primary and secondary/subsidised loans. Primary loans are loans at market interest rates, whereas secondary/subsidised loans are loans at lower than market interest rates, such as Advantage and Equity Start loans.

The following chart shows the value of HomeStart's loan portfolio by loan type at 30 June 2025.



The standard and graduate loan portfolios increased by \$205 million and \$113 million, respectively, in 2025. This reflects higher demand for HomeStart's products, increasing house prices and tighter lending conditions, making it more difficult for home owners to obtain finance elsewhere.

The secondary and subsidised loans portfolio increased by \$109 million in 2025. It includes the Shared Equity Option and Breakthrough loans, which increased by \$122 million collectively due to increased demand driven by rising house prices and lower housing affordability, offset by a net decrease of \$13 million in other subsidised and secondary loans, including Advantage Equity Start and Split Fixed loans.

### Breakthrough and Shared Equity Option loans

Breakthrough and Shared Equity Option loans have a standard loan component with standard interest rate repayments paired with a shared appreciation component, where the loan is repaid along with a percentage of the change in property value when the property is sold.

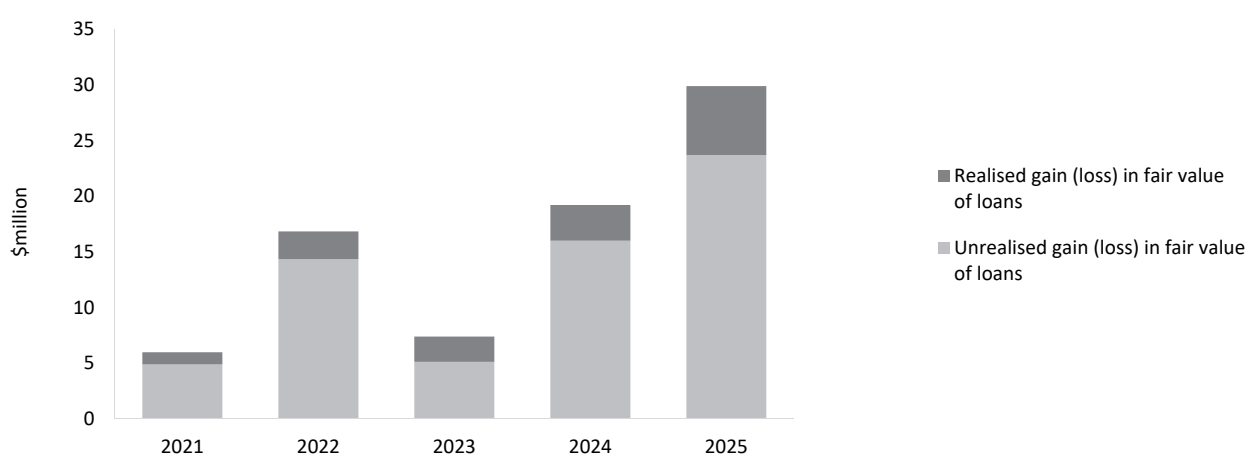
HomeStart withdrew the Breakthrough loan product in December 2017 and released the Shared Equity Option loan product in April 2018.

The shared appreciation component of these loans is recognised at fair value through profit and loss, while the standard loan component is recognised at amortised cost.

These loans (including the shared appreciation component) represents 9.9% of the total value of HomeStart's loans and advances. The impact that the shared appreciation component has on its operating result, however, has meant that it has implemented specific risk management strategies for these loans. One of those strategies is placing a cap on the total outstanding value of these loans at any given time.

In 2025 HomeStart recognised a net gain of \$29.9 million (\$19.2 million) for these loans, comprising a \$23.7 million (\$16 million) gain recognised from revaluation and a \$6.2 million (\$3.2 million) gain realised on discharge of loans. The movement in the value of the shared appreciation component, and the impact of these loans on the operating result, follows increased growth in the Adelaide property market in 2025 compared to 2024. The Valuer-General's residential home value index for Adelaide increased by 10.1% in 2024-25, reflecting significant property growth.

The chart below shows the impact of these loans on HomeStart's operating result and the total value of the shared appreciation component since 2018.



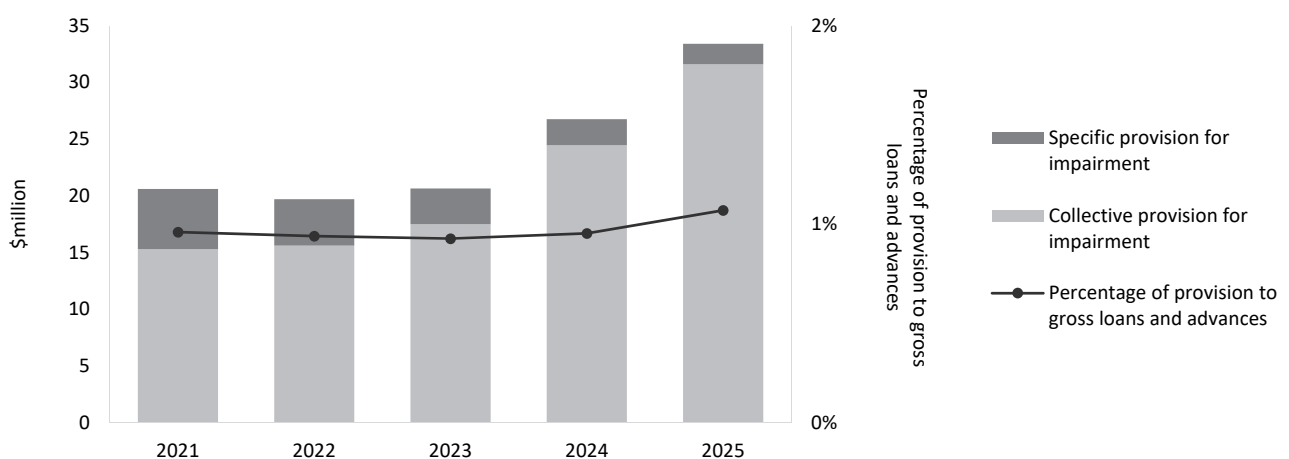
### Provision for credit impairment

HomeStart assesses whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired at each balance date.

The total provision for credit impairment increased by \$6.6 million to \$33.4 million (25%) in 2025. It has two components based on expected credit losses:

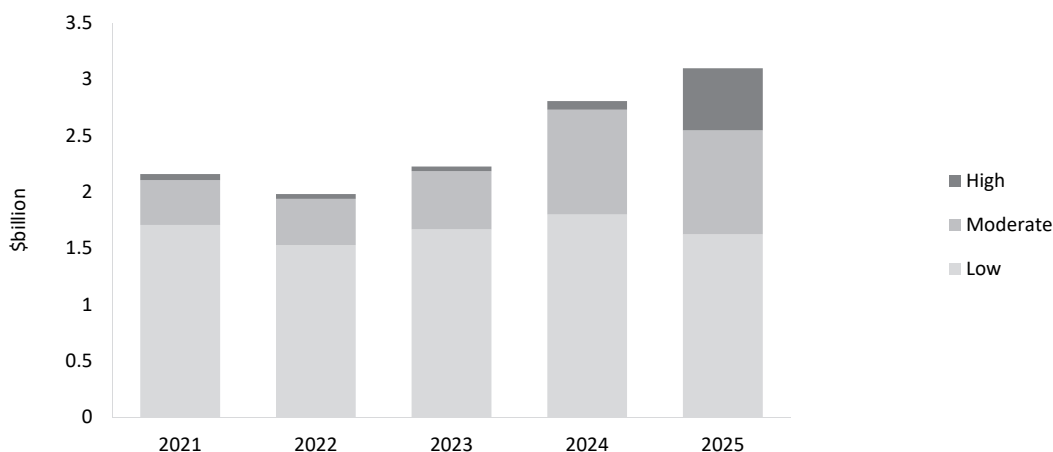
- specific provision – representing loans and advances that are individually assessed as impaired. At 30 June 2025 this was \$1.8 million (\$2.3 million). The decrease reflects a reduction in the provision required for each loan due to the increase in property prices, which reduces HomeStart’s deficit should the mortgage be repossessed
- collective provision – an expected credit loss model is used to calculate this provision. The provision increased by \$7.1 million to \$31.6 million as at 30 June 2025, largely driven by the increase in loans and advances. The calculation of the collection provision includes assumptions about future economic scenarios and weighting given to each scenario. There is significant uncertainty over the near-term economic conditions impacting interest rates, inflation, unemployment levels and the cost-of-living – risks that HomeStart’s customer base is generally more exposed to. HomeStart expects that arrears will continue to rise in the future and overall credit performance will decline.

The following chart shows the levels of HomeStart’s provisions and their composition over the past five years.



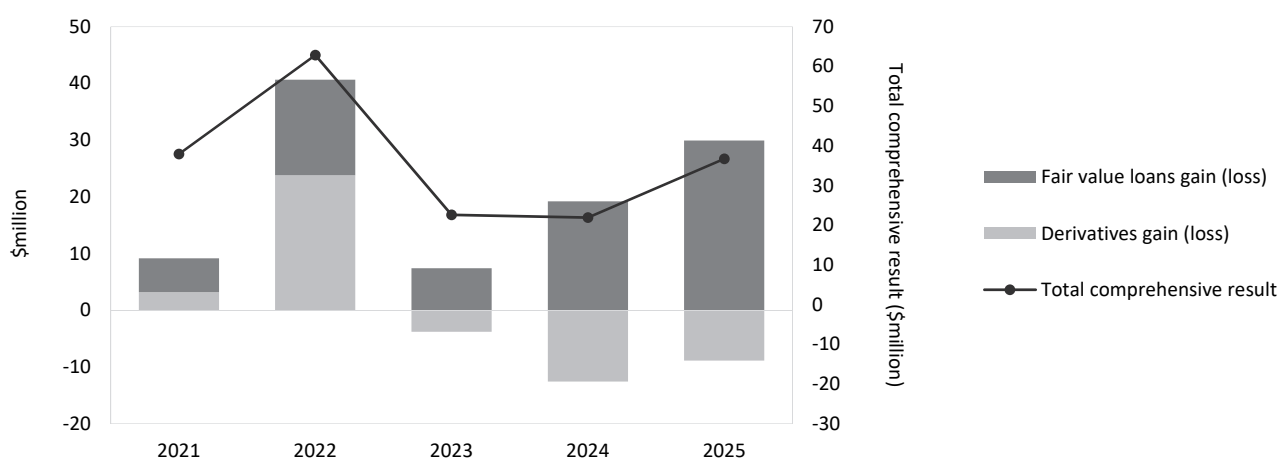
The chart shows the increased provisioning in 2025, driven largely by the increase in total loans and advances.

HomeStart assesses the gross value of its loans and advances to customers by credit risk grading. The following chart summarises that assessment.



The chart shows the breakdown of loans across risk categories. High and moderate risk loans increased in 2025, reflecting HomeStart's expectation that arrears will continue to rise in the future and overall credit performance will decline in response to expected future economic conditions. The decrease in low credit risk loans is associated with applying the revised credit risk model over new and existing lending.

Changes in the fair values of derivatives and loans (measured at fair value through profit and loss) that affect HomeStart's total comprehensive result are shown in the chart below. The fair value loans gain of \$29.9 million for 2025 reflects the higher price growth in the Adelaide property market compared to the prior year. The derivatives loss of \$8.9 million reflects a number of historical interest rate swaps that were subject to lower fixed rates, have reached maturity and have been replaced with interest rate swaps with a higher fixed rate.



## Liabilities

### Borrowings

Borrowings were \$3.3 billion (\$2.9 billion) at 30 June 2025 and represent 99.2% of HomeStart's liabilities. HomeStart is required to use SAFA as its sole counterparty for all funding transactions. Most of its borrowings from SAFA mature within five years, with \$925 million of debt maturing over the next 12 months.

### Distributions to and revenue from SA Government

HomeStart distributions to the SA Government include dividends, guarantee fees and income tax equivalent payments. HomeStart also receives community service obligation funding from the Department of Treasury and Finance in recognition of the cost of performing the following non-commercial activities:

- acceptance of non-commercial credit risk
- Advantage loan program subsidies
- domestic violence housing loans.

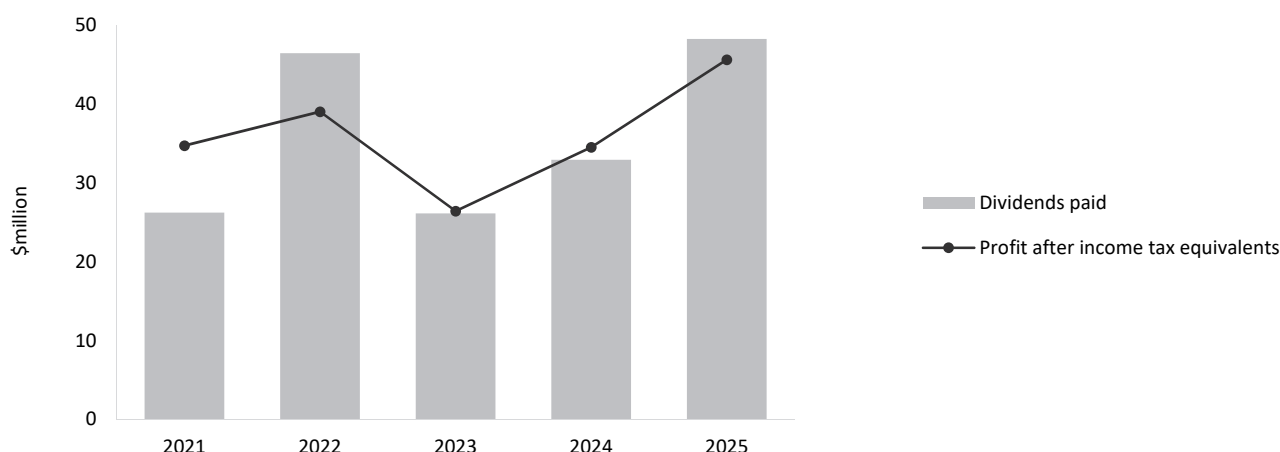
HomeStart's requirement to undertake non-commercial activities is set out in its regulations.

The following table summarises these cash transactions with the SA Government for the five years to 2025.



	2021 \$million	2022 \$million	2023 \$million	2024 \$million	2025 \$million
SA Government distributions:					
Dividend	26	46	26	33	48
Income tax equivalent	15	16	17	15	20
Government guarantee fee	23	20	18	23	32
Total distributions to SA Government	64	82	61	71	100
Community service obligation income	(8)	(8)	(8)	(9)	(9)
Net amount provided to SA Government	56	74	53	62	91

The following chart shows profit after income tax equivalent payments and dividends paid for the past five years, highlighting HomeStart's sustained profit performance.



For 2024-25, the Treasurer approved the payment of a dividend of 100% of HomeStart's after profit tax. HomeStart paid a dividend of \$48.2 million in June 2025, comprising an estimate of the expected profit for 2024-25 of \$44 million and the dividend payable for 2023-24. Based on its actual after tax profit for 2024-25, HomeStart recognised a dividend payable for the year of \$1.6 million.

HomeStart aims to return dividends to the SA Government regularly, in line with its Performance Statement. These dividends are recommended by the Board and approved by the Treasurer.

HomeStart pays an income tax equivalent to the SA Government in line with Treasurer's Instruction 22 *Tax Equivalent Payments*. The income tax liability is based on the State Taxation Equivalents Regime, which applies the accounting profit method. This requires the corporate income tax rate to be applied to net profit.

## Statement of Cash Flows

### Net cash flows

The following table summarises the net cash flows for the five years to 2025.

	2021 \$million	2022 \$million	2023 \$million	2024 \$million	2025 \$million
<b>Net cash flows</b>					
Operating	31	27	19	25	39
Investing	(52)	169	(285)	(666)	(440)
Financing	22	(194)	266	637	402
Change in cash	1	2	(1)	(4)	1
Cash at 30 June	6	8	7	3	4

Investing activities relate primarily to the provision of loans to customers. New lending of \$1.4 billion exceeded customer loan repayments and discharges of \$905 million in 2025.

The net financing cash inflow of \$402 million largely reflects the net increase in borrowings of \$901 million to support new customers lending, partially offset by debt repayments of \$450 million and dividends of \$48.2 million.

## Functional responsibility

---

HomeStart is a statutory corporation established by the Urban Renewal (HomeStart Finance) Regulations 2020 under the *Urban Renewal Act 1995*. It has a Board of Management that is subject to the Treasurer's control and direction.

HomeStart's functions include:

- lending money or providing other financial assistance to facilitate home ownership in the State, including the provision of finance on concessional or special terms to people of low to moderate income
- providing, marketing and managing home finance products
- providing, managing or facilitating finance for housing schemes and housing associations, and for mortgage relief schemes within South Australia
- providing, managing or facilitating finance for the development, ownership or operation of aged care residential accommodation or facilities
- acquiring and holding land for rental accommodation in regional areas or providing, managing or facilitating finance for the development of rental accommodation in regional areas.

## Scope of the audit

---

Our audit covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- government guarantee fees, dividend payments and community service obligations
- borrowings from SAFA and interest expense
- shared equity loans
- intangible assets
- purchases and payables
- expected credit loss provision
- loans and interest income
- management override of controls
- employee expenses and provisions
- derivatives and hedge accounting.

We reviewed controls over loans and advances and borrowings as part of our overall controls opinion, which is discussed in Part B of this report.

# Department for Housing and Urban Development (DHUD)

Financial report opinion

Unmodified

Audit findings

No findings.

## Financial statistics

\$

\$179 million

Total income

\$

\$196 million

Total expenditure

323

FTEs

Administered

\$

\$516 million

Total income

\$

\$482 million

Total expenditure

## Significant events and transactions

- The Department for Trade and Investment was renamed the Department for Housing and Urban Development.
- DHUD’s net assets decreased by \$1 million due to these machinery of government changes from 1 July 2024:
  - trade and investment programs, the Office of the Agent-General and Brand SA were transferred to the Department of State Development (DSD)
  - the Office of Local Government was transferred from the Department for Infrastructure and Transport.
- The South Australian Integrated Land Reform (SAILIS) titling database service concession asset was revalued up by \$25.6 million in 2025. It is measured at current replacement cost.

## Audit findings

We did not have any audit findings that needed to be communicated to DHUD.

## Interpretation and analysis of the financial report

### Highlights of the financial report\*

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	101	124
Fees and charges	62	55
SA Government grants and funding	11	10
Other	5	19
<b>Total income</b>	<b>179</b>	<b>208</b>
<b>Expenses</b>		
Employee benefits expense	44	49
Supplies and services	126	129
Grants and subsidies	14	7
Payments to the Consolidated Account	6	-
Depreciation and amortisation	6	7
Other	1	-
<b>Total expenses</b>	<b>196</b>	<b>193</b>
<b>Net result</b>	<b>(17)</b>	<b>16</b>
Changes in asset revaluation surplus	26	3
<b>Total comprehensive result</b>	<b>8</b>	<b>19</b>
<b>Assets</b>		
Current assets	19	46
Non-current assets	380	358
<b>Total assets</b>	<b>399</b>	<b>403</b>
<b>Liabilities</b>		
Current liabilities	18	30
Non-current liabilities	11	13
<b>Total liabilities</b>	<b>29</b>	<b>43</b>
<b>Total equity</b>	<b>370</b>	<b>360</b>

\* Table may not add due to rounding.

### Statement of Comprehensive Income

#### Income

DHUD is mainly funded by appropriation, receiving \$101 million in 2025. This is a decrease of \$23 million from 2024, due to the impact of the machinery of government changes effective from 1 July 2024.

Fees and charges increased by \$7 million (13%) to \$62 million, including a \$5.6 million increase in fees collected under the Planning, Development and Infrastructure Act 2016. This increase is driven by increases in both lodgement fees and fees payable by accredited professionals to use the online planning system. This reflects rate increases gazetted in March 2024.

Other income reduced by \$14 million, reflecting a different accounting treatment for upwards revaluations of the SAILIS titling database. In line with the Australian Accounting Standards, the database was revalued up in 2024 and recognised as income as it reversed downward revaluations that were expensed in earlier periods. In 2025 the database was revalued up and recorded directly in the asset revaluation surplus (equity) rather than as income.

## Expenses

Total expenses increased by \$4 million to \$196 million, mainly due to:

- an inter-government transfer of \$8.2 million to DSD for trade and investment programs that are now provided by DSD following the machinery and government change
- the transfer of \$5.9 million in surplus cash to the Consolidated Account
- a decrease in employee related expenses of \$5.3 million following the transfer of employees to DSD as part of machinery of government changes. Employee numbers decreased by 37 FTEs to 323 FTEs in 2025
- a decrease in supplies and services of \$2.7 million, mainly due to:
  - reduced Brand SA marketing costs (\$2.1 million), overseas trade representation (\$6.1 million) and general administrative costs (\$1.8 million) following the machinery of government changes
  - partially offset by an increase in contract payments of \$7.5 million to Land Services SA for land administration services to the Office of the Registrar-General and the Office of the Valuer-General
- a \$1 million decrease in depreciation and amortisation costs, reflecting the transfer of right-of-use assets to DSD as a part of the machinery of government change.

## Statement of Financial Position

### Assets

Total assets decreased by \$4.3 million to \$399 million, mainly due to:

- a \$31 million decrease in cash, reflecting the transfer of cash to DSD following machinery of government changes, the return of \$5.9 million in surplus cash to the Consolidated Account and the timing of the supplier payments
- offset by the \$25.6 million upwards revaluation of the SAILIS titling database service concession asset.

The SAILIS titling database is an intangible asset measured at current replacement cost. Recognition of this value is required by the Australian Accounting Standards because the arrangement with Land Services SA is considered to be a service concession arrangement. It was originally recognised after the SA Government entered into a contract with Land Services SA, a private operator.

The replacement cost of the asset is based on the estimated cost of manually recreating the land titles register and the valuation roll. The asset is revalued annually and it is expected to change each year. The upwards revaluation in 2025 largely reflects changes in the inputs for the revaluation model, mainly due to an increase in assumed staff requirements, overhead costs and the number of data entry points.

## Liabilities

Total liabilities decreased by \$13.7 million, mainly due to a decrease in payables of \$10.7 million, which reflects the timing of supplier payments.

## Highlights of the financial statements – administered items

DHUD has administered items mainly related to regulated fees and charges for planning and land use processes.

	2025 \$million	2024 \$million
<b>Income</b>		
Fees and charges	474	403
Recoveries and other income	34	34
Appropriation	7	2
Other	1	2
<b>Total income</b>	<b>516</b>	<b>441</b>
<b>Expenses</b>		
Payments to the Consolidated Account	445	378
Planning fees	30	24
Other	7	3
<b>Total expenses</b>	<b>482</b>	<b>405</b>
<b>Total comprehensive result</b>	<b>34</b>	<b>36</b>
<b>Assets</b>		
Current assets	50	51
<b>Total assets</b>	<b>50</b>	<b>51</b>
<b>Liabilities</b>		
Current liabilities	75	76
Non-current liabilities	1,300	1,334
<b>Total liabilities</b>	<b>1,375</b>	<b>1,410</b>
<b>Total equity</b>	<b>(1,325)</b>	<b>(1,359)</b>

\* Table may not add due to rounding.

## Income

Administered fees and charges increased by \$70.6 million, mainly due to more regulatory fees collected by Land Services SA on behalf of the SA Government. Fees and charges are collected as prescribed by the *Real Property Act 1886*.

## Expenses

Payments to the Consolidated Account increased by \$66.7 million, largely reflecting the increased fees and charges collected by the Office of the Registrar-General and payable to the Consolidated Account. Planning fees of \$29.8 million (\$24.5 million) were also paid in 2024-25, mainly to councils for more development activity.

## Assets

Administered assets reduced slightly to \$49.7 million (\$50.7 million).

## Liabilities

Administered liabilities are largely represented by unearned revenue of \$1.3 billion for the land services commercialisation (see 'Further commentary on operations').

## Further commentary on operations

---

### Land Services SA

Land Services SA, a private operator, is the exclusive provider of land services in South Australia. It entered into a 47-year contract with the SA Government in 2017-18 to provide land services to customers on behalf of the SA Government under a fee-for-service arrangement. Services provided include land titling, registration and valuation services. Fee rates for land titling, property valuations and other land services are set by the SA Government under various legislation, and the fees collected by Land Services SA are paid into the Consolidated Account.

The SA Government received a \$1.6 billion up-front payment from Land Services SA, mainly for the rights to be the exclusive provider of land services, to use the State's land information assets and to use the State's SAILIS software system. The up-front payment is recognised as revenue of \$34 million per annum on a straight-line basis over 47 years.

## Functional responsibility

---

DHUD is an administrative unit established by the *Public Sector Act 2009*. Its functions include:

- managing the planning and land use systems and policy tools for South Australia
- facilitating infrastructure provision for housing developments across South Australia (Growth and Infrastructure Coordination Unit)
- managing the SA Government's affordable housing policies, funding objectives and outcomes (Affordable Housing & Market Solutions team)
- advocating for high-quality design in South Australia's built environment and promotes the value of good design (Office for Design and Architecture SA)
- consulting with local councils on the constitution and operations of local government (Office of Local Government)
- providing oversight to the operations of the Lands Titles Office by Land Services SA (Office of the Registrar-General)
- being South Australia's primary government authority on property boundaries, land tenure and boundary surveying regulation (Office of the Surveyor-General).

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- machinery of government changes
- general ledger
- cash
- expenditure
- payroll
- revenue
- assets
- grant and receipt amounts
- administered items.

We reviewed controls over bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.



# Department of Human Services (DHS)


## Financial report opinion


## Unmodified

### Audit findings

- Controls over disability services revenue under the National Disability Insurance Scheme (NDIS) need to improve.
- DHS pays staff penalty rates that are not in the award.
- The review of bank signatories and banking system user access needs to be better documented.


## Financial statistics


 **\$1.5 billion**  
Total income

 **\$1.5 billion**  
Total expenditure

 **2,878**  
FTEs

### Administered

 **\$576 million**  
Total income

 **\$523 million**  
Total expenditure

 **235,000**  
Households receiving a concession

## Significant events and transactions

- Machinery of government changes transferred the homelessness program and the Office for Ageing Well to DHS. The main impact was a \$59 million increase in expenditure for homelessness grants.
- The State's contribution to the NDIS increased by \$73 million to \$881 million in 2025.
- DHS revenue for disability support services increased by \$24 million to \$133 million in 2025.

## Audit findings

---

We communicated our audit findings in a management letter to the Chief Executive. The main findings and DHS's responses are outlined below.

### **Controls over disability services revenue under the NDIS need to improve**

From 1 October 2023, DHS started fully operating its disability services under the NDIS, with DHS charging for all disability services provided under this arrangement. This required it to implement new systems and additional work processes to facilitate charging for the individual disability services it provides to clients.

We noted DHS had improved its controls over charging for disability services since last year. We found several areas where further improvement in systems, processes and procedures is needed, including:

- developing policies and procedures for the billing process
- renewing client service agreements and updating information in DHS systems in a timely manner. At the time of our audit in May 2025, about 100 agreements had expired, resulting in DHS not being able to bill the associated services
- improving debt recovery processes for disability debts. As of April 2025, \$4.9 million (77%) of debts were over 90 days overdue, including \$2.9 million of these overdue by more than 180 days.

DHS responded that it has taken action or is planning to address all matters raised, including completing its policy and procedures, implementing measures to reduce the time to update client service agreements and improving debt recovery.

### **Payroll**

Penalty rates paid are not in the award

In prior years we found that some disability services officers were paid an afternoon penalty rate of 15%, which is not specified in the Intellectual Disability Services Award they are employed under. This year we noted that DHS was still working to include the penalty rate in the relevant award.

DHS responded that the inclusion of the afternoon penalty rates in an amended South Australian Public Sector Enterprise Agreement: Weekly Paid 2022 is being negotiated.

### **Bank accounts**

Documentation of bank signatories and banking system user access reviews needs to improve

We found that checks to verify bank signatories and banking system user access required better documentation to evidence that the review was performed to an appropriate standard. We noted that the procedures for these processes need improving.

DHS responded that it will ensure this process is documented.

## Interpretation and analysis of the financial report

### Highlights of the financial report – controlled items

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	1,203	981
Sales of goods and services	159	128
Grants and subsidies	71	153
Intra-government transfers	30	9
Other income	17	18
<b>Total income</b>	<b>1,480</b>	<b>1,289</b>
<b>Expenses</b>		
NDIS expenses	881	808
Employee benefits expenses	330	293
Grants and funded services	171	85
Supplies and services	111	97
Other expenses	24	7
<b>Total expenses</b>	<b>1,517</b>	<b>1,290</b>
<b>Net result</b>	<b>(37)</b>	<b>(1)</b>
Other comprehensive income	18	67
<b>Total comprehensive result</b>	<b>(19)</b>	<b>66</b>
<b>Assets</b>		
Current assets	255	262
Non-current assets	192	202
<b>Total assets</b>	<b>447</b>	<b>464</b>
<b>Liabilities</b>		
Current liabilities	83	81
Non-current liabilities	87	82
<b>Total liabilities</b>	<b>170</b>	<b>163</b>
<b>Total equity</b>	<b>277</b>	<b>301</b>

### Machinery of government changes

Effective 1 July 2024, machinery of government (MoG) changes resulted in the following transfers to DHS:

- the homelessness program from the South Australian Housing Authority
- the Office for Ageing Well from the Department for Health and Wellbeing.

### Statement of Comprehensive Income

#### Income

Total income increased by \$191 million (15%) to \$1.5 billion, due to:

- appropriation increasing by \$222 million (23%) to \$1.2 billion, mainly to fund:
  - the homelessness program and Office for Ageing Well MoG changes (\$84 million)
  - Commonwealth funding from the Disability Care Australia Fund ceasing (\$83 million)

- sales of goods and services increasing by \$31 million (24%) to \$159 million, mainly from:
  - the provision of disability services, up \$24 million (22%) to \$133 million. DHS started charging for all NDIS disability services from 1 October 2023 with 2025 recording its first full year of income. See the 'NDIS expenses' commentary for more about the changes to the NDIS arrangements
  - screening check fees increasing by \$6 million to \$18 million due to more demand
- grants and subsidies decreasing by \$82 million mainly due to the Commonwealth funding from the Disability Care Australia Fund finishing in 2023-24
- Department of Treasury and Finance (DTF) Contingency Fund funding increasing by \$21 million to \$30 million, mainly to fund disability services.

## Expenses

Total expenses increased by \$227 million to \$1.5 billion, mainly due to:

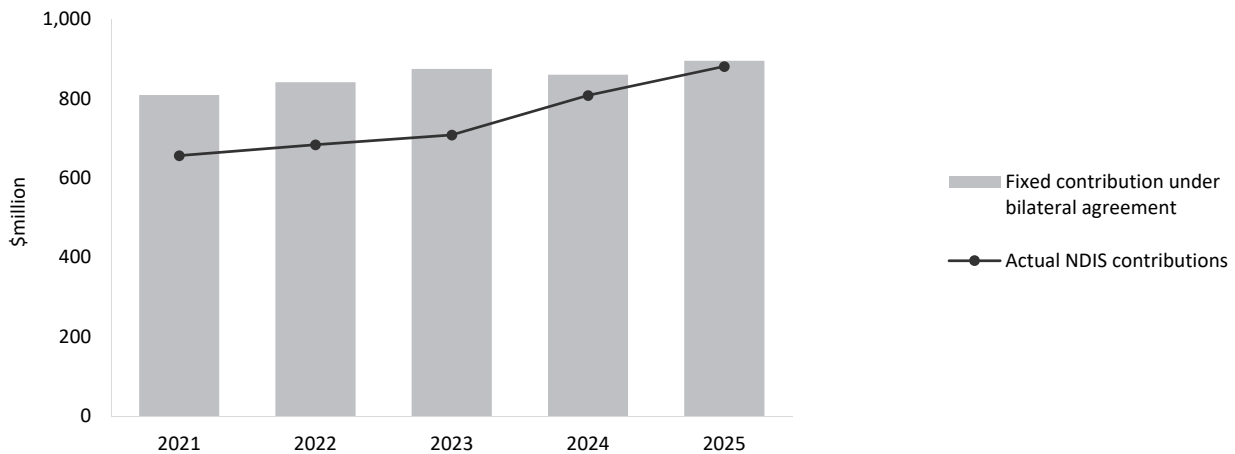
- grants and funded services increasing by \$86 million to \$171 million, including:
  - the homelessness services funding of \$59 million for the first time due to MoG changes
  - additional domestic violence services alliance grants of \$17 million
- the SA Government's contribution to the NDIS increasing by \$73 million (see the 'NDIS expenses' commentary)
- employee benefits expenses increasing by \$37 million (13%) to \$330 million, mainly due to
  - salaries and wages increasing by \$18 million (8%) to \$237 million, reflecting increases in the enterprise bargaining agreement and staffing (2,878 FTEs at 30 June 2025 compared 2,799 FTEs at 30 June 2024)
  - workers compensation expenses increasing by \$16 million to \$17 million for revised actuarial assessment of the workers compensation liability. Last year there was a \$21 million decrease in workers compensation expenses due to changes in the actuary's assessment of outstanding claims liabilities for injuries before 2023-24, economic assumptions and characteristics to apportion the whole-of-government liability between agencies
- the transfer of \$15 million of surplus property to the Department for Correctional Services for no cost.

## NDIS expenses

NDIS expenses increased by \$73 million (9%) to \$881 million in 2024-25. This was due to the combination of factors discussed below.

The SA Government started making contributions to the NDIS in 2013-14 under the bilateral agreement with the Commonwealth Government. The agreement aims to improve the outcomes for people with a disability by supporting them through the NDIS, with the shared goal of increasing their social and economic participation. The agreement involves payments between the Commonwealth and SA Governments to fund the NDIS.

The actual NDIS contribution comprises a fixed State contribution under the bilateral agreement, reduced by adjustments including the in-kind provision of services. Most of the in-kind portion adjustment ceased on 1 October 2023, with DHS transitioning to charging for all services provided under the NDIS scheme. The following chart shows the fixed contribution under the bilateral agreement and the actual NDIS contributions after the in-kind adjustment for the last five years.



The SA Government’s fixed contribution to the NDIS decreased in 2023-24 due to reallocating contributions. It is reallocated every five years (from 1 July 2023) based on the SA Government’s share of the national population from the most recent Census. The SA Government’s contributions will increase by about 4% each year to 2027-28, when it reaches \$1 billion.

We assessed whether DHS’s internal controls for NDIS expenses were suitably designed and operating effectively throughout the year. There were no significant findings from our review.

## Statement of Financial Position

Notable changes in the Statement of Financial Position included:

- receivables decreased by \$15 million to \$29 million, mainly due to improved billing practices for disability support services
- property, plant and equipment increased by \$14 million to \$191 million, including:
  - the transfer of \$25 million from capital work in progress for the Kurlana Tapa Youth Justice Centre
  - land and buildings were revalued up by \$18 million
  - \$15 million of property was transferred to the Department for Correctional Services for no cost
  - depreciation of \$8 million.

**Highlights of the financial report – administered items**

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	292	335
Grants and subsidies	273	67
Net gain from disposal of assets	-	17
Client trust receipt	8	8
Other income	3	3
<b>Total income</b>	<b>576</b>	<b>430</b>
<b>Expenses</b>		
Grants and funded services	512	402
Client trust payments	9	10
Other expenses	2	3
<b>Total expenses</b>	<b>523</b>	<b>415</b>
<b>Net result and total comprehensive result</b>	<b>53</b>	<b>15</b>
<b>Assets</b>		
Current assets	159	113
<b>Total assets</b>	<b>159</b>	<b>113</b>
<b>Liabilities</b>		
Current liabilities	42	49
<b>Total liabilities</b>	<b>42</b>	<b>49</b>
<b>Total equity</b>	<b>117</b>	<b>64</b>

**Statement of Administered Comprehensive Income****Administered income**

Administered income increased by \$146 million to \$576 million, mainly due to:

- Commonwealth funding for the Energy Bill Relief Fund increased by \$205 million to \$261 million in 2025. The payment was provided for the first time in 2023-24, was jointly funded by the SA Government in that year, and was restricted to eligible households and small businesses. The Commonwealth Government expanded the eligibility to all households and fully funded it in 2024-25
- appropriation decreased by \$43 million to \$292 million, mainly due to increased appropriation of around \$100 million received in 2023-24 to fund extra cost of living concession payments, offset by additional appropriation of \$56 million in 2024-25 for working capital for the Energy Bill Relief payments
- a net gain from the sale of Home for Incurables Trust property of \$17 million was recorded in 2023-24.

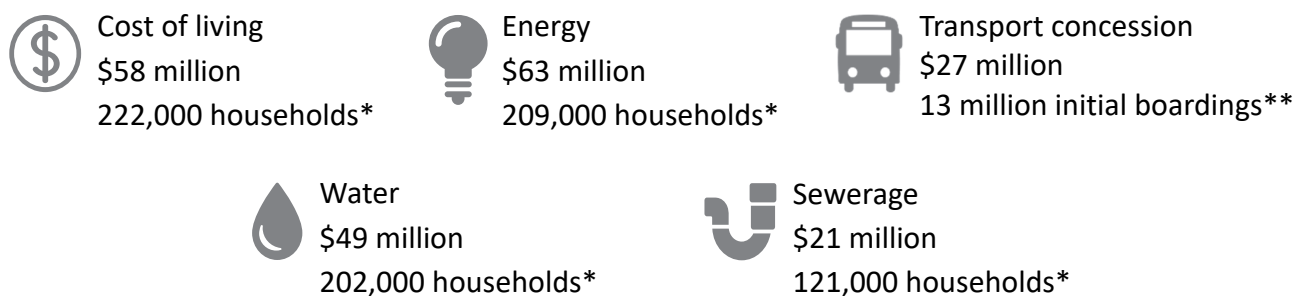
**Administered expenses**

Grants and subsidies of \$512 million represent 98% of total administered expenses, with \$479 million being for concession payments.

## Concessions

In 2024-25 the Commonwealth Government expanded the Energy Bill Relief Fund, with all households receiving \$300 and eligible small businesses receiving \$325. In 2023-24 this payment was only provided to eligible households and small businesses.

The remaining concessions are SA Government funded. The main concession types by value and number in 2024-25 are shown below.



\* The number of households and businesses receiving each concession type is provided by DHS and is unaudited.

\*\* The number of initial boardings is provided by the Department for Infrastructure and Transport. It excludes students and seniors, and is unaudited.

Most households received more than one concession type during the year. Concession payments increased by \$110 million to \$479 million, mainly due to:

- Energy Bill Relief payments increasing by \$127 million to \$257 million due to the Commonwealth Government's expansion of eligibility criteria
- the cost-of-living concession payments for eligible home owners and tenants decreased by \$37 million to \$58 million as the SA Government provided an additional cost-of-living payment in 2023-24
- increases in water and sewerage concessions (\$11 million) and energy concessions (\$8 million), mainly due to rate indexation and more recipients.

## Statement of Administered Financial Position

Administered assets amounted to \$159 million (\$113 million), and consisted almost entirely of cash at 30 June 2025. Assets increased by \$46 million mainly due to Commonwealth funding for the Energy Bill Relief concession. Cash holdings at 30 June 2025 included:

- \$46 million for the Home for Incurables Trust. The activities of the Trust, which was vested with the Minister for Human Services on 1 July 2007 when Julia Farr Services was dissolved. At the time of this report, no decision was made about the application of the Trust's funds
- \$15 million for Client Trust accounts.

Liabilities amounted to \$42 million (\$49 million) and comprised payables mainly for concessions claimed and approved but not paid at 30 June 2025.

## Functional responsibility

---

DHS is established by the *Public Sector Act 2009*. It reports to the Minister for Human Services and Seniors and Ageing Well, and the Minister for Women and Prevention of Domestic, Family and Sexual Violence. Its objective is to deliver strategies, programs and services that improve the wellbeing and safety of South Australians. It does this through its programs for communities and families, the status of women, equality and domestic, family and sexual violence prevention, youth justice, disability and homelessness. DHS is also responsible for administering a number of funds, trusts and activities on behalf of the Ministers, including concession payments.

## Scope of the audit

---

Our audit covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- compliance with governance arrangements
- expenses, including grant payments, concessions and supplies and services
- fixed assets
- revenue, including charging for NDIS services
- cash and general ledger
- client trust accounts.

We reviewed controls over the following areas as part of our overall controls opinion, which is discussed in Part B of this report:

- NDIS expenses
- deposit accounts and special deposit accounts held with the Treasurer.



# Department for Infrastructure and Transport (DIT)

## Financial report opinion

## Unmodified

### Audit findings

- The Across Government Facilities Management Arrangements (AGFMA) are still not operating as intended and in line with the contract.
- Performance and contract management controls need to improve across a range of contract areas.
- Asset management practices could improve for several key asset categories.
- Documentation to support DIT's allocation of overhead costs for asset capitalisation could improve.

### Financial statistics



**\$3.4 billion**

Total income



**\$2.4 billion**

Total expenditure



**2,059**

FTEs (excluding Rail Commissioner)



**\$2 billion**

Capital expenditure



**23,000 km**

Roads managed

### Administered



**\$1.3 billion**

Total income



**\$1.3 billion**

Total expenditure

### Significant events and transactions

- The SA Government completed its insourcing of train and tram operations. Insourcing trams was slightly delayed but was completed in August 2025.
- An internal valuation of DIT's network assets resulted in an \$863 million increase in their value.
- The revaluation of classes of land, buildings and facilities resulted in a \$964 million increase, including a substantial increase in the estimated replacement cost of the Port Bonython jetty.
- DIT spent \$1.1 billion on the North–South Corridor River Torrens to Darlington project this year as it progressed to the construction stage of the project.

## Audit findings

---

We communicated our audit findings in management letters to the Chief Executive. The main findings and DIT's responses are discussed below.

### **Contract management**

The AGFMA is still not operating as intended and in line with the contract

In July 2021 the SA Government entered into a contract with Ventia Australia Pty Ltd (Ventia) to provide AGFMA services. The contract commenced on 1 December 2021.

The contract with all options (including GST) had an estimated total value of \$4.2 billion over 11 years and seven months, with an initial term of five years and seven months and three optional extensions of two years each.

The AGFMA is a complex arrangement. Both DIT and the participating agencies have responsibilities under it, as does Ventia as the service provider. These roles and responsibilities are documented in the AGFMA Services Agreement (the contract), the memorandums of administrative arrangements with agencies and DIT's AGFMA contract management plan. Under the contract with Ventia, DIT remains the central policy and contract management agency.

As the AGFMA contract manager, DIT is responsible for having processes and controls to monitor and manage Ventia's compliance with its contract obligations. DIT is also primarily responsible for managing the risks to the SA Government of outsourcing the AGFMA to an external contractor.

Services provided under the AGFMA include preventative maintenance, replacement/refurbishment maintenance, breakdown maintenance, works less than \$150,000 and planned small construction works. SA Government agencies paid around \$527 million (GST inclusive) to Ventia in 2024-25 for the services it provided.

DIT's role as administrator is to:

- administer the AGFMA by managing the contract
- establish appropriate mechanisms to support participating agencies and agency representatives in their roles under the AGFMA
- provide advice and information to participating agencies to meet compliance and support the maintenance of government assets
- manage Ventia's performance in line with the contract and other obligations
- conduct audits and assurance activities on Ventia's operations and processes, and monitor KPI requirements and the timeliness and accuracy of the invoices Ventia issues.

Agencies are responsible for managing their designated assets, which includes:

- developing, maintaining and administering strategic asset management plans or procuring services from Ventia to do this
- verifying that work has been carried out in line with requirements
- paying fees for services procured in respect of their assets

- collaborating with Ventia to finalise annual works programs and budgets
- issuing work requests
- participating in governance groups
- ensuring work, health and safety standards are met.

The AGFMA is a fundamental component of each participating agency's asset management system.

### AGFMA current status

DIT has been working continuously with Ventia to improve Ventia's service delivery under the contract, while also managing the contractual arrangements. Despite these considerable efforts, unresolved issues mean that the AGFMA is still not operating as intended. Some of these issues will require significant work to resolve such a complex arrangement.

In 2024-25, DIT continued to work with Ventia to improve the issues we identified in prior years. However, we found that there were still issues reported by agencies using the AGFMA, including issues with the timing, quality and cost of works.

In an effort to resolve the issues faced, DIT and Ventia entered a Standstill Agreement and commenced a Commercial Review process in May 2024. The Standstill Agreement made it possible to pause contract disputes while the review occurred. The Standstill Agreement and Commercial Review concluded in March 2025, without achieving significant progress in resolving the identified issues.

In May 2025 DIT proposed a new 'commercial approach' to Ventia, with four priority areas for remediation: technology and data; completion of annual service delivery plans for 2025-26; fair work allocation; and risk close-out relating to recent external reviews performed by KPMG (data compliance review) and GHD Advisory (preventative maintenance review). This 'commercial approach' did not produce significant improvement in Ventia's performance in these areas and the approach was withdrawn in July 2025. DIT and Ventia are now working to resolve key priority areas under the existing AGFMA contract arrangements, without any amended commercial approaches.

While some improvements have been made, considerable work is still needed to meet the AGFMA's objectives in terms of identifying and prioritising works, managing costs and risks, and maintaining proper records of assets and work performed.

The contract with Ventia ends on 1 July 2027, with additional optional extensions that can be exercised. It is important that DIT and the SA Government take all necessary steps to determine whether the current AGFMA model is the best approach to managing government assets.

### Summary of AGFMA audit findings for 2024-25

Our 2024-25 audit focused on following up our previous audit findings and understanding how DIT is managing the AGFMA contract.

As the contract manager, DIT is responsible for ensuring that Ventia meets its contract obligations, and for monitoring and managing any areas of non-compliance. DIT also manages the overall risks to the SA Government. DIT needs enough resources to effectively manage this arrangement. In considering our recommendations, it may need to consider the actions needed to manage the risks to ensure that it allocates enough resources (personnel and systems) to them.

We identified areas where DIT needs to improve its internal controls over AGFMA governance, risk management and contract management. We found that:

- Ventia has still not provided DIT with evidence of its compliance with the South Australian Cyber Security Framework (SACSF), noting that an external review in 2022-23 identified cyber security weaknesses in a number of areas
- DIT does not have evidence that Ventia's systems meet the minimum asset data requirements of Premier and Cabinet Circular PC114 *Government Real Property*
- DIT has not performed any formal audit and assurance work to review Ventia's controls over user access to its facilities management system and Ventia has not provided DIT with evidence of its user access reviews
- DIT has been unable to independently verify KPI results reported by Ventia
- there were gaps in DIT's risk management processes for the AGFMA, with the risk register not being reviewed quarterly as intended and not recording sufficient information for risks in areas such as cyber security, asset data collection, Ventia's compliance with SA Government procurement policies and the application of trade ceiling rates
- DIT has been unable to obtain a final version of Ventia's AGFMA business continuity plan and has not reviewed the draft plan it currently has
- findings from external reviews performed in several areas have not been provided to the Facilities Management Governance Group (FMGG), the AGFMA's primary governance committee.

We also identified the following areas where Ventia is not operating in line with the contract:

- no evidence was provided of Ventia's completion of the data validation process, designed to confirm that data on transition to Ventia was complete and accurate in Ventia's systems
- the annual inspection and data audit plan required by the AGFMA contract was not in place for 2024-25 and there was no other evidence provided to DIT that Ventia performed site/asset inspections for data purposes
- data from Ventia's system does not flow to DIT's data warehouse, as the contract requires it to
- Ventia's AGFMA risk register was incomplete and missing key information
- Ventia did not calculate and apply all KPI credits to be returned to agencies correctly, and we understand there are disagreements between DIT and Ventia about the application of credits
- Ventia is not complying with SA Government procurement policies even though it is required to by the contract
- Ventia engages subcontractors who charge above the maximum trade ceiling rates established under the contract, with agencies charged at rates higher than those allowed for some works
- Ventia is not meeting KPI targets for response and restoration times for breakdown jobs, and is not consistently completing preventative maintenance within required time frames
- DIT found instances where subcontractors in Ventia's subcontractor management system were not shown as compliant, or were shown as being compliant but the documentation to support this was insufficient.

DIT responded that it:

- continues to work on assurance and compliance with Ventia against the SACSf. Cyber governance meetings are being scheduled to work through previous cyber audit reports and provide DIT with evidence of Ventia's SACSf compliance
- continues to apply guidance, contract management advice and escalation to Ventia for the timely supply of data. It is working with Ventia on access to minimum data, including how data is obtained and maintained. Data verification continues through DIT's assurance and audit functions, with issues reported to Ventia for rectification and escalated as needed. DIT considers data issues to be a top priority for Ventia to address
- continues to review and assess Ventia's monthly KPI results, including the raw data used to calculate results, to verify the accuracy of Ventia's self-reporting. DIT will continue to request adjustments to KPI results and credits when needed, and to ensure that reporting is timely, complete and accurate
- has reviewed past reports and updated its risk register to include new risks from audit findings or update existing ones. DIT will review and update its contract and risk management plans as needed
- received Ventia's business continuity plan in July 2025 and will review it for currency and completeness. It will give feedback to Ventia if needed
- reports on completed audits to the FMGG, highlighting any key issues or risks and anything DIT is doing to address the findings.

DIT also advised us that it continues to work with Ventia to address the following issues:

- data accuracy and supply – ensuring minimum data levels are obtained, maintained and provided to DIT
- annual inspection and audit plan – requesting a plan from Ventia that meets contract obligations and demonstrates progress against the inspection and audit program
- KPI alignment and auditability – resolving the basis for KPI calculations, continuing monthly KPI monitoring and ensuring correct credit amounts are applied and returned to agencies
- procurement compliance – working with Ventia to ensure it applies SA Government procurement policies
- trade ceiling rates – conducting assurance activities to identify potential overcharging, escalating issues and reviewing governance over monitoring ceiling rates. DIT will also consider releasing ceiling rates to agencies to help them with oversight and monitoring
- performance improvement – using contract mechanisms such as contract notices and KPI abatements to drive performance improvements. DIT will also provide information on Ventia's performance to agencies through the FMGG
- subcontractor oversight – conducting assurance activities over Ventia's subcontractor management system and subcontractors. Safety-related issues are escalated through contract notices, and regular meetings are held with Ventia's work health and safety team to ensure concerns are addressed.

## Opportunities to improve contract management practices

### *Improved road maintenance contract and performance management controls are needed*

In July 2020 the Commissioner of Highways executed four road maintenance contracts for a total of up to \$5.1 billion (GST inclusive) over a potential contract period of 13 years. Routine services under these contracts commenced in November 2020. The Commissioner of Highways continues to oversee the strategic asset management of the road network.

We have continued to follow up issues we first raised in 2022-23 about contract management controls not operating effectively for these contracts. A number of them continue to impact the effectiveness of DIT's contract management, including:

- the contract management framework DIT uses for the road maintenance contracts did not comply with Treasurer's Instruction 18 *Procurement* (TI 18) for most of the year
- maintenance plans for depots leased to road maintenance contractors did not provide all the information required by the contract
- KPI documentation, measurement, enforcement and verification had not been implemented
- DIT did not prepare an annual performance evaluation of contractor performance
- monthly reporting from contractors did not comply with contract requirements
- tracking and monitoring of ordered services could improve
- one of the road maintenance contractors is not performing in line with the contracted service levels
- road maintenance works (Ordered Services) were not approved in line with the requirements of Treasurer's Instruction 8 *Financial Authorisations* (TI 8).

In prior years we reported that DIT was not complying with TI 18 in its approach to contract management. We also noted that Procurement SA (PSA), which administers TI 18 and any related exemptions or modifications on behalf of the Treasurer, had advised that its contract management policy should apply to the road maintenance arrangements. This was because a construction contract management approach could be applied to contracts of this nature without an exemption from PSA.

In May 2025, the Treasurer granted DIT an exemption from PSA's contract management policy, on condition that DIT fully complies with the new unified procurement framework when it is released.

DIT further responded that:

- it will review its contract management practices to ensure they align with the new PSA procurement framework when it comes in
- it will review the depot maintenance plans it receives, and request from the contractor any required information not provided
- a new process for monitoring KPIs was implemented in July 2025. DIT is working with contractors to ensure they report accurately against the new requirements
- further improvements in controls are needed to complete annual contractor performance evaluations and reviews in a timely manner

- contractor monthly reports are not complete, and DIT will review them and ask the contractors for any missing information
- it has previously advised us that one of the road maintenance contractors is not performing in line with the contracted service levels and DIT is reviewing its options. Alternative arrangements are being considered and progressed
- it verifies all completed works before payment, with any reconciliations clearly documented and the supporting evidence retained
- work orders where the contract sum (approved under TI 8) is not exceeded are managed in line with DIT's delegations and processes, so it does not agree that work orders were approved by officers without the appropriate purchase delegations.

*Some heavy rail contract management practices need attention*

Responsibility for heavy rail services, encompassing rail operations, security, customer service, and the maintenance of rail and track assets, transferred to Keolis Downer Adelaide (KDA) through the Outsourced Rail Operations Agreement in January 2021. This arrangement transitioned to the newly established Rail Services Contract with KDA in February 2025.

Under the new contract, DIT oversees heavy rail operations, while KDA continues to manage security and customer service until 30 June 2027, and rail asset maintenance until 30 June 2035. The estimated value of the heavy rail contract is \$1.3 billion. KDA is required to perform all work needed to maintain rail assets (ie fleet and track) to the SA Government's specified standards and to provide consultancy services determined by the SA Government.

Detailed KPIs are specified in the Rail Services Contract, including the reporting required for each KPI. They cover the following key areas:

- revenue protection
- customer satisfaction, complaints and incidents
- delayed service incidents
- service availability
- response time of incidents
- peak fleet availability
- report deliverables.

Abatements, incurring demerit points or contract termination, may apply depending on the severity and repetition of any failures. DIT has been measuring KPIs in line with its KPI verification processes. As part of the transitional arrangements, abatements for non-compliance with KPIs were not applied this year, allowing the contractor to focus on adapting to the new KPI regime.

In 2024-25 we raised three findings on the effectiveness of DIT's management of the Rail Services Contract:

- the contract management plan was not approved promptly
- the risk management plan could be improved
- DIT had not assessed the risk of the contractor's insurance policies not complying with contract requirements.

In response DIT acknowledged our findings and detailed the action it has taken or plans to take to address them.

## Opportunities to improve road and marine asset management practices

### *Road asset management*

DIT's roads and structures network assets were valued at \$33 billion at 30 June 2025 and comprise:

- sealed roads
- the road corridor, including signs and safety barriers
- unsealed roads
- bridges and structures
- electrical assets, including lighting and traffic signals
- data and systems, including asset and traffic information.

In 2020-21, DIT started to restructure its asset management framework to provide a whole-of-department approach to transport asset management to align with the requirements of ISO 55001:2014 *Asset management – Management systems – Requirements* (ISO 55001). Since adopting its new approach, DIT has developed and approved:

- an asset management policy for transport assets, which provides a high-level statement of DIT's commitment to asset management
- an asset management framework that allocates the responsibilities of asset owners at each stage of the asset life cycle, provides an overview of the policies, goals and procedures for transport asset management and aims to align these elements across DIT to deliver consistent management of transport assets
- a strategic asset management plan for marine, road corridor and bridge assets.

In 2023-24 we made three recommendations to improve DIT's approach to road asset management. In 2024-25 we found that DIT had made progress against each of them, including completing its road asset risk registers, but found further areas for improvement in:

- documenting its approaches for managing transport assets
- improving the way it prioritises work across the department by assessing relative criticalities.

DIT responded that:

- it is procuring asset management services to support the development of a road and bridge asset management plan, with the plan expected to be completed in December 2026
- it has been working to improve its work prioritisation processes and has recently been working on a roadmap to create a consistent prioritisation methodology across its asset classes. The draft roadmap is under review and once finalised will be used to inform the development of its new road and bridge asset management plan.

### *Marine asset management*

DIT is responsible for managing marine assets with a written down value of \$1.4 billion at 30 June 2025.

As we have reported previously, DIT has a framework for managing its assets that includes:

- an asset management policy that provides a high-level statement of DIT's commitment to asset management



- objectives that describe what asset management is to achieve
- a comprehensive strategic asset management plan for road and marine assets, which details how DIT has, or plans to, meet ISO 55001 requirements, provides strategic direction to developing asset management plans for asset groups, establishes levels of service, and summarises long-term forecasts and financial funding needs
- asset management plans that describe the practices applied to manage specified groups of assets and include specific levels of service, key assets, risks and their mitigation, financial forecasts and improvement actions.

In 2024-25, DIT's strategic asset management plan for roads and marine assets still provided strategic direction for managing both asset types until it is further refined and revised.

We found that while DIT was improving its management of marine assets, specific asset management practices were still being refined, developed and implemented. We noted the following areas where improvement was still required:

- there are no formal maintenance arrangements between DIT and key stakeholders for the Port Bonython jetty
- the Port Bonython Governance Group, which has representatives from Santos, Flinders Ports Pty Ltd and DIT, had not met since April 2024
- DIT did not record asset condition indicators in its marine data system
- DIT is not monitoring or reporting marine asset performance measures
- DIT's marine asset management plan does not report on customer levels of service.

DIT responded that:

- it had advised Santos of the termination of the Port Bonython Maintenance Agreement, replacing it with an asset management plan, maintenance management manual and integrity management plan for the jetty. These documents have operated since April 2025 and are being revised, with formal acceptance by all parties expected at the October 2025 Governance Group meeting. Quarterly joint inspections with Santos continue, with all maintenance works identified and managed
- the next Governance Group meeting is scheduled for October 2025 and meetings will then be quarterly. Despite the gap, DIT maintained regular communication with all parties, including meetings on capital works and quarterly joint site inspections
- it is revising its marine asset management plan and documenting how it makes decisions to plan and prioritise maintenance. Condition data is collected using national standards and various tools, stored and partially shared through dashboards. A consolidated dashboard is being developed, and maintenance prioritisation is based on safety, risk and stakeholder input
- it has established a marine assets performance register to record and disseminate levels of service and KPIs, with the first stage focused on defining measurable KPIs and the second on collecting and reporting data annually. This is an ongoing process and it will take time to achieve full coverage
- its marine asset management plan is constantly revised to reflect customer needs and technical developments. DIT consults with councils, industry associations and community groups to better understand and document customer expectations, aiming to translate them into measurable service levels and KPIs.

## Government employee housing (GEH)

DIT manages GEH properties that house SA Government employees such as teachers, medical staff and emergency services workers who take up positions in regional areas throughout South Australia. DIT owned 1,160 GEH properties with a total written down value of \$180 million at 30 June 2025.

Ventia maintains these properties under an agreement entered into in 2022. The last inspection of the GEH property portfolio was undertaken by the RTC Group in 2021.

In 2024-25 we noted the following areas where improvement was needed:

- DIT has not performed regular asset condition assessments for the GEH property portfolio. As a result, annual preventative maintenance plans may not consider all assets located at the properties, and maintenance activities are not prioritised systematically
- policies and procedures for asset inspections and DIT's overall residential property maintenance strategy were not in place in 2024-25.

DIT responded that:

- while no formal whole-of-portfolio site inspections have occurred since 2021, several activities are undertaken to monitor asset condition. Site inspections are conducted by key agents at tenant changeover, and DIT housing officers and Ventia facilities managers inspect properties on an ad hoc basis. An annual preventative maintenance plan focuses on key safety items, and tenants raise maintenance issues as they arise. In 2024-25, DIT and Ventia piloted a checklist and report to support effective inspections, with formal site inspections expected to commence in 2025-26. DIT considers its current approach to be low risk and stated that it needs to manage these assets within the available budget
- it continues to work with Ventia on the overall maintenance strategy, which is an ongoing process. DIT acknowledges that policies and procedures need to be finalised in collaboration with Ventia to ensure assets are maintained to a satisfactory standard, which will be completed in 2025-26.

## Metropolitan transport asset management

DIT is responsible for managing rail and bus track assets with a written down value of \$3.8 billion and trains, trams and buses with a written down value of \$672 million at 30 June 2025.

In 2024-25 we followed up a number of our 2023-24 recommendations on aspects of the contract management processes DIT uses to oversee maintenance performed by contractors on bus-related assets.

Since 2000, bus passenger transport services in metropolitan Adelaide have been entirely outsourced. They are currently provided by four private companies across six contract areas. The value of the bus and tram service contracts is \$3 billion (inclusive of GST) over a potential 10-year term to 30 June 2030 (noting that tram operations under these arrangements have been impacted by changes from August 2025).

In 2024-25 we found that:

- asset management plans for depots, layovers and interchanges, and park-and-ride assets were not completed

- the strategic asset management plan for South Australian public transport could be improved
- bus contractor asset management plans did not comply with contract requirements
- the asset data system for bus depots was not complete
- the asset data system for bus interchange assets had not been established
- there was a backlog of bus depot preventative maintenance works.

DIT responded that:

- asset management plans for all bus-related assets have been drafted. It stated that it advised us in 2024 that it would develop these plans between 2024 and 2026, depending on the asset. DIT will finalise the plans, taking on board our additional recommendations
- it references ISO 55000 for a structured approach to asset management planning, however some elements such as workforce and competency management are addressed in other documents
- it will continue to work with operators to ensure their asset management plans comply with contract requirements. Audit findings will be escalated to the operators' executive teams
- the public transport asset team will continue to collect detailed asset data, informed by contractors, bus operators' asset management systems and site inspections. Site-specific data will be collated into a depot asset listing and aligned to the financial reporting asset register. All data collected and recorded will inform ongoing condition monitoring and forward planning for the bus depot assets
- the public transport asset team will continue to collect detailed asset data for bus interchanges, informed by contractors, AGFMA workers and site inspections. Site-specific data will be collated into a bus interchange asset listing and aligned to the financial reporting asset register. All data collected and recorded will inform ongoing maintenance plans, condition monitoring and forward funding planning for interchange assets
- it has made significant progress in reducing the backlog of preventative maintenance with two of the three contractors. This will be escalated to the executive of the third contractor. DIT will continue work on reducing the backlog in priority order.

### Construction work on behalf of other SA Government agencies

DIT spent \$1.1 billion on construction work on behalf of other SA Government agencies in 2024-25. We found:

- deficiencies in confidentiality and conflict of interest agreements for the officers authorised to open tenders
- that no probity plan was documented and guidance on the need for probity plans was missing from DIT's policies and procedures
- the project management plan for a sampled project was not approved
- DIT's contract management practices did not align with Procurement SA's best practice.

DIT responded that:

- officers who open tenders now need to confirm that they have no actual, perceived or potential conflict with any tender respondents. They must also complete probity in procurement training annually, which covers their conflict of interest obligations

- it has updated its probity guideline to align with Procurement SA's guideline
- the project management plan concerned has since been approved to provide retrospective compliance. Training and education on compliance requirements will be provided to project managers and DIT is implementing a process to verify project management plan approval status
- it has been working with Procurement SA to develop an across-government procurement framework for goods and services and construction. When an updated TI 18 and the new framework are released, DIT will update its policies and procedures to align with them.

### Accounts payable

DIT's supplies and services expense totalled \$929 million in 2024-25.

We found that DIT:

- had no evidence that the Chief Executive reviewed the financial authorisations in its electronic delegations system in 2024-25 as required by TI 8
- did not include all delegations when it reviewed its authorisations and delegations register in 2024-25, and did not require business areas to sign off on them.

DIT responded that:

- it had reviewed its delegation and authorisation process and identified that policy changes were needed. Its revised authorisations and delegations policy will consider TI 8 requirements and the review of responsible officers
- reviewing its electronic governance and delegation system is part of its policy review.

### No clear method to assign direct overhead charges

In 2024-25 DIT capitalised overheads totalling \$94 million to various projects. Its overhead allocation model uses a pooling method to allocate business support charges to business units, and then spreads the costs allocated to each business unit across projects delivered by that unit.

It is always likely that capital projects will attract expenditure, other than direct payments to contractors, that is considered directly attributable to them, such as project manager and supervisor salaries. However, the pooling method DIT uses leads to the allocation of costs that appear to be too remote from the specific project and do not appear to be in line with AASB 116 *Property, Plant and Equipment*, which allows costs that are directly attributable to bringing an asset to use to be capitalised, but not general or administrative overheads.

DIT responded that it will continue to review its overhead allocation methodology with due consideration to accounting standards requirements. It plans to perform sample testing of overhead allocations to projects and assess them against the capitalisation criteria in AASB 116.

### Fixed assets

DIT's fixed assets were valued at \$46 billion at 30 June 2025.

We found that:

- componentisation of some assets in DIT's fixed asset register is not sufficient to comply with Australian Accounting Standards
- some land values are understated due to errors in the capitalisation of land acquisition costs or errors in the capitalisation of assets
- the recognition and review of costs for capital expenditure do not ensure that only capital expenditure is captured
- DIT needed to better document how a key evaluation criterion had been met by a proponent for a key procurement
- it would be prudent for DIT to seek legal advice on the application of funds from the Highways Fund to provide upfront working capital to the North-South Corridor Alliance.

DIT responded that:

- the upcoming transition from Masterpiece to Oracle Financials will impact asset data management and it has paused non-critical changes to Masterpiece as a result. Since some of its asset systems lack detailed component data, DIT will explore efficient updates to support asset componentisation and consult Shared Services SA on future options in Oracle
- under the *Land Acquisition Act 1969*, it may pay professional and transfer costs, even if they occur up to 24 months after land acquisition. To ensure accurate asset classification, DIT now captures and capitalises ancillary property costs when they are available. DIT will also review records from 2020-21 to 2024-25 to determine whether information is readily available to enable the reallocation of incidental costs to land acquired and the write-back of depreciation to the road network. Regular reviews of the work in progress account are conducted with project managers to ensure timely asset transfers
- finance and project management staff collaborate to review capital project costs monthly, using professional judgement to capitalise costs directly tied to asset delivery. Although some costs may appear operational, DIT deems them capital in nature. In response to our audit findings, DIT introduced a secondary check to monitor monthly dollar movements across capital project cost codes and investigate any material changes
- for future procurements, it will provide detailed justification for any mandatory criterion deemed not acceptable by the evaluation panel
- it will engage the Crown Solicitor's Office and seek advice about the use of the *Highways Act 1926* and Treasurer's Instruction 6 *Statutory Accounts and Banking*.

## Metroticket revenue

Metroticket revenue totalled \$96 million in 2024-25.

We found that privileged user access to the MetroCard revenue recognition system was not reviewed in line with DIT policy.

DIT told us that its ticketing process was updated in line with its policy and fully implemented before our audit. It said that although there was a delay in privileged user access reviews during the transition, the first quarterly review under the new procedure was completed before our follow-up audit and the next review is scheduled for September 2025. DIT believes that no further action is required.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	823	691
Fees and charges	879	827
Grants and subsidies	1,186	839
Intra-government transfers	153	38
Sale of goods and services	46	37
Rental income	222	219
Other income	76	68
<b>Total income</b>	<b>3,385</b>	<b>2,719</b>
<b>Expenses</b>		
Employee related expenses	154	161
Supplies and services	929	853
Depreciation and amortisation	792	761
Grants, subsidies and SA Government transfers	253	114
Surplus cash paid to the Department of Treasury and Finance	125	179
Other expenses	98	59
<b>Total expenses</b>	<b>2,351</b>	<b>2,127</b>
<b>Net result</b>	<b>1,034</b>	<b>592</b>
<b>Other comprehensive income</b>		
Changes in revaluation surplus	2,002	1,366
<b>Total comprehensive result</b>	<b>3,036</b>	<b>1,958</b>
<b>Assets</b>		
Current assets	4,294	4,252
Non-current assets	46,175	42,797
<b>Total assets</b>	<b>50,469</b>	<b>47,049</b>
<b>Liabilities</b>		
Current liabilities	631	473
Non-current liabilities	1,027	1,078
<b>Total liabilities</b>	<b>1,658</b>	<b>1,551</b>
<b>Total equity</b>	<b>48,811</b>	<b>45,498</b>

The following information shows the breadth and scale of DIT's activities, highlighting its operating expenses by activity in 2024-25 and the value of fixed assets held to support these activities.



### Roads and marine

\$797 million in operating expenses

\$34.6 billion in fixed assets



### Across-government services

\$317 million in operating expenses

\$3.6 billion in fixed assets



### Infrastructure planning and policy

\$91 million in operating expenses

\$517 million in fixed assets



### Public Transport South Australia

\$772 million in operating expenses

\$4.8 billion in fixed assets



### Road safety

\$165 million in operating expenses

\$3.6 million in fixed assets



### Delivery of transport projects

\$85 million in operating expenses

\$3 billion in fixed assets

Note: The net loss or gain on the disposal of non-current assets is recognised by activity in the information above.

## Statement of Comprehensive Income

### Income

Income totalled \$3.4 billion (\$2.7 billion). It includes appropriations of \$823 million (\$691 million), fees and charges of \$879 million (\$827 million) and grants and subsidies of \$1.2 billion (\$839 million). DIT's revenue sources (excluding appropriation and intra-government transfers) are shown in the following information. It illustrates the importance of Commonwealth Government revenues, used mainly for capital projects, and the significance of fees charged for motor registrations.

### \$2.4 billion in revenue

(excluding appropriation and other intra SA Government transfers)



#### Fees and charges \$879 million

\$645 million  
Motor registrations

\$96 million  
Metrotickets

\$79 million  
Drivers licence fees



#### Commonwealth revenues \$1.1 billion

\$644 million  
North-South Corridor – River Torrens to  
Darlington

\$84 million  
Freight Highway upgrade program

\$43 million  
Road resurfacing and rehabilitation  
maintenance works

\$37 million  
Adelaide Hills Productivity and Road  
Safety Package



#### Other revenues \$346 million

\$173 million  
Office accommodation

\$31 million  
Government employee  
housing

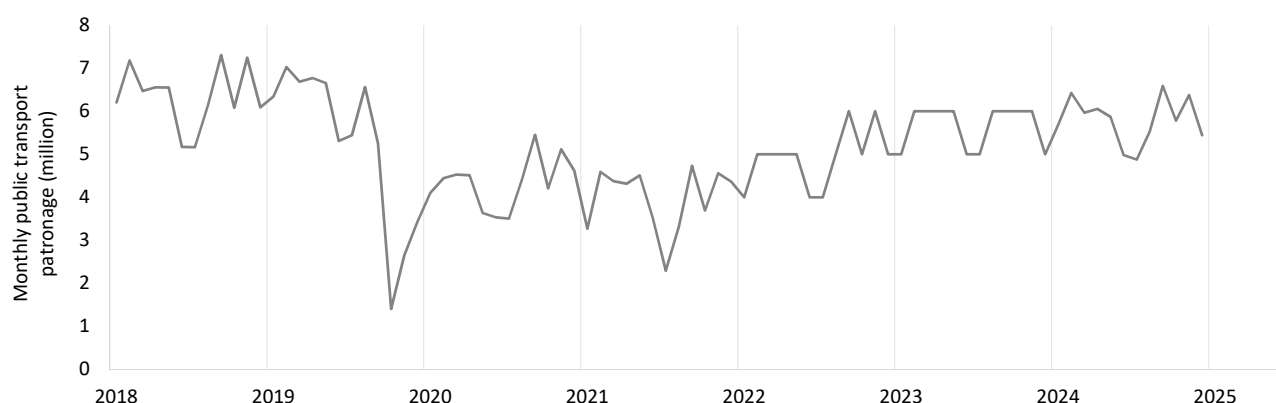
Total income increased by \$666 million (24%) to \$3.4 billion, mainly due to:

- appropriation income increasing by \$132 million, driven mainly by treasury adjustments regarding leases of \$108 million and a Community Road Safety Fund payment of \$54.1 million, which was processed through appropriation and subsequently transferred to the DIT administered account. These increases were partially offset by a reduction in appropriations following the completion of the Port Dock Railway Line in August 2024

- grants and subsidies income increasing by \$348 million, mainly for additional Commonwealth funding received under the *National Land Transport Act 2014*. Most of this increase is attributed to funding for the North–South Corridor River Torrens to Darlington project (\$292 million)
- intra-government transfers income increasing by \$116 million, largely due to \$91 million in funding from DIT (administered Items) following the transfer of Community Road Safety Fund expenditure and revenue from controlled to administered in 2024-25, and \$15.8 million in funding received to reimburse costs for the Office of Northern Water Delivery, which transferred to DIT
- fees and charges increasing by \$52 million, reflecting increases in motor registration charges of \$41 million, due to fee increases and a rise in the number of registrations, and Metrotickets revenue of \$7 million.

### Metroticket patronage is recovering after COVID-19

For the three years to 30 June 2022, Metroticket income fell by \$37 million (36%), reflecting reduced public transport patronage due to the COVID-19 pandemic. Income then rose by \$21 million (37%) in 2022-23, \$12 million (15%) in 2023-24 and \$7 million (7%) in 2024-25. The following chart shows the trend in monthly total patronage since 2018.

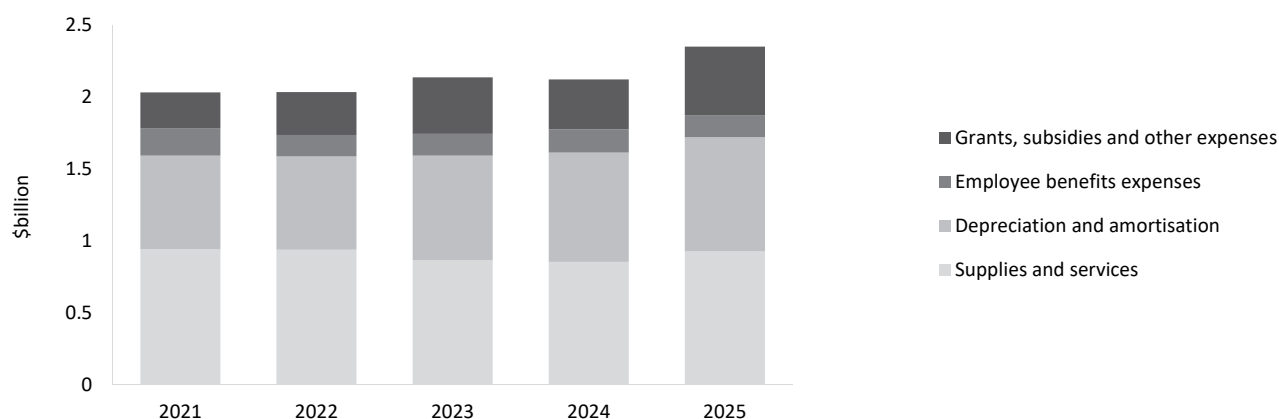


Although patronage declined sharply in 2020, it continued to recover in the following years, with patronage now only 8.6% less than in 2018-19.

The number of public transport initial boardings was 62.2 million in 2018-19 compared to 57.7 million in 2024-25.

### Expenses

DIT's major expenses for the last five years are shown in the following chart.





Expenses totalled \$2.4 billion (\$2.1 billion) in 2025 and are mainly due to:

- supplies and services of \$928.5 million, which were 39% of total expenses. They mainly reflect the cost of delivering public transport services, with \$452.8 million paid to contractors for providing metropolitan and regional transport services. Significant amounts were also spent on major infrastructure maintenance contracts (\$117.2 million), other service contracts (\$136.4 million) and property expenses (\$52.3 million)
- depreciation and amortisation expenses of \$792 million (34%). A large proportion of this was for network assets such as roads, bridges and rail of \$541.6 million, reflecting the scale and value of the State's transport infrastructure. Other significant components included right-of-use buildings (\$98.8 million), buildings and facilities (\$92.2 million) and plant and equipment (\$54.7 million)
- grants, subsidies and transfers totalled \$253.4 million (11%), largely for a \$139.2 million transfer to the Community Road Safety Fund to support road safety initiatives. They also included grants to local councils of \$65.6 million and the Transport Subsidy Scheme of \$11.5 million
- employee related expenses of \$154.3 million (7%)
- cash alignment payments to the Department of Treasury and Finance (DTF) of \$125.2 million (5%).

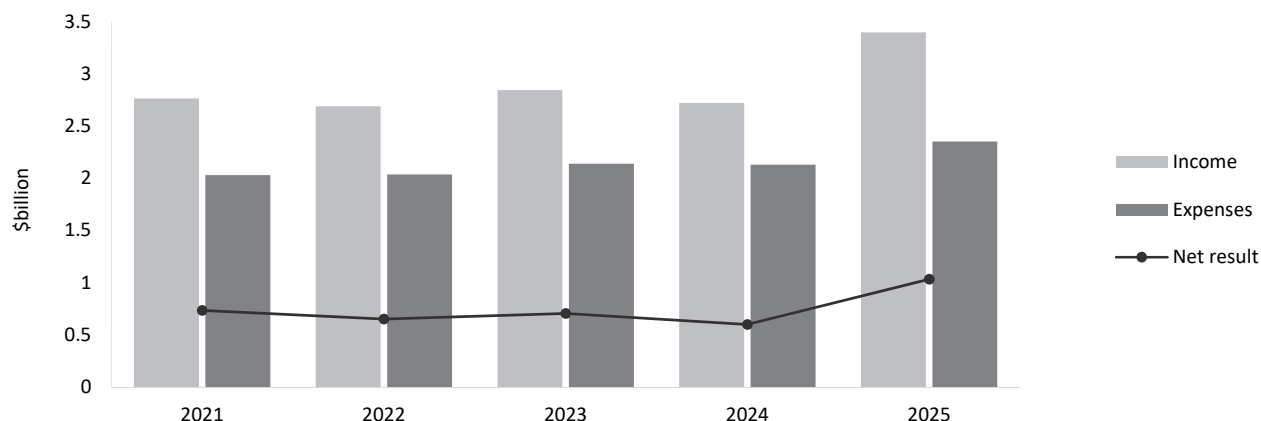
Total expenses increased by \$223.9 million. The more notable increases were:

- supplies and services expenses of \$75.7 million. The increase is mainly due to a significant rise in Rail Commissioner employee expense reimbursements of \$35.3 million. While the Rail Commissioner employs the staff who operate the train network, DIT covers the cost of employee benefits for these workers. In February 2025, DIT completed the insourcing of a significant portion of rail operations, which resulted in a large increase in payments to the Rail Commissioner to fund these employee-related expenses. There was also an increase in other service contracts of \$26.9 million, mainly due to cost increases for delivering road maintenance services
- depreciation and amortisation expenses of \$30.8 million (4%) to \$792 million. This was mainly driven by a higher depreciation charge for buildings and facilities of \$25.2 million resulting from a reassessment of the Port Bonython jetty's useful life. The jetty's remaining useful life was reduced by eight years to 25 years, significantly increasing its annual depreciation expense
- grants, subsidies and SA Government transfers of \$139.7 million to \$253.4 million, largely due to the transfer of \$139.2 million for the Community Road Safety Fund – see 'Administered items'
- other expenses of \$37.4 million, mainly due to a substantial rise in donated assets, with the largest asset being a \$23 million power substation donated to SA Power Networks as part of works over the North–South Corridor River Torrens to Darlington project.

These increases were offset by a \$54.3 million reduction in cash alignment payments to DTF.

## Net result

The following chart shows DIT's income, expenses and net result for the last five years.



DIT recorded a net result of \$1 billion (\$592 million) in 2024-25. Significant factors in the movement of the net result over the last five years were:

- the value of Commonwealth and SA Government funding for major infrastructure projects being recognised as income, which varies each year depending on the size, nature and timing of approved major capital works
- cash alignment payments to DTF varying each year, with \$125 million paid in 2024-25, \$179 million paid in 2023-24, \$231 million paid in 2022-23 and no payment in 2021-22.

## Statement of Financial Position

DIT's total assets were \$50 billion (\$47 billion) at 30 June 2025.

DIT's liabilities totalled \$1.7 billion (\$1.6 billion) and mainly comprised lease liabilities of \$1.1 billion (\$1.1 billion), payables of \$458 million (\$297 million) and employee-related liabilities of \$86 million (\$84 million). The movement in liabilities largely reflects an increase in payables of \$161 million, offset by a decrease in lease liabilities of \$48 million.

## Cash

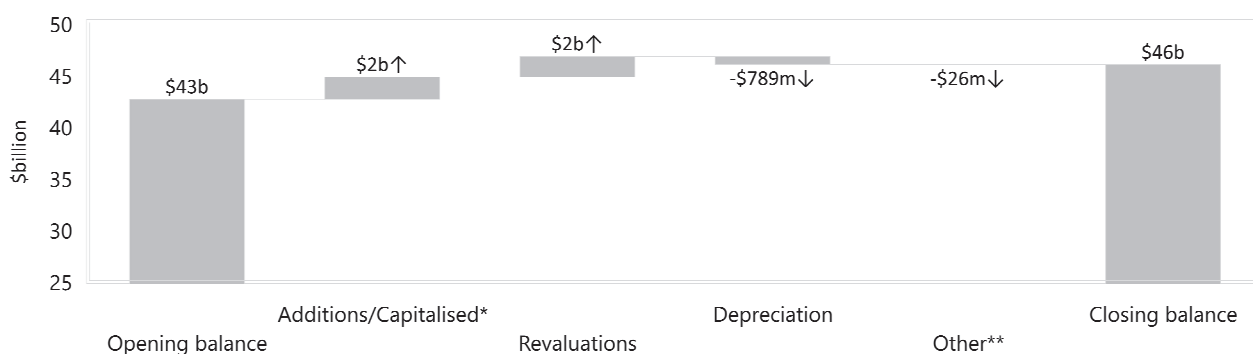
DIT's cash totalled \$3.9 billion (\$3.9 billion) and includes \$3.1 billion (\$3.3 billion) held in the Highways Fund established under the *Highways Act 1926*.

## Other assets

Other assets increased by \$83 million to \$188 million. Most of this increase is due to a \$58 million advance payment to the Torrens to Darlington Alliance. This payment related to amounts transferred to provide working capital to the Alliance to address foreign exchange risks and provide certainty over the value of payments for equipment sourced overseas (most notably the tunnel boring machines required for the remaining North–South Corridor works). The arrangement functions as the provision of working capital – as the Alliance draws down funds to pay for foreign currency contracts, DIT will replenish the balance up to \$58 million as needed. Any interest earned while these funds are held in a separate bank account must be returned to DIT. The \$58 million will be repaid by offsetting a future payment claim once the final foreign currency contract is executed, which is expected to occur in the third quarter of 2027.

## Fixed assets

DIT's fixed assets totalled \$46 billion (\$43 billion) and include network assets of \$36 billion (\$35 billion), land, buildings and facilities of \$5.5 billion (\$4 billion), capital works in progress of \$3.3 billion (\$2 billion) and plant and equipment of \$760 million (\$773 million). The following chart shows the movement in fixed assets in 2024-25.



\* Additions/Capitalised is the sum of asset purchases and transfers into asset classes from capital works in progress.

\*\* Includes disposals, donated assets, right-of-use asset re-measurements and assets transferred to held for sale.

## Network assets

Network assets totalled \$36.4 billion (\$35.3 billion) at 30 June 2025, representing 79% of DIT's total non-current assets. They comprise roads with a written down value of \$28.6 billion (79%), structures of \$4 billion (11%), and rail and bus track assets of \$3.8 billion (10%).

The written down value of network assets increased by \$1.1 billion over the year, mainly for:

- a revaluation increase for roads and structures, reflecting a 2.73% increase in the road and bridge construction index for 2024-25, resulting in an increase of \$863 million
- a revaluation of the rail network upwards by \$159 million
- capitalisation of network project expenditure totalling \$606 million, including \$497 million for roads, \$52 million for structures and \$58 million for rail and bus track assets
- depreciation expense of \$542 million, comprising \$340 million for roads, \$79 million for structures and \$123 million for rail and bus track assets.

DIT continues to apply its internal revaluation methodology approved by the Treasurer for roads and structures. Annual updates to unit rates are provided by independent external estimators and a full review is scheduled every five years. While the Treasurer's Instructions (Accounting Policy Statements) require a revaluation at least every six years, DIT performs a full update of unit rates every five years to ensure asset values reflect current market conditions and replacement costs. 2024-25 marked the five-year point for the network asset revaluation. Although a full review was planned, an update to the unit rates provided by external estimators was provided to DIT late, so the full revaluation did not proceed. DIT instead performed an internal re-measurement. The full revaluation is expected to occur in 2025-26, in line with DTF policy requirements.

## Capital works

The value of capital works in progress increased by \$1.3 billion to \$3.3 billion. The major movements are shown in the following table.

Projects	Carrying amount 01/07/24 \$million	Additions \$million	Transfer to assets \$million	Closing balance 30/06/25 \$million
North–South Corridor River Torrens to Darlington	597	1,053	(124)	1,526
Main South Road duplication	80	184	-	264
Adelaide Aquatic Centre*	22	68	-	90
Marion Road, Anzac Highway and Cross Road intersection	43	68	-	111
Road Safety Program	17	87	(20)	84
Majors Road interchange	46	59	-	105
Kangaroo Island ports berthing structure	17	52	-	69
Stuart Highway freight upgrade program	25	35	(3)	57
South Eastern freeway upgrade	131	18	-	149
Supply Chain resilience program	5	26	(9)	22

\* The Adelaide Aquatic Centre will be donated to the Office of Recreation, Sport and Racing when completed.

## Land, buildings and facilities

Land, buildings and facilities totalled \$5.5 billion (\$4.4 billion) at 30 June 2025. The main movements were:

- a revaluation increment of \$964 million, mainly reflecting updated fair values for marine assets (notably the Port Bonython jetty), government employee housing and other facilities. The Port Bonython jetty's fair value increased by \$552 million and its remaining useful life was reduced to 25 years
- additions and transfers from capital works in progress of \$229 million, including \$105 million for land for current projects, \$75 million for buildings and facilities and \$47 million for right-of-use assets, mainly for new office accommodation leases
- depreciation expense of \$191 million, comprising \$92 million for buildings and facilities and \$99 million for right-of-use assets.

## Plant and equipment

Plant and equipment amounted to \$760 million (\$773 million) at 30 June 2025. The main movements for the year were:

- additions and transfers from capital works in progress of \$30 million, including new trains, buses and operational equipment
- a revaluation increment of \$17 million, primarily for updated market values for bus depots, patrol boats and metropolitan rail rolling stock
- depreciation expense of \$56 million.

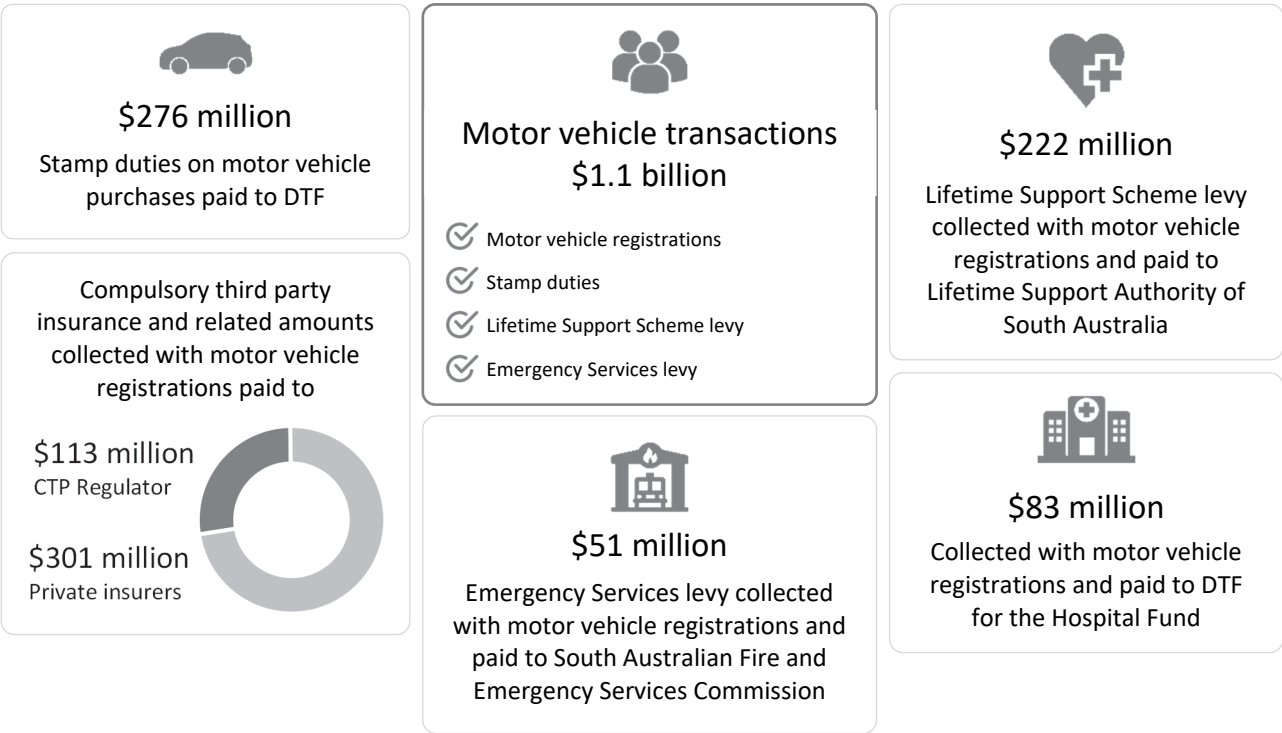
## Statement of Cash Flows

Net cash flows from financing activities includes a \$277 million (\$277 million) equity contribution from the SA Government under *the Appropriation Act 2024*. These contributions are recognised in the Statement of Changes in Equity rather than as income.

### Administered items

DIT is responsible for managing a range of activities on behalf of the SA Government. These activities are identified as administered items and reported separately where, for example, DIT does not control them but is responsible for transferring amounts to other eligible beneficiaries or parties. DIT was responsible for administering the following activities in 2024-25.

Administered items in 2024-25



Administered income increased by \$252 million to \$1.3 billion. This was mainly due to the \$139 million Community Road Safety Fund being reclassified as an administered item rather than a controlled item of DIT, along with a number of grant programs that DIT administers on behalf of the Commonwealth Government totalling \$103 million that were reallocated to administered items.

### Further commentary on operations

#### Road maintenance backlog

DIT’s strategic asset management plan for road and marine assets identifies its responsibilities for planning, building, maintaining and operating roads safely and efficiently, and meeting the needs of stakeholders, customers and users in an affordable manner. To help achieve its responsibilities, DIT aims to align its asset management practices with the international standard on asset management.

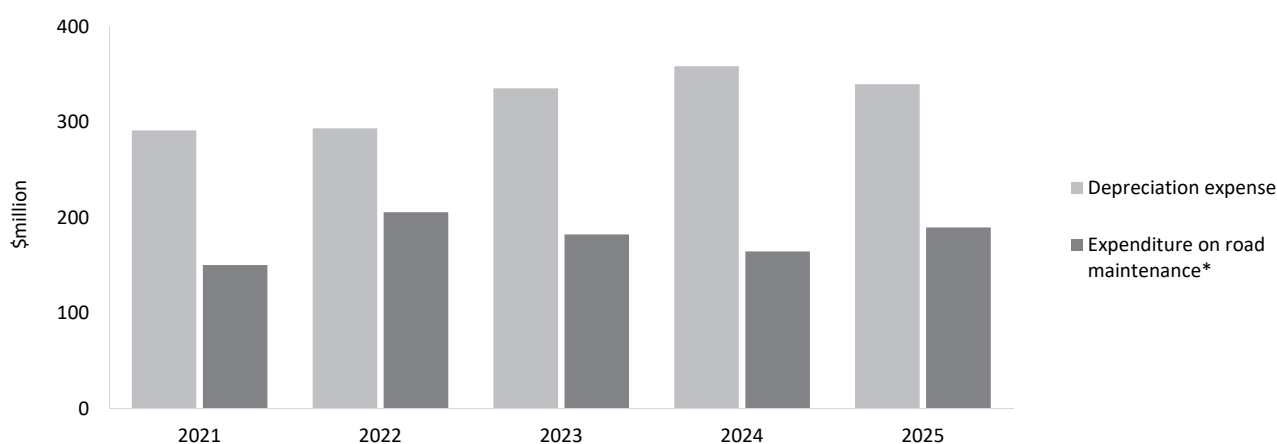
Our controls audits over the last six years have included high-level reviews of various aspects of DIT’s road asset management practices. Our findings are provided in this report and our previous reports. As part of DIT’s asset management processes, it periodically obtains, collates and estimates the extent of the road network assets that are overdue for maintenance and rehabilitation work – its maintenance backlog. Estimation is based on available asset information and condition data relative to the expected level of service from the assets.

South Australia's road network includes around:

- 13,000 km of sealed roads
- 10,000 km of unsealed roads
- 742 bridges
- 821 major culverts
- 31,000 road lights
- 942 traffic signals
- 99,000 electrical assets
- 12 River Murray ferries.

DIT reported that its road maintenance expenditure, which includes rehabilitation and resealing of the existing network, was around \$189.5 million in 2024-25. This excludes repairing the existing network included in new capital programs or projects. The replacement value of DIT's road and structure assets was \$47 billion at 30 June 2025, with a written down value of \$33 billion.

The following chart shows that depreciation expense has exceeded road maintenance expenditure over the last five years.



\* Road maintenance expenditure is unaudited.

Over the last five years, total road depreciation expense was \$1.6 billion, while road maintenance expenditure was \$892 million, or 55% of the depreciation expense. Road maintenance expenditure should be matched to the depreciation of the road network each year to prevent deterioration of the existing network and avoid higher expenditure in future years.

DIT estimated that the expenditure required to repair roads in very poor condition in 2023 was \$2.1 billion, up from an estimated \$1.9 billion in 2022.

Last year DIT advised us that the expenditure required to repair specific road maintenance defects such as surface defects, edge break repairs, overhanging vegetation, blocked drains and damaged infrastructure was estimated at \$608 million as at December 2023. DIT advised us that this grew to an estimated \$631 million by June 2025.

## **Insourcing of rail operations**

The SA Government has initiated the transition of operational responsibilities for the State's train and tram services from the private operators, Keolis Downer Adelaide (KDA) and Adelaide Metro Operations, back to the Rail Commissioner. Train operations transitioned in February 2025 and tram operations transitioned in August 2025 after a slight delay.

Updated contract arrangements were formalised with KDA. Under the new agreement, KDA will continue to oversee customer service and manage security for train services until June 2027, and be responsible for train and infrastructure maintenance until 2035.

The previous Outsourced Rail Operations Agreement was replaced by the Rail Services Contract. Insourced services were removed and a minimum \$4 million payment to KDA over four years for designated consultancy services was added. These consultancy services include:

- helping DIT prepare to apply for registration as a registered training organisation
- providing recruitment support to DIT, specifically for hiring an additional 22 train drivers
- overseeing the refurbishment of the Dry Creek train office, including costing, planning, and delivering works
- providing consultancy support to establish a SharePoint environment for operational use
- coordinating the procurement and distribution of new uniforms to employees.

Although the appointment of rail staff is managed by the Rail Commissioner, DIT is responsible for covering all employee-related expenses. These costs are paid to the Rail Commissioner and totalled \$45 million in 2024-25.

Staff involved in the insourcing process were offered a maximum \$10,000 incentive payment, which was scaled down depending on when they returned a signed and accepted employment contract. Those who remain employed by the Rail Commissioner until April 2026 will receive a further \$5,000 incentive payment. This is in addition to a \$15,000 incentive payment to all employees who transitioned to KDA when heavy rail services were outsourced to it in 2021. Incentive payments to heavy rail staff totalled \$3.8 million during the outsourcing of operations in 2021. Another \$2.5 million was paid up to 30 June 2025 as part of the insourcing process.

## **River Torrens to Darlington project**

The River Torrens to Darlington (T2D) project covers the remaining 10.5 km section of the North–South Corridor from the River Torrens to Darlington. It will create a 78 km non-stop, traffic light-free motorway between Gawler and Old Noarlunga.

The aim of the T2D project is to improve Adelaide's transport network, help to stimulate economic growth while sustaining liveability and deliver long-term benefits for all South Australians. It will deliver a 10.5 km motorway comprised of tunnels, lowered and surface-level roadway and underpasses at key intersections.

The T2D project is to be completed in 2031 and has a revised budget of \$15.4 billion that will be 50% funded by the Commonwealth Government. The procurement phase for the main works packages started in early-2023 and a preferred alliance partner was selected in August 2024.

Further commentary on the progress of the project is discussed in Part A of this report.

## Functional responsibility

---

DIT is an administrative unit established by the *Public Sector Act 2009* and is responsible for transport systems and services and infrastructure planning and provision.

## Scope of the audit

---

Our audit covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- accounts payable
- payroll
- public transport contracts
- fees and charges, including motor vehicle, driver's licences and public transport
- income and expenditure for maintenance, property and building construction services
- accounts receivable
- bank reconciliations
- general ledger
- governance
- finance leases
- fixed assets, including capital works, road and rail network assets, land buildings and facilities and plant and equipment.

As part of our overall controls opinion, which is discussed in Part B of this report, we reviewed controls over:

- facilities maintenance services managed by DIT for other SA Government agencies
- contract management for road maintenance and metropolitan public transport contracts
- asset management for selected road, marine and bus assets
- purchasing non-current assets, including procurement, contract management and project delivery
- construction on behalf of other SA Government agencies, including procurement, contract management and project management
- acquisition and disposal of land and buildings
- operating expenditure, including contract management for key operational contracts
- motor registration revenue
- expenditure of Commonwealth Government funding
- bank accounts.



# Lifetime Support Authority of South Australia (LSA)

---

## Financial report opinion

### Unmodified

An emphasis of matter is included in the LSA's financial report opinion relating to the significant uncertainty around the estimated provision for participant treatment, care and support, due to its long-term nature and limited claim payment experience to date.

---

## Audit findings

No findings.

---

## Financial statistics



**\$390 million**  
Total income



**\$240 million**  
Total expenditure



**101**  
FTEs



**405**  
Participants at 30 June 2025



**101%**  
Funding ratio

---

## Significant events and transactions

- The provision for the future cost of caring for current participants increased by \$139 million to \$1.96 billion.
  - The fair value of investments increased by \$286.5 million to \$1.99 billion.
  - The Lifetime Support Scheme (LSS or the Scheme) was fully funded at 30 June 2025, with net assets of \$26.5 million. It has a funding ratio of 101%, which is in the LSA Board's target of 80-120%.
  - Total participants increased from 371 to 405.
  - The Treasurer determined an estimated fund contribution of \$232.8 million for 2025-26 in line with the LSA's recommendation.
-

## Audit findings

We did not have any audit findings that needed to be communicated to the LSA.

### Auditor's report on the financial report

The following is an extract from the Independent Auditor's Report on LSA's 2024-25 financial report, which is unmodified but notes a significant uncertainty surrounding the estimate of the provision for participant treatment, care and support.

#### *Opinion*

*In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Lifetime Support Authority of South Australia as at 30 June 2025, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.*

#### *Emphasis of matter*

*I draw attention to note 6.4 of the financial report. There is significant uncertainty surrounding the estimate of the provision for participant treatment, care and support because of the long-term nature of the provision and limited claim payment experience to date. My opinion is not modified in respect of this matter.*

## Interpretation and analysis of the financial report

### Highlights of the financial report\*

	2025 \$million	2024 \$million
<b>Income</b>		
LSS Fund levy	222	209
Investment revenue	168	106
Other	-	1
<b>Total income</b>	<b>390</b>	<b>316</b>
<b>Expenses</b>		
Participant treatment, care and support expenses	193	176
Duty on LSS Fund levy	22	21
Other	24	29
<b>Total expenses</b>	<b>240</b>	<b>226</b>
<b>Total comprehensive result</b>	<b>151</b>	<b>90</b>
<b>Assets</b>		
Current assets	12	8
Non-current assets	1,987	1,701
<b>Total assets</b>	<b>1,999</b>	<b>1,710</b>

	2025 \$million	2024 \$million
<b>Liabilities</b>		
Current liabilities	78	74
Non-current liabilities	1,894	1,760
<b>Total liabilities</b>	<b>1,972</b>	<b>1,834</b>
<b>Total equity</b>	<b>26</b>	<b>(124)</b>

\* Table may not add due to rounding.

## Statement of Comprehensive Income

### Net result

The LSA recognised a net result of \$150.5 million (\$90.1 million), largely reflecting:

- revenues from the LSS Fund levy of \$222.1 million
- investment revenues of \$167.6 million
- expenses for participant treatment, care and support of \$193.4 million
- duty on the LSS Fund levy of \$22 million payable to RevenueSA
- employee-related expenses of \$13.5 million.

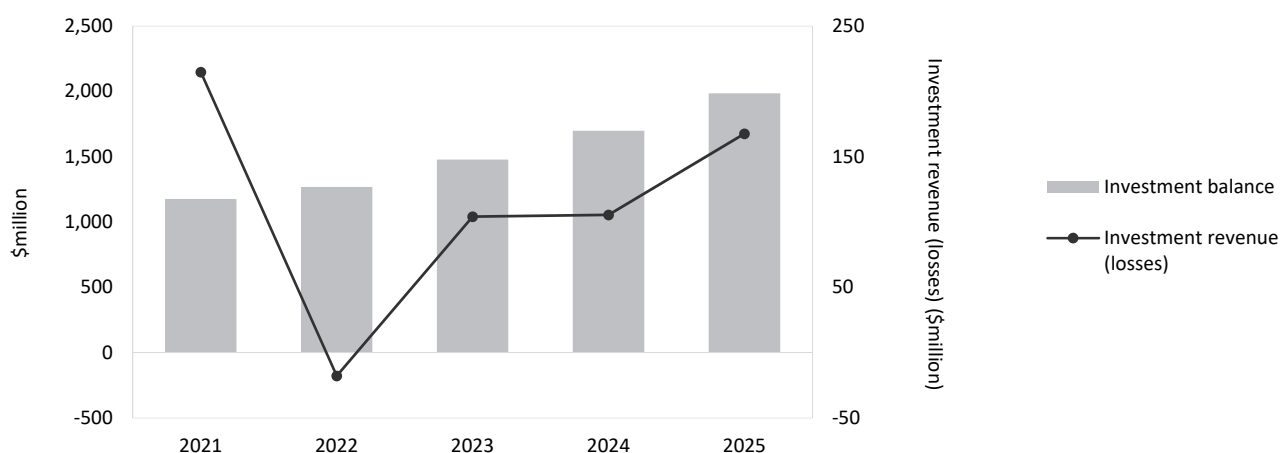
The LSA's net result depends significantly on the link between the LSS Fund levy set before the start of the year and the movement in the provision for the cost of participant treatment, care and support at the end of the year – see 'Liabilities' and 'Required fund contribution'.

### Income

The LSA's income of \$390.1 million (\$316.1 million) mainly comprised:

- the LSS Fund levy on South Australian motor vehicle registrations of \$222.1 million (\$209.3 million). No GST is payable on the levy
- investment revenue of \$167.6 million (\$105.5 million), reflecting strong investment returns for both domestic and international equity markets.

The following chart shows the LSA's revenues and losses from investments and investment balance for the last five years. It highlights the significant growth in the investment balance and the volatility in investment returns over the period.

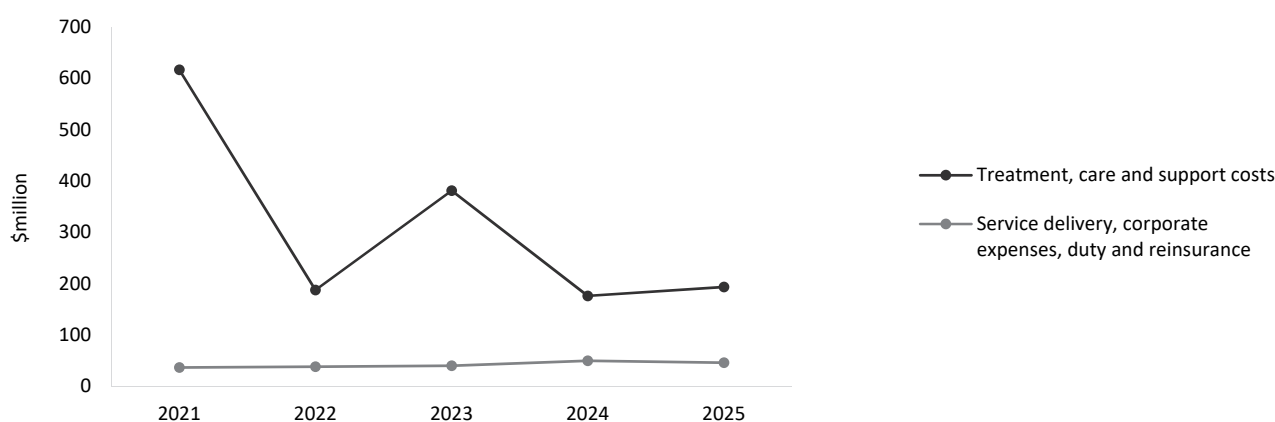


## Expenses

The LSA's expenses of \$239.5 million (\$226 million) comprised:

- \$193.4 million (\$176.2 million) for participant treatment, care and support expenses, of which \$139 million was the increase in the estimate of future expenses for participants injured in motor vehicle accidents up to 30 June 2025 (see 'Provision for participant treatment, care and support')
- \$22 million (\$20.7 million) paid to the SA Government for the 11% duty on the LSS Fund levy payable under the *Stamp Duties Act 1923*
- \$20.9 million (\$26 million) for general operating expenses, including \$13.5 million (\$14 million) for employee benefits, \$4.5 million (\$4.8 million) for service delivery and corporate expenses and \$2.1 million (\$2.1 million) for research education programs
- \$3.2 million (\$3 million) for premiums paid to reinsurers who provide cover for significantly larger than expected liabilities for estimated future participant care costs.

The following chart shows the costs of participant treatment, care and support and the operational expenses that the LSA incurs in the ongoing administration of the Scheme. Participant treatment, care and support expenses include the expense recognised each year for the movement in the provision. The significant increase in costs for 2021 was driven by a \$590.8 million increase in the provision for that year, resulting from the move to risk-free discount rates (see 'Provision for participant treatment, care and support').



## Statement of Financial Position

The LSA's financial position depends significantly on the value of its investments and the provision for participant treatment, care and support. Total assets of \$2 billion exceeded total liabilities of \$1.97 billion, a net surplus of \$26.5 million in 2025.

## Investments

The LSA had \$1.99 billion invested with Funds SA in 2025, in line with the LSS Fund investment strategy approved by the LSA Board.

The LSA must maintain investments to fund its present and likely liabilities for participant treatment, care and support. Its investment strategy takes into account its current risk appetite and the need to match investment returns to the long-term nature and timing of payments for the needs of Scheme participants.

The LSA's investments with Funds SA earned a nominal return of 9.5% in 2024-25 compared to its average 10-year rolling target of 6.25% p.a. Investment returns reflect financial market conditions. Returns were mixed across financial markets in 2024-25, with strong returns in equity markets over the year. The following table shows the return from investments over the last five years.

	2021	2022	2023	2024	2025
Target investment return	6.25%	6.25%	6.25%	6.25%	6.25%
Actual investment return	23.7%	-1.2%	7.9%	6.8%	9.5%
Annual investment return (average since inception)	8.5%	7.2%	7.3%	7.2%	7.5%*

\* 10-year average.

## Liabilities

The LSA's liabilities of \$1.97 billion mainly consist of the provision for participant treatment, care and support.

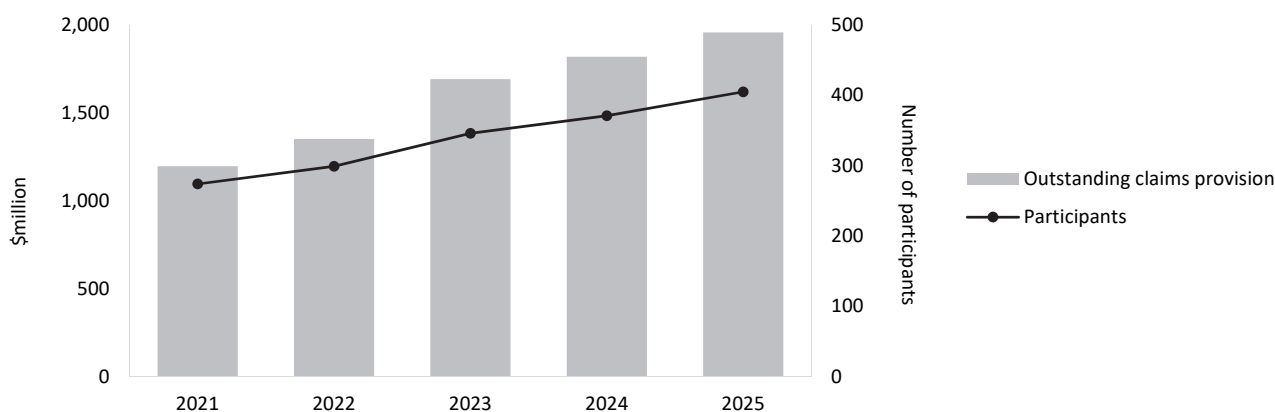
### Provision for participant treatment, care and support

The LSA appointed an independent actuary to estimate the liabilities of the Scheme, measured as the present value of the expected future payments for claims incurred up to 30 June 2025, including claims incurred but not yet reported. The LSA Board approved the valuation prepared by the actuary after also considering the report from a peer review actuary.

The provision was estimated to increase by \$139 million to \$1.96 billion at 30 June 2025, mainly for:

- an additional year of participants entering the Scheme, which increased the provision by \$253.1 million
- the impact of Scheme experience, including traumatic brain injury severity improvements, which decreased the provision by \$94.5 million
- movements in actuarial assumptions, including a decrease in the hospital payment assumptions from revising benchmark assumptions in line with experience to date, which decreased the provision by \$21.6 million
- changes in economic assumptions, notably the risk-free discount rate and inflation expectations, which decreased the provision by \$11.5 million.

The LSA's financial report provides further details about the provision, including the key economic assumptions used when estimating it. The following chart shows the increasing value of the provision and the consistent growth in the total number of participants over the last five years.



## Significant inherent uncertainty in the provision

The LSA's actuary report refers to the considerable uncertainty in future claim costs, particularly for long-term claims and the provision of attendant care benefits. The main areas of uncertainty identified in the current estimate were:

- the adequacy of benchmark packages for defining the lifetime care and support needs of participants
- future inflation levels for the provision of services, especially increases in attendant care hourly rates
- future life expectancy and changes to the types of support needed leading up to end of life
- future reports and acceptances of participants
- the future severity of traumatic brain injury participants
- future levels of returns on Commonwealth bonds, which inform the discount rates applied.

The report identified the following material financial risks to the Scheme:

- **Attendant care cost pressures** – maximum rates offered by the National Disability Insurance Scheme (NDIS) are currently higher than those gazetted by the LSA. If the LSA is forced to match NDIS rates, the provision will increase. There is also significant pressure to increase carer wages.
- **Supported accommodation** – participants moving into supported accommodation generally results in much higher costs. If more participants move into supported accommodation, the provision will increase.
- **Inherent uncertainty of long-term estimates** – seriously injured participants may require care for several decades or more. The estimates for this will be uncertain and subject to change in line with emerging experience.
- **Economic conditions** – while the Scheme can operate through periods of temporary volatility, there is no guarantee that investments will deliver the projected long-term returns, or that returns will keep pace with claims inflation.
- **Number of participants** – any lowering of the eligibility criteria, including that arising from disputes, may put financial pressure on the Scheme.
- **Life expectancy of participants** – this will impact the duration of their treatment, care and support costs. There is significant uncertainty about the life expectancy of participants, as evidence of the impact of significant injuries on life expectancy, in the context of the LSS, is still emerging and relatively limited.

In estimating the liability at 30 June 2025 the actuary noted that, even with 11 years of history, the very long-term nature of providing care and support for those seriously injured in motor vehicle accidents means there is still material uncertainty in the estimated provision.

The sensitivity analysis in the LSA's financial report shows that relatively small changes to key estimate assumptions can result in changes worth millions of dollars. For example, an increase in attendant care rates to match the NDIS could increase the provision by \$87.7 million, and a 1% decrease in the discount rate could increase the provision by \$428.4 million.

The LSA's financial report also indicates the time frame that claims must be managed. The uninflated, undiscounted weighted average term is 21 years.

### Independent reviewing actuary

The LSA had the actuarial estimate of the provision reviewed by an independent actuary. They found no evidence to suggest that the valuation of outstanding claims liability is unreasonable. Having an independent reviewing actuary is prudent given the long-term purpose of the Scheme and the critical role that actuarial expertise has in setting the levy annually and estimating the outcome at the end of each year.

### AASB 17 *Insurance Contracts*

AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts* amends AASB 17 *Insurance Contracts* to include modifications that apply to public sector entities from 1 July 2026. The modifications capture schemes like the LSS. The LSA has estimated that adopting AASB 17 could potentially increase the provision for participant treatment, care and support by up to \$293.7 million or decrease it by up to \$67.4 million at 30 June 2025. The LSA's financial report provides further information on this.

### Fund assets adequacy

The fund assets adequacy for the LSS was estimated at 84% (80%) at 30 June 2025. This is the probability that the Scheme will be able to meet its future payment obligations in a run-off situation, assuming a long-term investment return of 6.25%.

### Current liabilities

Current liabilities exceeded current assets by \$66.5 million in 2025. The LSA can access funds from its Funds SA investments if required.

### Required fund contribution – LSS levy

The LSA must determine a required amount to be contributed to the LSS Fund to meet its yearly expenses before the start of each financial year. This amount is to:

- fund the present and likely future liabilities for participants who enter the Scheme in the year
- meet payments from the LSS Fund that exceed previously provided estimated amounts
- pay participant management expenses
- pay stamp duties
- provide for other matters related to any LSA liability under the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013* (LSS Act), including paying for any past liability that would otherwise be unfunded.

This determination is made in line with a report from an independent actuary engaged by the LSA. The LSA must report its determination to the Treasurer before the start of each financial year. The Treasurer must, after receiving the report and considering anything they see fit (including matters not covered by the report), determine an amount to be paid to the LSA for contribution to the LSS Fund for the relevant period (the required fund contribution). If the Treasurer makes a determination that is inconsistent with the LSA's determination, the LSA must report that in its annual report.

Setting levies at an appropriate level is critical to the LSS. If break-even levies are charged each year, and if all underlying assumptions used to set the levy eventuate, the LSS will always be fully funded. If the levy is set too low each year, liabilities will exceed assets, causing the LSS to be underfunded.

## Annual contribution and levy

An estimated levy of \$232.8 million, including duty, is required to cover the costs of operating the Scheme in 2025-26 and the probable liability increase at 30 June 2026. The estimated 2025-26 levy was based on an actuarial estimate at 31 December 2024.

The table below sets out the required fund contribution and levy for the past two years and for next year.

	2024	2025	2026
Required fund contribution:			
LSA recommended (\$million)	208.3	220.1	232.8
Treasurer approved (\$million)	206.4	220.1	232.8
Average levy (\$)	126.5	131.6	136.0
Average increase per vehicle over previous year (\$)	10.0	5.1	4.4

As the table highlights, in 2023-24 the Treasurer determined an estimated levy amount to be paid to the LSA that differed from the amount the LSA recommended.

The actuary's estimates used to set the derived levy are, as with the estimated provision, sensitive to the number of LSS participants and the severity of their injuries. Small changes in these numbers can impact the estimate significantly.

## Functional responsibility

The LSA is established under the LSS Act. It administers the LSS and the LSS Fund established by the LSS Act to support people who suffer very serious injuries in motor vehicle accidents in South Australia, regardless of fault. A person can be accepted as an interim or lifetime Scheme participant depending on their eligibility under the LSS rules.

### Lifetime Support Scheme Fund

Levies on motor vehicle registrations to pay the Scheme's expenses are collected by the Registrar of Motor Vehicles and paid into the LSS Fund. The LSA invests these levies with the Superannuation Funds Management Corporation of South Australia (Funds SA) until the funds are needed to pay for participant treatment, care and support and other costs of operating the Scheme.

## Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- participant treatment, care and support expenses
- the provision for treatment, care and support
- investment revenue
- payroll and other administrative expenses
- financial assets
- general ledger.

We reviewed controls over bank accounts and the provision for participant treatment, care and support as part of our overall controls opinion, which is discussed in Part B of this report.



# Department of the Premier and Cabinet (DPC)

## Financial report opinion

Unmodified

## Audit findings

No findings.

## Financial statistics



**\$479 million**

Total income



**\$383 million**

Total expenditure



**390**

FTEs



**\$220 million**

Property, plant and equipment and works in progress



**\$133 million**

Land, buildings and improvements

## Administered



**\$37 million**

Total income



**\$37 million**

Total expenditure

## Significant events and transactions

- The Office of the Chief Information Officer (OCIO), Digital Programs and Office for Data Analytics (ODA) were transferred to the Department of Treasury and Finance (DTF), from 1 July 2024. Population Strategy was transferred to the Department of State Development, from 1 July 2024. This resulted in the transfer of \$18.4 million of net assets.
- The Office of the Commissioner for Public Sector Employment was transferred to DPC as an attached office, from the Attorney-General's Department, from 1 July 2024.
- The Barossa Park precinct was completed by the Barossa Council in 2025 and DPC's contract for use of the precinct was recognised as a right-of-use asset – buildings for \$21.1 million.
- A new Chief Executive was appointed in December 2024.
- Land, buildings and improvements assets were revalued up by \$27.9 million.

## Audit findings

We did not have any audit findings that needed to be communicated to DPC.

## Interpretation and analysis of the financial report

### Highlights of the financial report – controlled items

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	432	351
Sale of goods and services	18	25
Intra-government transfers	12	12
Grants and subsidies	10	16
Other	7	7
<b>Total income</b>	<b>479</b>	<b>411</b>
<b>Expenses</b>		
Grants and subsidies	168	146
Supplies and services	133	159
Employee benefits expense	58	71
Cash transfer to the Consolidated Account	15	225
Other	9	35
<b>Total expenses</b>	<b>383</b>	<b>636</b>
<b>Net result</b>	<b>96</b>	<b>(225)</b>
Changes in property, plant and equipment asset revaluation surplus	28	25
<b>Total comprehensive result</b>	<b>123</b>	<b>(200)</b>
<b>Assets</b>		
Current assets	171	117
Non-current assets	221	174
<b>Total assets</b>	<b>392</b>	<b>291</b>
<b>Liabilities</b>		
Current liabilities	30	31
Non-current liabilities	10	13
<b>Total liabilities</b>	<b>40</b>	<b>44</b>
<b>Total equity</b>	<b>352</b>	<b>247</b>

### Statement of Comprehensive Income

#### Appropriations

Appropriation income increased by \$80.4 million (23%) due to an increase in operational funding of \$56 million and capital funding of \$24.4 million. The increase in operational funding is mainly due to:

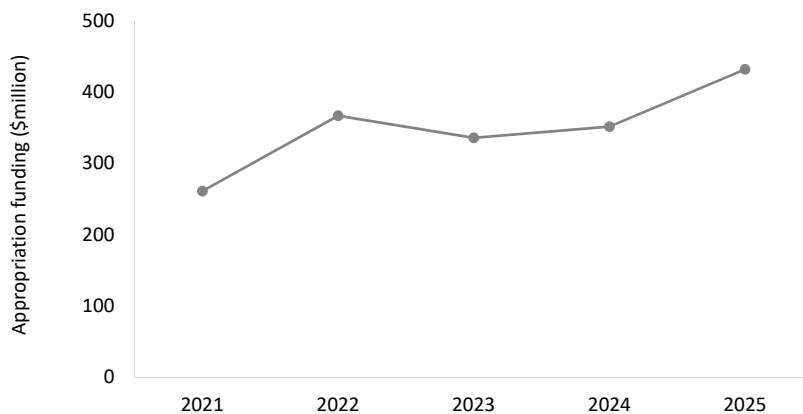
- \$82.5 million for the timing of and additional funding for some government initiatives such as the Adelaide City Deal and funding for new and existing events in South Australia
- \$5.8 million for the Arts Investment Fund.

The increase in capital funding relates to funding of \$32.1 million for several major capital projects, including:

- contribution to the Barossa Park precinct redevelopment
- arts accommodation for State Opera of South Australia, State Theatre of South Australia and South Australian Country Arts Trust
- fire safety compliance and western plaza upgrade at the Adelaide Festival Centre
- the Cultural Institutions Storage Facility.

These increases were offset by a decrease in appropriation of \$50.5 million relating to the OCIO, Digital Programs and ODA being transferred to DTF from 1 July 2024.

DPC's appropriation funding has varied over the last five years, reflecting the different direct responsibilities it has had over that time, as shown in the following chart.



## Employee related expenses

Employee related expenses decreased by \$13.1 million (18%), mainly due the transfer of OCIO, Digital Programs and ODA employees to DTF. This resulted in a decrease of:

- \$10.2 million in salaries and wages
- \$3.1 million in employee leave expenses and superannuation.

## Supplies and services

Supplies and services expenses decreased by \$26.7 million (17%), mainly due to the transfer of OCIO, Digital Programs and ODA costs to DTF. This resulted in decreases in:

- information, technology and communication charges of \$24.8 million
- managed network services of \$4.8 million
- temporary staff of \$2.8 million
- contractors of \$2.6 million
- other supplies and services of \$2.8 million.

These were offset by an \$8.3 million increase in intra-government transfers mainly due to increases in payments to the South Australian Film Corporation of \$2.1 million to fund industry rebate programs, payments for new and existing events of \$1.7 million, and the transfer of cash for transferred programs to DTF and the Department of State Development of \$4.3 million.

## Grants and subsidies

Grants and subsidies expenses increased by \$22 million (15%) to \$168.3 million.

Major arts organisation funding reflects annual funding to SA Government agencies. Of the \$168.3 million in total grants funding, \$112 million (67%) was provided to the Libraries Board of South Australia, Adelaide Festival Centre Trust, Art Gallery Board, Museum Board, Adelaide Festival Corporation, South Australian Country Arts Trust, State Theatre Company of South Australia, State Opera of South Australia, Carrick Hills Trust, South Australian Film Corporation and Adelaide Film Festival.

In 2024-25 funding increased for:

- additional funding of \$6.5 million to the Art Gallery Board
- the Arts Investment Fund of \$4.2 million, a new initiative established in 2024-25
- the South Australian Film Corporation of \$3.3 million, reflecting the full year funding and an additional grant payment of \$1.2 million for the Screen Production Fund
- additional funding of \$2.8 million to the South Australian Country Arts Trust
- additional funding of \$2.4 million to the Museum Board.

Significant grant programs included:

- \$11.6 million to non-government major arts organisations to fund their operations
- \$9.3 million to the Business Event Fund
- \$6.4 million to minor arts organisations
- \$6.2 million in multicultural grants
- \$5.3 million for other arts and cultural grants
- \$4.2 million for the Arts Investment Fund.

## Other expenses

### Net loss from the disposal of property, plant and equipment

In 2024 the net loss from the disposal of property, plant and equipment related to the final sale of assets held for sale to the Adelaide Festival Centre Trust and Urban Renewal Authority. The proceeds from the sale were \$181.2 million compared to their net book value of \$195.4 million.

### Cash transfer to the Consolidated Account

The cash transfer to the Consolidated Account decreased by \$209.8 million (93%), mainly due to the return of cash of \$221.2 million in 2024 from the sale of assets to the Adelaide Festival Centre Trust and Urban Renewal Authority.

## Statement of Financial Position

### Cash

Cash increased by \$64.9 million (67%), mainly due to funds to be carried over for investing projects including:

- Tarrkarri Centre for First Nations Cultures
- Cultural Institutions Storage Facility
- ArtLab goods lift

- Innovation Hub at Lot Fourteen
- arts accommodation for State Opera of South Australia, State Theatre of South Australia and South Australian Country Arts Trust.

## Receivables

Receivables decreased by \$12.4 million (58%) to \$8.9 million, mainly due to decreases in contractual receivables of \$8.5 million and prepayments of \$5.1 million primarily for to the transfer of OCIO, Digital Programs and ODA debtors to DTF.

## Property, plant and equipment and intangible assets

Property, plant and equipment increased by \$56.9 million to \$219.7 million (35%), mainly due to:

- additions to work in progress of \$47.9 million, including expenses for the Barossa Park project of \$17.4 million and Cultural Institutions Storage Facility of \$24.4 million in 2024-25
- land, buildings and improvements assets being revalued up by \$27.9 million
- offset by:
  - \$14 million of assets transferred to DTF for machinery of government restructures
  - \$4.9 million of depreciation.

Intangible assets decreased by \$8.3 million (92%), mainly due to the transfer of \$8.5 million of net assets to DTF.

## Liabilities

Total liabilities decreased by \$4 million (9%) to \$39.6 million, mainly due to employee related liabilities decreasing by \$4 million (20%) mainly for the transfer of \$5.1 million of employee related liabilities for OCIO, Digital Programs and ODA to DTF

## Highlights of the financial report – administered items

	2025 \$million	2024 \$million
<b>Administered income</b>		
Appropriation	37	26
<b>Total administered income</b>	37	26
<b>Administered expenses</b>		
Supplies and services	34	23
Grants and subsidies	2	2
Employee related expenses	1	1
<b>Total administered expenses</b>	37	26
<b>Assets</b>		
Current assets	2	2
<b>Total assets</b>	2	2
<b>Total liabilities</b>	-	-
<b>Net administered assets</b>	2	2

## Statement of Administered Comprehensive Income

### Appropriation

Appropriation income increased by \$11.5 million (45%) mainly due to:

- additional funding of \$8.3 million provided for motor sport activities
- funding of \$3.1 million provided for the Office of the Commissioner for Public Sector Employment, which transferred from the Attorney-General's Department to DPC as an attached office from 1 July 2024.

### Supplies and services

Supplies and services increased by \$11.1 million (48%) mainly due to an increase in intra-government transfers of \$10.9 million (47%), comprising:

- \$7.6 million in additional funding provided to the South Australian Motor Sports Board
- \$3.1 million provided to the Office of the Commissioner for Public Sector Employment.

## Functional responsibility

---

DPC is an administrative unit established by the *Public Sector Act 2009*. Its responsibilities include providing specialist policy advice, supporting the Cabinet process, leading the implementation of the SA Government's strategic priorities and policy commitments.

DPC receives and passes on appropriation funding for a range of arts and cultural-related government entities, through grant agreements.

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- general ledger
- cash
- expenditure
- grant expenditure
- corporate governance
- IT general controls.

We reviewed controls over bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

# Department of Primary Industries and Regions (PIRSA)

---

## Financial report opinion

Unmodified


---

## Audit findings

No findings.

---


## Financial statistics

 \$292 million  
Total income

 \$305 million  
Total expenditure

 819  
FTEs

Administered

 \$39 million  
Total income

 \$38 million  
Total expenditure

---

## Significant events and transactions

New grant expenditure of \$21 million was paid under the drought support package.

---

## Audit findings

We did not have any audit findings that needed to be communicated to PIRSA.

## Interpretation and analysis of the financial report

### Highlights of the financial report – controlled items

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	163	132
Grants, subsidies and transfers	69	65
Commonwealth Government grants (National Partnership payments)	26	19
Sale of goods and services	13	12
Other income	21	19
<b>Total income</b>	<b>292</b>	<b>247</b>
<b>Expenses</b>		
Supplies and services	107	94
Employee related expenses	100	93
Grant and subsidies	85	69
Other expenses	13	13
<b>Total expenses</b>	<b>305</b>	<b>269</b>
Other comprehensive income	10	4
<b>Total comprehensive income</b>	<b>(3)</b>	<b>(18)</b>
<b>Assets</b>		
Current assets	185	192
Non-current assets	251	252
<b>Total assets</b>	<b>436</b>	<b>444</b>
<b>Liabilities</b>		
Current liabilities	68	63
Non-current liabilities	40	50
<b>Total liabilities</b>	<b>108</b>	<b>113</b>
<b>Total equity</b>	<b>328</b>	<b>331</b>

### Statement of Comprehensive Income

#### Income

Total income increased by \$45 million to \$292 million, mainly due to:

- appropriation increasing by \$31 million to \$163 million to fund responses to the fruit fly outbreak, drought, avian influenza and tomato brown rugose fruit virus



- Commonwealth Government grants increasing by \$7 million to \$26 million to fund various programs. These grant programs and funding amounts change each year. Changes for 2024-25 included:
  - new funding for farm business resilience planning of \$6 million and regional drought resilience planning of \$3 million
  - new funding for regional roads Australia mobile program of \$3 million
  - reduced funding for building resilience to manage fruit fly of \$6 million
- grants from industry increasing by \$5 million to \$46 million to support various research and other projects.

## Expenses

Total expenses increased by \$36 million to \$305 million, mainly due to increases in:

- employee related expenses of \$7 million to \$100 million for increased staff for biosecurity responses and lower vacancies
- grants and subsidies of \$16 million to \$85 million. PIRSA operates many grant programs and its expenses fluctuate each year depending on SA Government priorities, available funding and the nature of each grant program. These changes included:
  - \$21 million in payments under a new drought support package in 2024-25
  - Thriving Regions Fund grants decreased by \$5 million to \$10 million
- supplies and services expenses of \$13 million to \$107 million, mainly for contractors and temporary staff, which increased by \$11 million to \$48 million. The increase in contractors and temporary staff mainly reflects increased responses to biosecurity events and research initiatives performed.

## Other expenses

In 2024-25 PIRSA incurred expenses for responding to many biosecurity events, including:

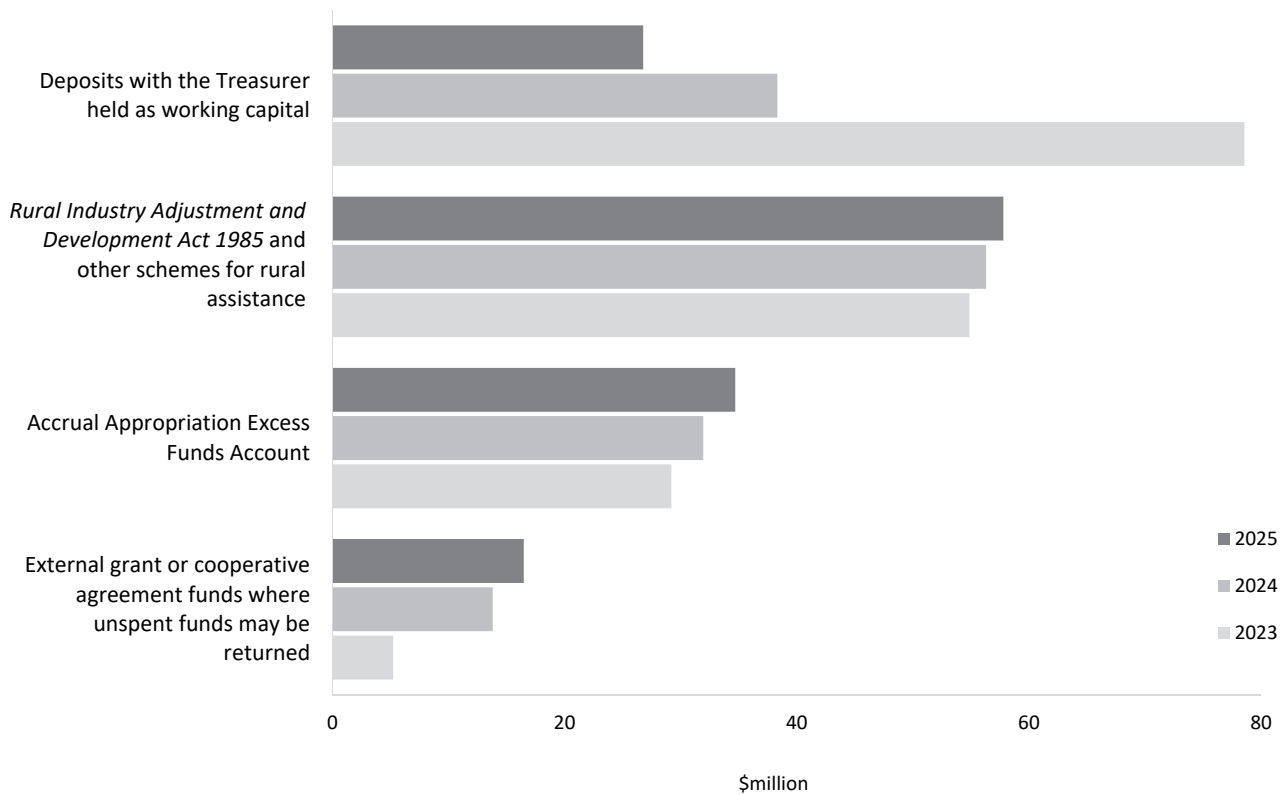
- the fruit fly outbreak of \$46 million (\$40 million), including \$21 million (\$17 million) for temporary agency staff, \$5 million (\$4 million) for chemicals, \$4 million (\$3 million) for contractors, \$4 million (\$4 million) for employee-related expenses and \$4 million (\$3 million) for sterile fruit flies
- the tomato brown rugose virus of \$6 million (\$0).

In 2024-25 the SA Government announced a \$73 million package to support farmers affected by drought in South Australia. PIRSA's expenditure for the package was \$23 million in 2024-25, including \$21 million for grants. This is discussed further in Part A of this report.

## Statement of Financial Position

### Cash and cash equivalents

PIRSA held cash of \$136 million (\$141 million) at 30 June 2025. The main cash components are shown in the following chart.



The decrease in PIRSA's working capital cash since 2023-24 mainly reflects the use of accumulated funds received in prior years for capital and grant expenditure.

## Receivables

Receivables decreased by \$13 million to \$43 million mainly due to decreases in:

- loan receivables of \$8 million to \$23 million for repayments received from loan recipients. These loans comprise loans to cooperatives and concessional loans. See 'Other financial liabilities'
- other receivables of \$5 million to \$20 million. These receivables vary each year based on project completion and life cycles.

## Other financial assets

Other financial assets are investments in shares for unlisted entities of \$37 million, with over 99% invested in Australian Grain Technologies Pty Ltd. These were revalued up by \$3 million in 2024-25. An independent valuation is performed to determine the fair value because the shares are unlisted and there is no direct active market.

## Property plant and equipment

Property, plant and equipment increased by \$5 million to \$191 million, mainly due to land assets being revalued up by \$7 million.

## Other financial liabilities

Other financial liabilities of \$24 million (\$34 million) mainly comprise indebtedness to the Treasurer of \$23 million (\$32 million). Borrowings from the Treasurer relate to:

- loans to cooperatives of \$19 million (\$27 million) to support cooperatives engaged in processing and storing primary products. PIRSA manages the loans to cooperatives provided by the SA Government. These are agreements between the Treasurer, PIRSA and approved loan applicants where the principal borrowed by PIRSA is on-lent to the approved loan applicant. Principal repayments made by an approved loan recipient are returned to the Treasurer to reduce PIRSA's borrowings. The decrease in loans to cooperatives of \$7 million was due to repayments to the Treasurer
- Commonwealth Government concessional loan schemes of \$4 million (\$5 million). The concessional loans schemes closed in 2018. PIRSA originally borrowed funds from the Commonwealth Government to on-lend to recipients for this arrangement. PIRSA continues to manage the existing loan agreements until the loan is repaid/refinanced. It only receives repayments for existing loans, with the repayment passed on to the Commonwealth. Repayments were \$1 million in 2024-25.

## Contract liabilities

Contract liabilities increased by \$8 million to \$29 million, mainly for project consideration received in advance, which are recognised as income as the project is completed.

## Administered items

Administered income was \$39 million (\$37 million) and administered expenses were \$38 million (\$37 million). The level of financial transactions remained consistent 2023-24, with:

- fees and charges of \$33 million, which included aquaculture and fishing licence fees of \$18 million and industry contributions under the *Primary Industry Funding Schemes Act 1998* of \$15 million. Most of this is paid as grants and subsidies to support promotion, research and development, and other activities to benefit the different groups that have paid the contributions
- appropriation of \$5 million, which is mostly paid to the South Australian Forestry Corporation for community service obligations.

Administered assets comprised cash of \$24 million (\$21 million) and receivables of \$4 million (\$3 million).

## Functional responsibility

---

PIRSA is an administrative unit established under the *Public Sector Act 2009* and is responsible to the Minister for Primary Industries and Regional Development. Its objective is to grow primary industries and drive regional development in South Australia.

## Scope of the audit

---

Our audit covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- governance frameworks
- revenue, including research grant, consultancies and services revenue
- grants and subsidies expenses
- supplies and services expenses
- employee benefits expenses and liabilities
- cash and general ledger
- loans receivable and borrowings
- property, plant and equipment
- other financial assets, including investments in shares.

We reviewed controls over deposit accounts as part of our overall controls opinion, which is discussed in Part B of this report.

# Return to Work Corporation of South Australia (RTWSA)

---

## Financial report opinion

### Unmodified

We included an emphasis of matter in the financial report opinion relating to the inherent uncertainty in the estimate of the outstanding claims liability and the funding ratio.

---

## Audit findings

No significant findings.

---

## Financial statistics



**\$1.3 billion**

Total income



**\$1.1 billion**

Total expenditure



**304**

FTEs



**1.85%**

Average premium rate



**103%**

Funding ratio

---

## Significant events and transactions

- Historical legislative change continues to impact the measurement of the outstanding claims liability.
  - The Return to Work Scheme (the Scheme) is fully funded, with a consolidated funding ratio of 103%.
  - The provision for outstanding claims increased by \$300 million.
  - RTWSA's net investment profit was \$391.1 million.
  - RTWSA's digital transformation project to replace its outdated IT systems progressed, with \$17.6 million spent on it in 2025. It plans to spend a further \$104 million on this project over the next three years.
-

## Audit findings

---

We communicated our audit findings in a management letter to the Chair. There were no significant findings.

### Auditor's report on the financial report

The following is an extract from the Independent Auditor's Report on RTWSA's 2024-25 financial report, which is unmodified but notes a significant inherent uncertainty relating to the outstanding claims provisions and funding ratio implications.

#### **Opinion**

*In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Return to Work Corporation of South Australia as at 30 June 2025, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.*

#### **Emphasis of Matter**

*I draw attention to notes 4 and 10 of the financial report. There is significant uncertainty surrounding the financial impact of legislative reforms which will only become clearer as outstanding claims experience emerges in future financial periods. If in future years the actual costs of claims described in note 10 are greater than the balances recorded in the financial statements, this will adversely impact the funding ratio described in note 6. My opinion is not modified in respect of this matter.*

## How legislative change impacts the estimate of outstanding claims liability

---

In December 2014 the *Return to Work Act 2014* (RTW Act) was proclaimed, replacing the *Workers Rehabilitation and Compensation Act 1986*. The legislative changes separated claims into two categories:

- short-term claims for injured workers with less than 30% whole person impairment (WPI) – they receive income support for up to two years and treatment costs for up to three years. The legislation also introduced a new lump sum benefit for economic loss available to workers with a WPI of at least 5%
- serious injury claims for injured workers with 30% or higher WPI – they receive income support until retirement age, and treatment and other care costs for life.

Following the Summerfield decision by the Full Court of the Supreme Court of South Australia in March 2021, the *Return to Work (Scheme Sustainability) Amendment Act 2022* (Amendment Act) was proclaimed in July 2022, resulting in the following key changes to the RTW Act:

- The combining of injuries for WPI assessment was codified as a feature of the Scheme.
- The threshold for accessing serious injury benefits increased from 30% to 35% WPI for physical injury claims.

- Serious injury claimants can elect to receive an economic loss lump sum payment instead of ongoing income support, and the restriction on medical redemptions being available to serious injury claims was removed.

The actuarial estimate of the outstanding claims liability is significantly influenced by the expected impact of the RTW Act and Amendment Act. The impact will only become clearer as actual claims experience emerges under the legislation.

## Interpretation and analysis of the financial report

### Highlights of the financial report\*

	2025 \$million	2024 \$million
<b>Underwriting result</b>		
Premium revenue from registered employers	868	814
Net claims paid	(566)	(578)
Decrease (Increase) in net outstanding claims liability	(285)	(136)
Claims management fees	(96)	(87)
Other underwriting expenses	(13)	(10)
<b>Underwriting result</b>	<b>(92)</b>	<b>3</b>
<b>Net investment and other income</b>		
Net investment profit (loss)	391	272
Other income	14	13
<b>Net investment profit (loss) and other income</b>	<b>405</b>	<b>286</b>
<b>Operating expenses</b>		
Employee benefits expense	(46)	(40)
Other expenses	(46)	(33)
<b>Total operating expenses</b>	<b>(92)</b>	<b>(74)</b>
<b>Operating profit before tax equivalents</b>	<b>221</b>	<b>215</b>
Tax equivalents	(66)	-
<b>Total comprehensive result</b>	<b>155</b>	<b>215</b>
<b>Assets</b>		
Investments	4,795	4,301
Other assets	157	127
<b>Total assets</b>	<b>4,952</b>	<b>4,428</b>
<b>Liabilities</b>		
Outstanding claims	4,691	4,391
Other liabilities	116	48
<b>Total liabilities</b>	<b>4,807</b>	<b>4,439</b>
<b>Total equity</b>	<b>144</b>	<b>(11)</b>

\* Table may not add due to rounding.

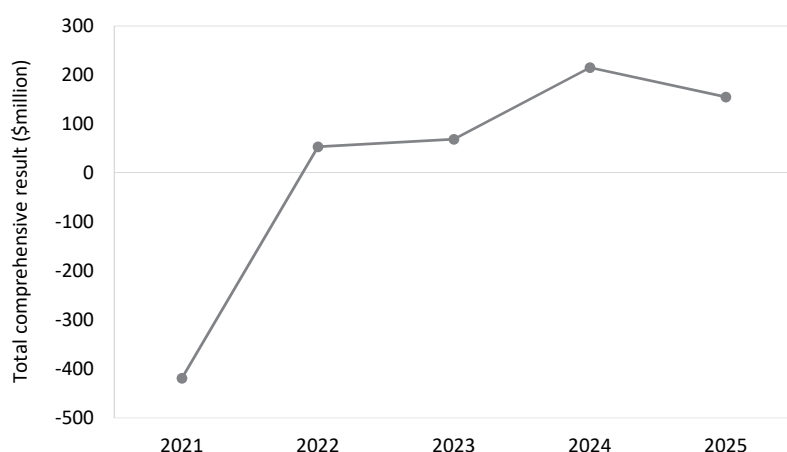
## Statement of Comprehensive Income

### Total comprehensive result

RTWSA's total comprehensive result depends significantly on:

- premium rates being set before the start of the financial year, to ensure that premium revenue and investment income will at least cover the cost of new claims incurred during the financial year and administrative costs. This process depends significantly on the actuarial estimate of the cost of new claims likely to be received in the coming year and other factors determined by RTWSA's Board of Management
- the actuarial estimate of the outstanding claims provision
- movements in the market value of its investments.

The following chart shows RTWSA's total comprehensive result for the five years to 2025.



The chart shows the fluctuations in total comprehensive result, with the annual results significantly impacted by legislative reform and market volatility. RTWSA's profit decreased by \$60.1 million to \$155.1 million in 2025, mainly due to increases in:

- premium revenue of \$54.3 million, mainly from a growth in registered employer remuneration of over 6%. The average premium rate remained steady at 1.85% in 2025
- the cost of claims of \$139.5 million, mainly due to the \$285 million (\$136.1 million) increase in the net outstanding claims liability (see 'Statement of Financial Position')
- net investment profit of \$118.6 million (see 'Investment profits')
- income tax equivalent expense of \$66.5 million
- general operating expenses of \$18.2 million, largely due to costs incurred as part of the digital transformation project to replace its existing IT systems
- claims management fees of \$9.5 million (see 'Claims management fees').



RTWSA is required to pay tax equivalents under Treasurer's Instruction 22 *Tax Equivalent Payments*. Under the tax equivalents regime the corporate tax rate (30%) is applied to any operating profit. The *Return to Work Corporation of South Australia Act 1994*, however, restricts the application of tax equivalents to financial years in which RTWSA makes a profit and achieves both a funding level of at least 100% (with its outstanding claims liabilities at a 75% probability of sufficiency) and a profit from its insurance operations. In 2025, RTWSA met these requirements and is required to pay a tax equivalent to the Consolidated Account of \$66.5 million.

## Underwriting result

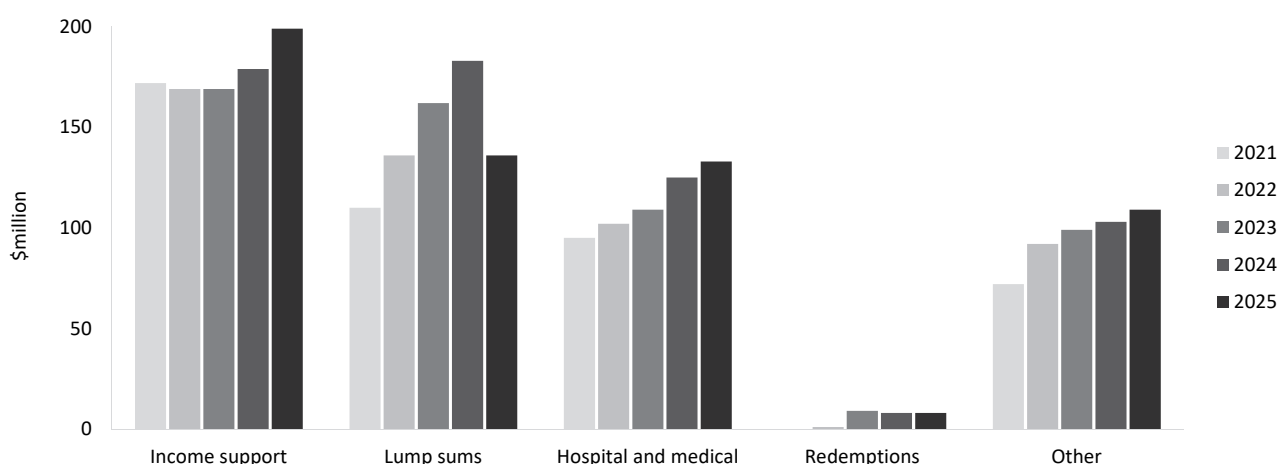
The underwriting result comprises registered employer premium revenue less claims expense. Investment income does not form part of the underwriting result. AASB 1023 *General Insurance Contracts* requires the underwriting result to be shown separately in the Statement of Comprehensive Income, to show the extent to which underwriting activities rely on investment income for the payment of claims.

The underwriting result for 2025 was a loss of \$91.5 million, compared to a profit of \$3.4 million in 2024. The \$94.9 million downturn largely reflects that the \$139.4 million increase in the cost of claims exceeded the \$54.3 million increase in premium revenue. The increase in the cost of claims was driven by:

- a \$148.9 million worsening in the movement in the net claims liability, which increased by \$285 million in 2025, compared to the \$136.1 million increase in 2024
- a \$12 million decrease in net claims payments.

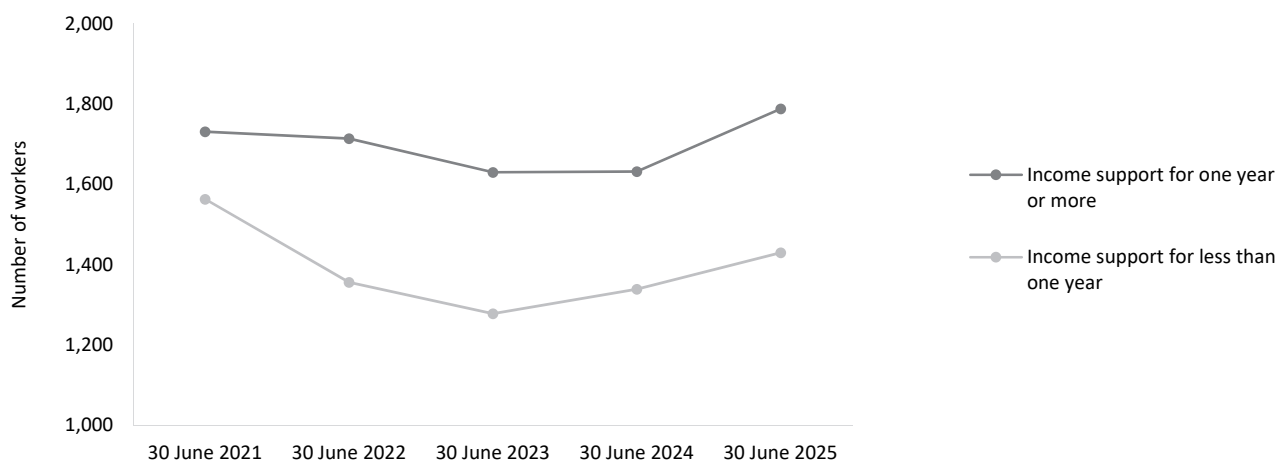
## Claim payments

The following chart shows claim payments for the five years to 2025.



Income support payments increased by \$21.1 million to \$198.9 million in 2025, mainly due to increases in claim volumes and wages for injured workers. Lump sum payments decreased by \$46.9 million to \$136.4 million, with lower numbers of non-hearing loss lump sum payments, lower death benefit payments and fewer hearing loss claims. Hospital and medical payments increased by \$8.6 million to \$133.3 million, mainly due to increasing average treatment costs per claim. Redemptions and other costs payments remained relatively steady in 2025.

The change in the number of workers receiving income support for the five years to 2025 is shown in the following chart.

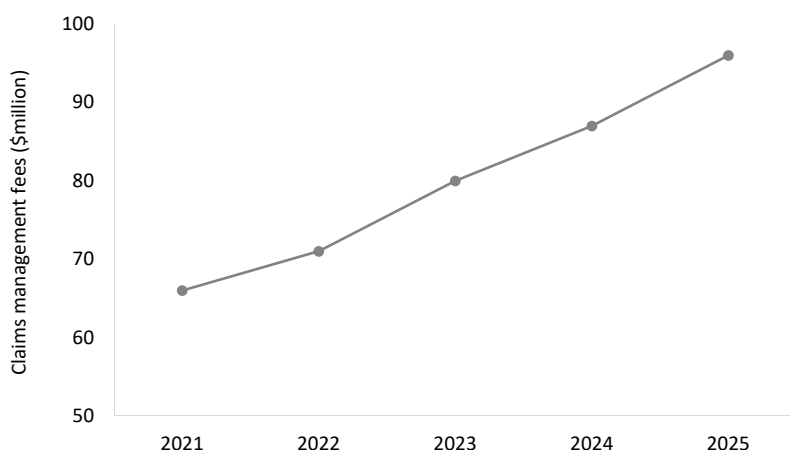


Source: The data in this chart was provided by RTWSA and is unaudited.

The chart shows a general decline in the number of workers receiving income support to June 2023, before increasing to 30 June 2025. This increase reflects job growth in 'high-risk industries' in South Australia, such as healthcare, social assistance and construction, in 2023-24 and 2024-25.

### Claim management fees

The following chart shows claims management fees for the five years to 2025.

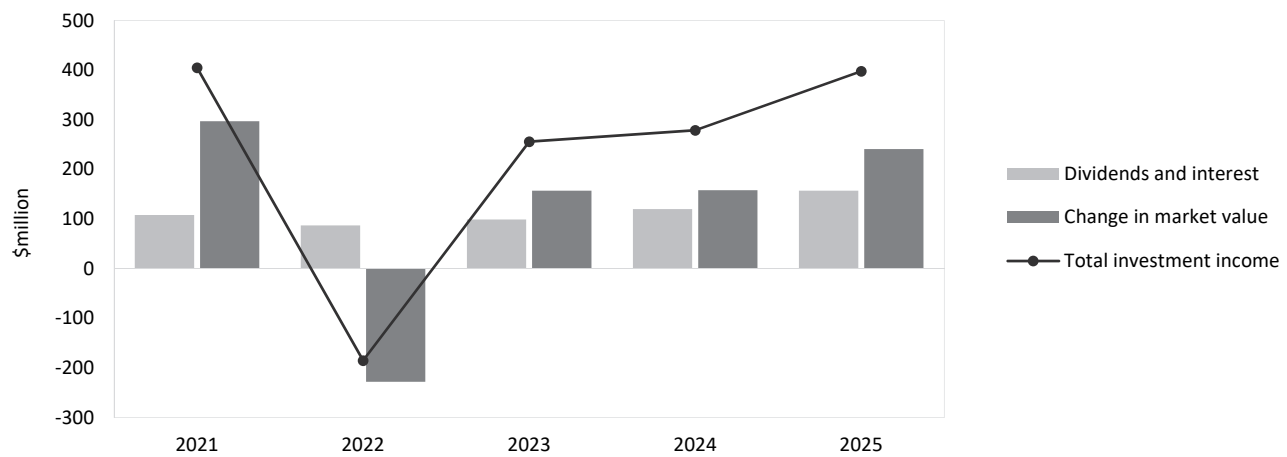


Claims management fees are paid to RTWSA's two claims agents for managing workers compensation claims. They increased by \$9.5 million (11%) to \$96.3 million in 2025, mainly due to an increase in the base fee, driven by increased claim volumes.

### Investment profits

RTWSA's investment profits have fluctuated significantly over recent years due to changes in the market values of its investments, which depend on financial market conditions and macroeconomic influences. In 2025 the strong performance of equity markets had a positive impact on its investment returns.

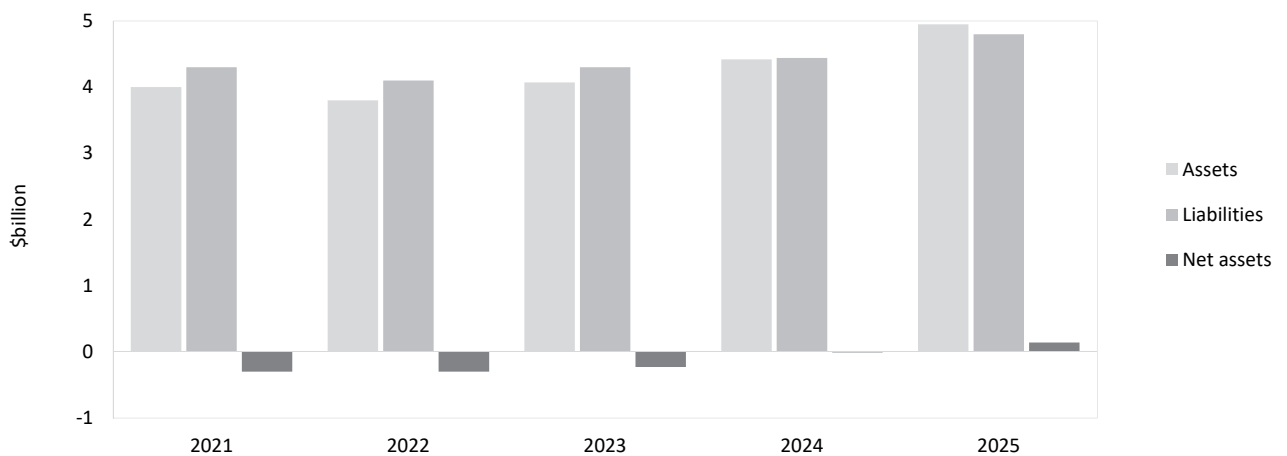
The following chart shows RTWSA’s investment income for the five years to 2025. It shows the volatility in RTWSA’s investment returns, with the market value of its investments increasing by \$494.3 million to \$4.8 billion in 2025. Dividend and interest income increased by \$37.2 million to \$157.5 million, an improvement of 30.9%.



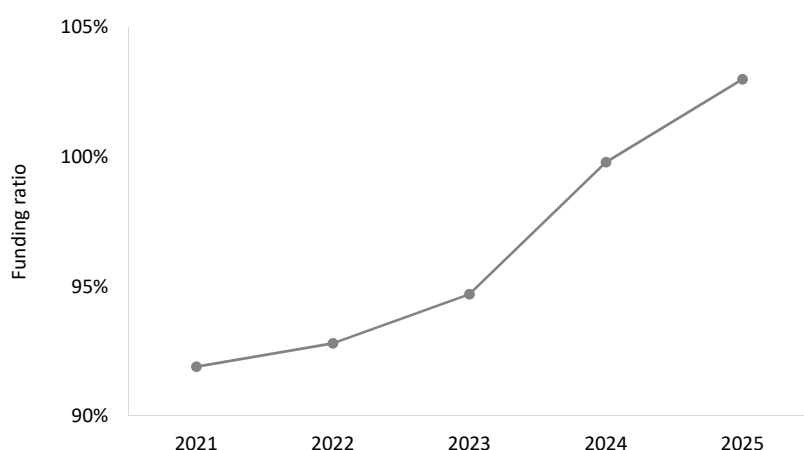
Statement of Financial Position

RTWSA’s total equity increased by \$155.1 million to net assets of \$144.4 million. This was driven mainly by a \$494.3 million increase in the market values of investments, partially offset by a \$300 million increase in the provision for outstanding claims to \$4.7 billion, following the annual actuarial valuation.

The following chart shows RTWSA’s assets and liabilities for the five years to 2025. It shows RTWSA’s net asset position improving from 2023, with a funding ratio (assets divided by liabilities) of 103% at 30 June 2025. This means that the Scheme is fully funded, but it is dependent on movements in both the market value of investments and the measurement of the provision for outstanding claims.



The following chart shows the funding ratio improving from 2021.



Under the RTW Act, a review of the Scheme's funding occurs if RTWSA operates at a funding level below 90% at a probability of sufficiency of 75% for two consecutive years. If the Minister is satisfied that a review has occurred, the Minister must initiate a review of the Scheme that considers, among other things, the sustainability of the Compensation Fund over the short to medium term.

## Liabilities

### Outstanding claims – Compensation Fund

The Compensation Fund, which makes up the largest portion of the Scheme, has net liabilities of \$109.2 million. Outstanding claims for the Compensation Fund comprised 97% (98%) of RTWSA's liabilities at 30 June 2025. They cover expected future payments, including those related to claims reported but not yet paid, incurred but not yet reported (IBNR) and incurred but under-reported. The liability is determined by RTWSA's management and Board of Management considering and assessing a comprehensive annual actuarial review of claims exposures by an external actuary. There is information about the actuarial estimate of outstanding claims liabilities in RTWSA's financial report.

### *Central estimate of outstanding claims liabilities*

The central estimate of outstanding claims liabilities (Compensation Fund) was \$4.1 billion at 30 June 2025. The net outstanding claims provision was \$4.6 billion, including a risk margin of \$560 million intended to achieve a 75% probability of sufficiency.

The net liability for outstanding claims increased by \$289 million from \$4.4 billion at 30 June 2024, mainly due to:

- a \$337 million increase from the inclusion of another year of claims
- a \$173 million increase in short-term claims, reflecting:
  - increased allowance for more hearing loss claims being reported, and higher related fitting fees on longer duration claims (\$40 million increase)
  - increases for non-hearing loss lump sums due to more claims emerging for older accident years that have WPI scores below 35% (\$73 million increase)

- increases in non-hearing loss income support costs due to more claims with an increased proportion receiving income support benefits (\$36 million increase)
- increases in treatment costs due to more claims and an increasing cost of services (\$14 million increase)
- increases in non-hearing loss legal costs and a slightly higher allowance for investigation and rehabilitation (\$10 million increase)
- a \$17 million increase in economic assumptions, principally led by a decrease in discount rates
- a \$217 million decrease for serious injury claims, reflecting:
  - fewer claims emerging and subsequently less incurred but not reported numbers (\$284 million decrease)
  - greater discounting on lump sums with a slower payment pattern adopted (\$25 million decrease)
  - higher average claim sizes for non-EnABLE claims, with remaining serious injury claims anticipated to have higher average costs (\$71 million increase). EnABLE claims are serious injury claims that are severely traumatic in nature (high levels of care or special needs) that are internally managed by RTWSA. Non-EnABLE claims are not internally managed by RTWSA
  - an increase in expected future costs for non-EnABLE claims, reflecting one very high needs claim (\$21 million increase)
- a decrease of \$20 million after the risk margin was adjusted from 14.5% to 14%. The risk margin includes allowances for added uncertainty in the value of the impact of the Amendment Act and supports the net liability being adequately provided to a 75% probability of sufficiency (see 'Probability of sufficiency').

The liability for long-term claims may extend for many years beyond the current year, causing the liability to grow. The weighted average expected term to settle claims is 10.9 years.

### *Sensitivity to changes in key assumptions*

The sensitivity analysis in RTWSA's financial report shows that relatively small changes to key estimate assumptions can result in changes worth millions of dollars. For example, a 2% gap between inflation and the discount rate (with the discount exceeding inflation) would lead to a decrease in the net outstanding claims provision of \$418 million. There is also significant uncertainty about the serious injury claims cost arising from factors such as life expectancy, superimposed inflation and the ultimate impact of reforms to the Scheme.

### *Legislative reform and other developments affecting the uncertainty of the outstanding claims liability*

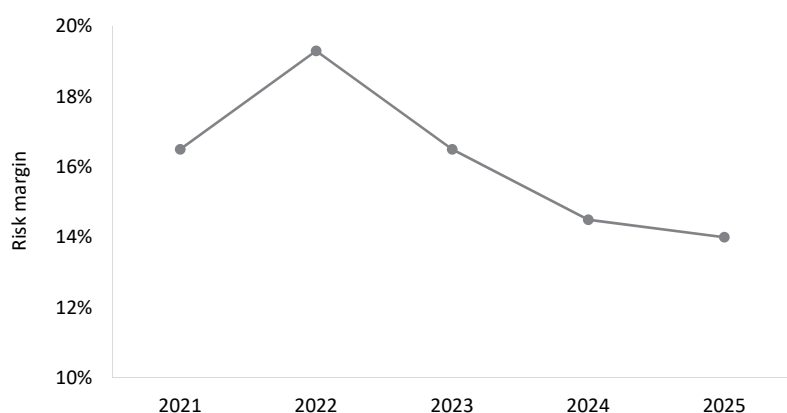
The actuarial estimate is significantly influenced by the expected impact of the RTW Act and Amendment Act. The impact will continue to become clearer as actual claims experience emerges under the legislation. Further, RTWSA's financial report specifies the nature of a number of key uncertainties associated with the actuarial estimate and its sensitivities to changes in key assumptions. The independent actuary noted the following:

- Since many serious injury claims are not recognised until 5 or 10 years after the injury occurs, it will take considerable time to fully understand the long-term impacts of the 2022 reforms that introduced the 'combining' of WPI scores. It is only in the past 12 months that serious injury determinations have mainly started to fall under the revised 35% threshold for physical injuries.
- As seriously injured claimants are entitled to benefits for life, there are key uncertainties in the ultimate numbers of claims, life expectancy and long-term cost escalation.
- Behavioural risk continues to exist, where claimants and their advisors seek to achieve higher WPI scores than in the past, by adding more injuries to their claim and combining WPI scores.
- There has been large growth in hearing loss claims in the last few years, which has led to higher costs. If this continues, costs will increase.
- There is uncertainty about the number of hearing aids that claimants will require over a lifetime. Currently devices are being replaced more regularly, which increases costs of these claims.
- Economic environment and inflation risk also remain.

### *Probability of sufficiency*

The estimate of outstanding claims liability is determined by reference to a 75% probability that the provision for outstanding claims will be adequate. With the uncertainty in the impact of combining injuries, legislation reforms and many open disputes, there is still considerable uncertainty in the Scheme. RTWSA has adopted the actuary's risk margin of 14% at 30 June 2025 (14.5% in 2024), so that the net liability is adequately provided to a 75% probability of sufficiency. RTWSA's performance statement, authorised by the Minister and the Treasurer, requires it to estimate its claims liabilities using a risk margin with at least 75% probability of sufficiency for the net liability. This is in line with the Australian Prudential Regulation Authority's minimum under its Prudential Standard GPS 340 *Insurance Liability Valuation*. Public sector entities are not bound by this requirement, but the parameters RTWSA adopts are consistent with it.

The following chart shows the risk margin applied to the outstanding claims liability over the past five years.



The increase in the risk margin in 2022 highlights the increased level of uncertainty in the outstanding claims liability due to the impacts of the legislative reforms. The decreases from 2023 are driven by the reducing uncertainty about combining injuries, serious injury claims and lump sums, while maintaining the probability of sufficiency.

### *Audit approach to the estimate of outstanding claims liability*

Due to the nature and significance of the Scheme's estimate of outstanding claims liability, we engaged an independent professional to review the Scheme's actuary projections as part of our audit. The nature and impact of the 2014 legislative changes, the outcome of the Summerfield decision and the Amendment Act reforms continued to warrant a high level of audit scrutiny.

We did not identify any issues or variations from expected practice that would suggest the estimate of outstanding claims liability is unreasonable or that the estimate for 30 June 2025 should be adjusted in any material way. The inherent uncertainty associated with the Scheme arrangements and reforms, however, means that we do not have the degree of certainty over the estimate we need. We have noted this in our audit opinion.

### *AASB 17 Insurance Contracts*

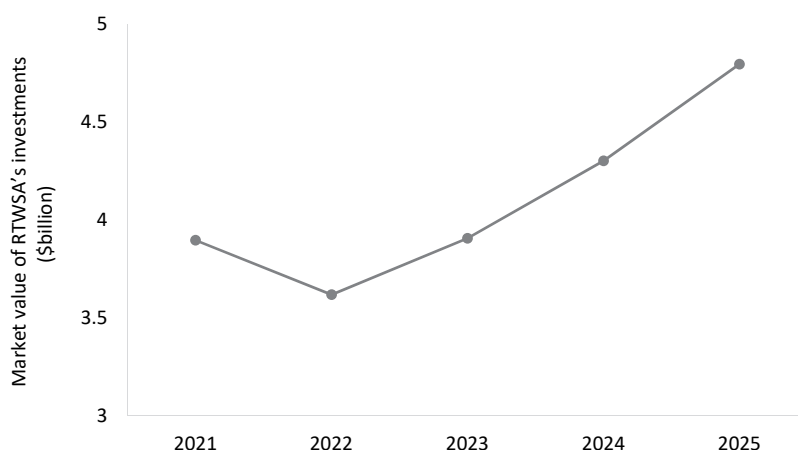
The AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* released in December 2022 amends AASB 17 *Insurance Contracts* to include modifications that apply to public sector entities. AASB 17 for the public sector applies for accounting periods from 1 July 2026. RTWSA will report on an AASB 17 basis for the first time in its 30 June 2027 annual report. RTWSA's financial report provides more information on this.

### *Investments*

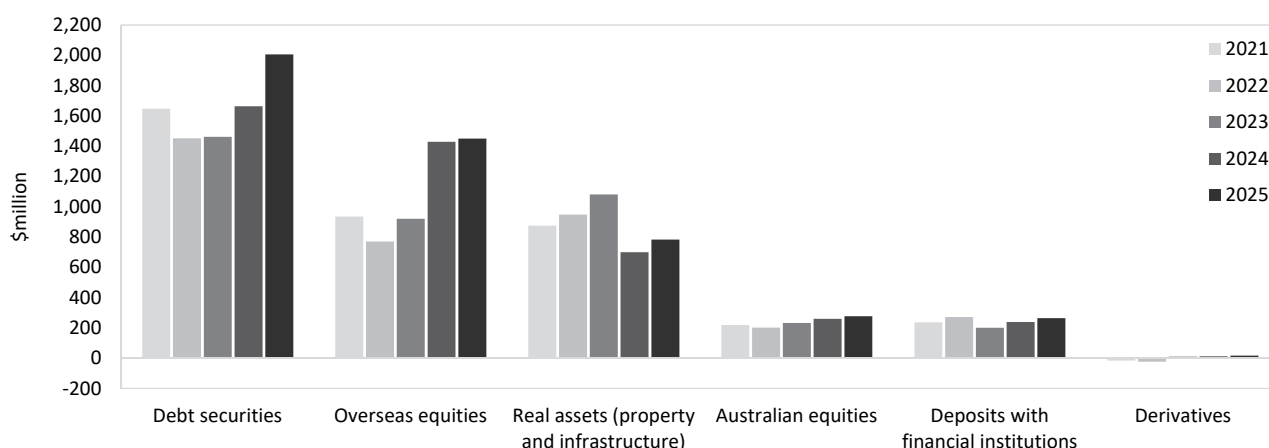
RTWSA's investment portfolio of \$4.7 billion (\$4.3 billion) mainly comprises investments in pooled funds, discrete mandate funds and fixed-term deposits. In 2024-25 Northern Trust continued to perform custodian services of RTWSA's pooled funds and discrete mandate funds.

### *Investment decisions*

RTWSA investment staff implement its investment strategy, which involves rebalancing the investment portfolio held in pooled funds, discrete mandate funds and fixed-term deposits to minimise risk and achieve target returns. The investment staff also receive expert advice on investment matters from an external consultant. The following chart shows the market value of RTWSA's investments for the five years to 2025.



The following chart shows RTWSA's investments by asset class for the five years to 2025.



According to RTWSA, the return on investments measured in line with Australian Investment Performance Standards for the five years to 2025 was as shown in the following table.

	2021	2022	2023	2024	2025
RTWSA's Board of Management approved targeted return	6.3%	8.6%	8.5%	6.3%	4.6%
Return on investments	11.8%	-5.0%	6.7%	6.8%	9.0%
Annualised 10 year targeted investment return	4.3%	4.8%	5.2%	5.2%	5.3%
Annual investment return (10 year average)	5.6%	6.8%	6.2%	5.6%	5.7%

The current long-term objective for the investment program is a return of CPI plus 2.5%, as approved by RTWSA's Board of Management. RTWSA achieved this target in 2021, 2024 and 2025. The return on investment is derived from all investment returns (realised or unrealised) based on total investment holdings.

## Functional responsibility

The RTWSA is established by the *Return to Work Corporation of South Australia Act 1994*. It administers the Return to Work Scheme (the Scheme) under the RTW Act. The Scheme compensates injured workers and helps them return to work using premium and investment income from the Compensation Fund.

The Scheme's focus is on getting short-term claimants back to work and, in the case of serious injury claimants, providing lifetime care.

Employers must pay a premium to RTWSA based on remuneration provided to their workers. RTWSA invests the premium revenue until it is needed to pay compensation and other costs of operating the Scheme, including the claim management fees of two claims agents for managing workers compensation claims. Very small employers are not required to pay a premium, while self-insured employers must pay a fee instead of a premium.



## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- the claims agent assurance framework
- premium income
- investments
- claims expenses
- actuarial estimates of outstanding claims liabilities
- the determination of claims for workers compensation
- workers compensation payments, including income support, lump sums and medical costs
- claims management fees
- general operating expenses
- payroll expenditure
- IT general controls.

We reviewed the work of RTWSA's internal auditors as part of our audit. We made use of the IT general controls work performed by internal audit.

### **Controls opinion**

We reviewed controls over premium income, investments, claims expenses and outstanding claims liability as part of our overall controls opinion, which is discussed in Part B of this report.

# South Australia Police (SAPOL)

---

## Financial report opinion

Unmodified

---

## Audit findings

No significant findings.

---

## Financial statistics



**\$1.3 billion**  
Total income



**\$1.2 billion**  
Total expenditure



**6,132**  
FTEs



**4,947**  
Sworn police officers  
and cadets



**1,185**  
Unsworn staff including  
police security officers

### Administered



**\$109 million**  
Total income



**\$109 million**  
Total expenditure

---

## Significant events and transactions

- Construction at Gepps Cross was completed and the Mounted Operations and Dog Operations units relocated there.
- Construction on the city staging area for the Mounted Operations and Dog Operations units was completed.
- Construction of the new road safety centre at West Beach was completed.

## Audit findings

We communicated our audit findings in management letters to the Commissioner of Police. There were no significant findings.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	1,112	1,000
Intra-government transfers	133	190
Fees and charges	33	35
Resources received free of charge	26	5
Other income	15	14
<b>Total income</b>	<b>1,319</b>	<b>1,244</b>
<b>Expenses</b>		
Employee related expenses	945	877
Supplies and services	223	198
Payments to Consolidated Account	40	-
Other expenses	73	55
<b>Total expenses</b>	<b>1,281</b>	<b>1,131</b>
<b>Net result</b>	<b>38</b>	<b>114</b>
Changes in property, plant and equipment asset revaluation surplus	-	142
<b>Total comprehensive result</b>	<b>38</b>	<b>256</b>
<b>Assets</b>		
Current assets	353	404
Non-current assets	757	678
<b>Total assets</b>	<b>1,110</b>	<b>1,082</b>
<b>Liabilities</b>		
Current liabilities	203	222
Non-current liabilities	479	470
<b>Total liabilities</b>	<b>682</b>	<b>692</b>
<b>Total equity</b>	<b>428</b>	<b>390</b>

### Statement of Comprehensive Income

#### Income

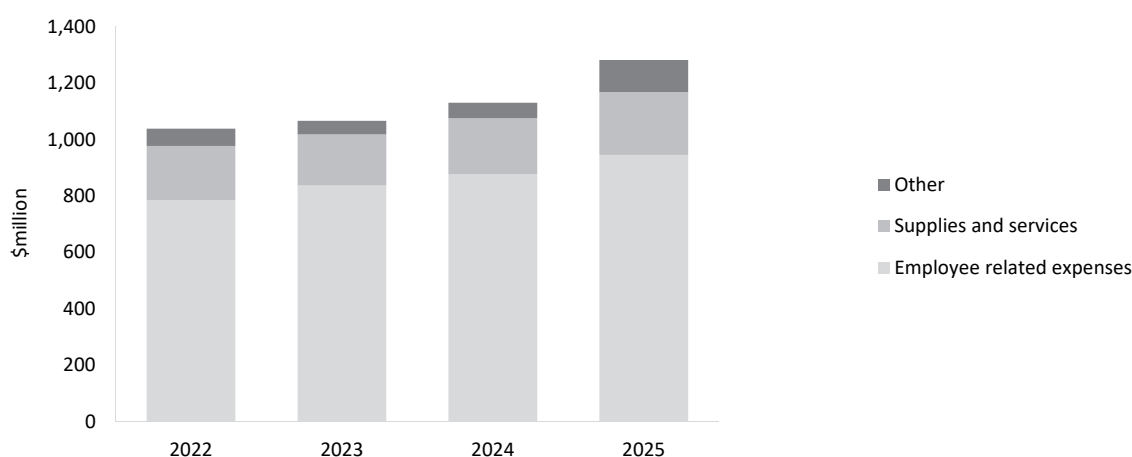
Total income increased by \$74.4 million to \$1.3 billion in 2024-25, mainly due to an increase in appropriation funding of \$112 million and the transfer in of land valued at \$20.5 million from the Courts Administration Authority at no charge for the Mounted Operations and Dog Operations units' city staging site. These increases were offset by a \$57.4 million decrease in intra-government transfers, reflecting completion of the main works associated with relocating units previously housed at the Thebarton Police Barracks.

The increase in appropriation funding was mainly to fund increases in employee benefits expenses and expenditure for:

- mobile speed camera acquisitions
- accelerated police recruitment
- replacing the expiation notice system – see ‘Expiation Management System (EMS)’
- SAPOL’s capital investing program.

## Expenses

The following chart shows SAPOL’s main expenses for the last four years.



Total expenses increased by \$150.1 million to \$1.3 billion in 2024-25, driven by:

- a \$67.5 million increase in employee benefits expenses
- a \$40 million payment of surplus cash to the Consolidated Account
- a \$25 million increase in supplies and services expenses.

The increase in employee benefits expenses is mainly due to:

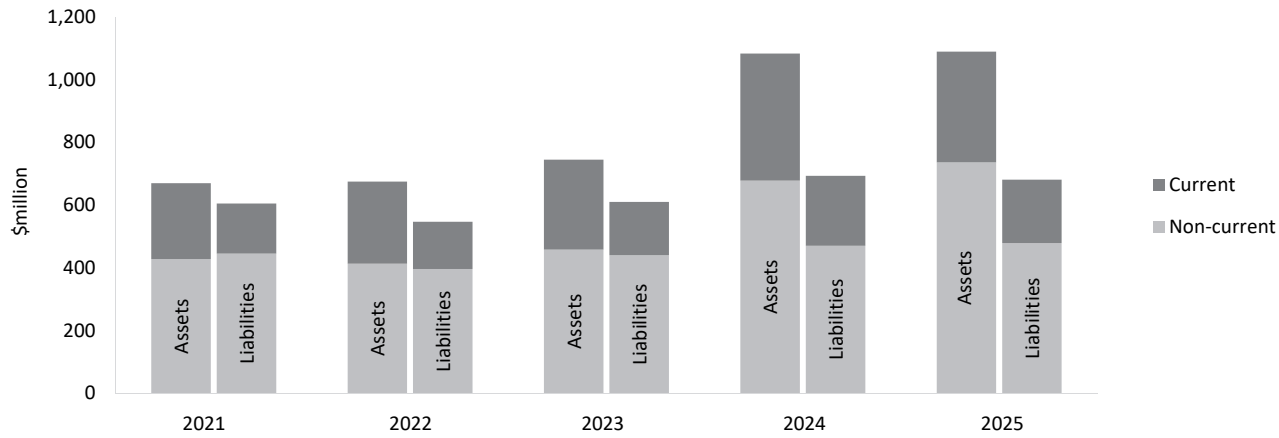
- a \$38.2 million rise in salaries and wages following a 4% Enterprise Agreement increase
- an \$8.4 million increase in superannuation on-costs, reflecting the superannuation guarantee rate rising to 11.5% from 1 July 2024
- a \$14 million increase in the workers compensation expense, mainly reflecting the outcome from the actuarial assessment of the liability in 2025 – see ‘Provisions’.

Supplies and services increased by \$25 million to \$223 million, mainly due to:

- a \$7.3 million increase in communication and computing expenses following the rollout of Microsoft 365 licences to all SAPOL-issued devices, an increase in annual maintenance costs for IT systems and increased expenses for the new expiation notice system
- a \$3.3 million increase in temporary agency staff and contractors relating to the Cyber Security and Mobility Transformation programs
- a \$5.8 million increase in motor vehicle-related expenses following a change in lease charges recognised as operating expenses of \$2.9 million.

# Statement of Financial Position

SAPOL’s assets and liabilities for last five years are shown in the following chart.



## Assets

### Current assets

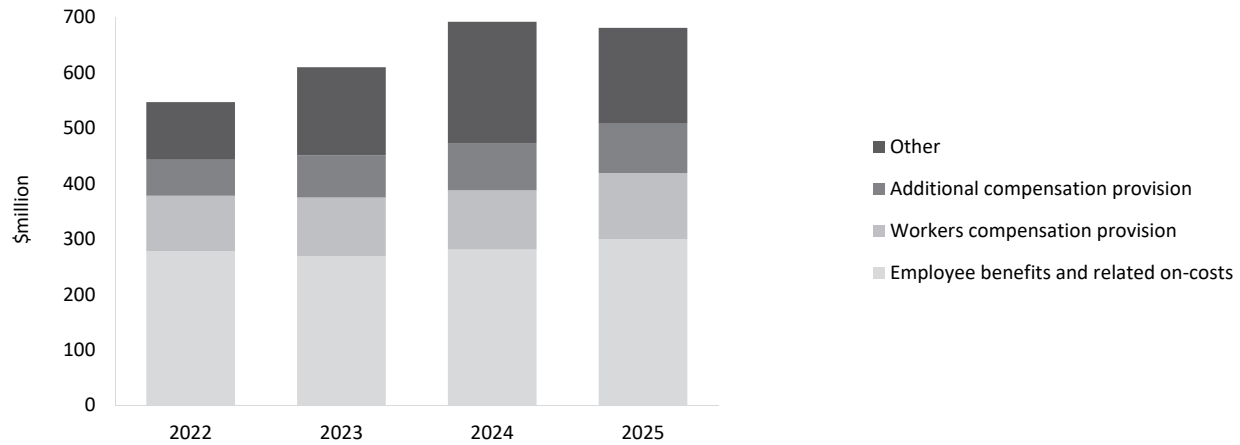
Current assets decreased by \$51.2 million to \$352.7 million, mainly driven by a \$46.4 million reduction in cash and cash equivalents that included the \$40 million return of surplus cash to the Consolidated Account.

### Non-current assets

Non-current assets increased by \$78.7 million to \$757 million, mainly due to increases in property, plant and equipment of \$77.6 million. These increases reflect the \$108 million in new facilities associated with relocating from the Thebarton Police Barracks (see 'Further commentary on operations'), offset by depreciation of \$43 million and SAPOL donating land valued at \$15 million for the construction of the new Women’s and Children’s Hospital.

## Liabilities

The significance of employee-related liabilities to total liabilities for the last four years is shown in the following chart.



Total liabilities decreased by \$10.5 million (1.5%) to \$681.6 million, mainly due to:

- a \$36.5 million decrease in payables
- a \$9.2 million decrease in other financial liabilities offset by:
  - a \$19.4 million increase in employee related liabilities and related on-costs
  - a \$16.6 million increase in provisions.

### *Payables*

Payables decreased by \$36.5 million to \$40.3 million, due to the completion of the main capital works for the Thebarton Police Barracks relocation project.

### *Employee related liabilities and related on-costs*

The \$19.4 million increase in employee related liabilities is mainly due to:

- a \$2.5 million increase in the long service leave liability, mainly from to changes in the actuarial assumptions used to re-measure it
- a \$5.5 million increase in the annual leave liability due to increases in salaries and leave balances
- a \$3.9 million increase in employment on-costs, mainly due to the increases in the long service and annual leave liabilities and superannuation guarantee rate.

### *Provisions*

The workers compensation provision rose to \$118.8 million, an increase of \$11.5 million. The provision is based on an actuarial assessment as at 30 June 2025 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment.

The additional compensation provision rose to \$89.4 million, reflecting a \$4.8 million increase from the consulting actuary's re-measurement. The increase is due to a 43% increase in the number of open claims (from 65 to 93). It also reflects a 4% salary rate that impacts the 65% of the scheme liability that relates to income support payments.

The additional compensation provision provides continuing benefits to workers who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers compensation scheme. The movement in this provision is impacted by the limited claims history and the evolving interpretation of, and evidence required to meet, eligibility criteria.

## **Administered items**

### **Expiation fees – \$86.7 million collected**

SAPOL collects expiation fees on behalf of the SA Government under the *Expiation of Offences Act 1996*. This revenue is treated as an administered item and is paid to the Consolidated Account.

The expiation fees that SAPOL collected increased to \$86.7 million (13.8%), due to a rise in the number of expiation notices issued and the introduction of mobile phone detection camera expiation notices in September 2024. Long outstanding expiation fees are transferred to the Fines Enforcement and Recovery Unit of the Department of Treasury and Finance for recovery action.

## Victims of Crime levy – \$18.1 million collected

The Victims of Crime levy provides compensation to people who suffer injury as a result of criminal acts under the *Victims of Crime Act 2001*. SAPOL collects the levy from offenders through the expiation of offences included on expiation notices issued by police and other authorised officers. It remits this money to an interest-bearing deposit account managed by the Attorney-General's Department.

Victims of Crime levy income received and paid to the Attorney-General's Department increased by \$2.2 million to \$18.1 million in 2024-25.

## Further commentary on operations

---

### **Thebarton Police Barracks relocation**

In September 2024 the relocation of units from the Thebarton Police Barracks to Gepps Cross was completed and other parts of the relocation progressed. These capital works included:

- relocating the Mounted Operations and Dog Operations units to Gepps Cross
- building fit-out works for Blackburn House
- constructing a city staging site for the Mounted Operations and Dog Operations units
- constructing a new road safety centre at West Beach.

The Department for Infrastructure and Transport managed most of these works, with SAPOL transferring \$140 million out of capital work in progress at 30 June 2025.

### **Expiation Management System (EMS)**

SAPOL's Expiation Notice Branch is implementing the new EMS, to replace all existing legacy systems related to incident management and SAPOL-managed expiation notices. It will cover incident imports, adjudications, notice creations and management, and incident closure. It is a complex system that has been specially designed by the software vendor to meet SAPOL's requirements and reduce inefficiencies.

EMS will need to integrate with several other SAPOL and SA Government systems, and with a range of Commonwealth agencies, financial institutions and private enterprises.

The rollout will be a phased approach, transitioning each of the existing camera types from the legacy Expiation Notice System (ENS) to EMS. SAPOL advised us that this approach will help to streamline the development and allow business benefits to be realised earlier as functionality is finalised.

EMS will also replace SAPOL's current eTicketing system. Notice holders will be able to action their expiations through a self-service portal and an external portal will allow other agencies to issue their notices electronically.

This section provides an update on the EMS rollout and some of the key challenges being experienced.

## Governance and rollout

The EMS project started in February 2020 and SAPOL established a clear project governance structure, with a Steering Committee to ensure leadership and processes are in place to help the project to meet its objectives.

The project was originally expected to be completed in June 2025. At the time of our review, the completion date had changed to November 2026, and we understand that it may be further delayed as completion dates for specific functions are reviewed.

SAPOL has completed several phases of the project and was working with the software vendor to develop and test further planned functions, which will be implemented as they become ready.

The functions already implemented include:

- grace period and expiation notices for mobile phone offences (June 2024 and December 2024)
- expiation notices for unregistered and uninsured offences (March 2025)
- expiation notices for speed and red-light offences (June 2025).

The functions in progress include:

- expiation notices for heavy goods vehicle offences
- eTicketing
- expiation notices for speed offences detected by the mobile speed cameras
- expiation notices for point-to-point cameras.

Other functions yet to commence relate to:

- manual notices and book management
- contact centre
- the external portal
- records management
- intelligence.

## Challenges and dependencies

In August 2025 there were 39 defects in the EMS production environment. The risk ratings of these defects comprise three high (no workarounds available), 13 medium (require manual workarounds) and 23 low (minor workflow or system issues). SAPOL advised us that the three high-risk defects have since been managed to reduce the risk.

At the time of this report, some of the initial functional requirements were no longer expected to be implemented, including interfacing with certain camera types that have now been decommissioned and an interface to the SAPOL records management system, as detailed analysis determined that an automatic interface was too complex. A manual process will be used instead.

To complete the project by November 2026, SAPOL is working to address several challenges, including:

- vendor resourcing and commitment to the planned project schedule and timely resolution of production defects
- integration with several additional new camera types or offences to be enforced
- transition of legacy ENS workflows before October 2026.



The project also has a number of key dependences, including:

- several system functions still to be delivered
- configuration and testing of several interfaces
- data migrations
- further security testing
- availability of vendor resources and SAPOL subject matter experts
- new camera installs to interface with EMS.

It is important that SAPOL diligently manages these challenges. Functional delivery and the overall project timeline need to be agreed and finalised with the software vendor as soon as possible to limit any further budget impacts. Continued oversight of the vendor's security program and ensuring the ongoing operations following project completion should continue to be a SAPOL priority.

### Budget and expenditure

The original approved budget for EMS was \$7.7 million in July 2019. Additional project funding was provided internally and from budget requests approved by the Department of Treasury and Finance, increasing the budget to \$10.3 million through to June 2025. The additional funding was required for functional change requests, some of which were due to SA Government initiatives and additional SAPOL project team costs. To date the project is \$1.7 million over the original budget.

The following table shows the EMS budget and expenditure as at 30 June 2025.

Original approved budget (July 2019)	Revised approved budget to June 2025	Project expenditure to June 2025	Forecast to complete (November 2026)
\$000	\$000	\$000	\$000
7,725	10,262	9,464	2,098

These figures were provided by the agency and were not audited.

SAPOL estimates that another \$1.3 million will be required to complete all remaining project activities through to November 2026. At the time of this report, this amount was not yet funded.

Although SAPOL has documented the high-level expected benefits of implementing EMS, it has not developed a formal benefits realisation plan that covers tangible and intangible benefits with key measures and timelines for realisation. Measuring and tracking project benefits help to justify the spend on IT implementation projects of this size and nature.

## Functional responsibility

SAPOL is an administrative unit established under the *Public Sector Act 2009* and operates under a legislative framework prescribed by the *Police Act 1998*. Its functions are to:

- uphold the law
- preserve the peace
- prevent crime
- assist the public in emergency situations
- coordinate and manage responses to emergencies
- regulate road use and prevent vehicle collisions.

## Scope of the audit

---

Our audit covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- property, plant and equipment
- cash
- capital works program
- intangibles
- workers compensation and additional compensation provisions
- payroll expenditure and employee benefits liabilities
- expenditure
- revenue
- government grants, subsidies and transfers.

We reviewed controls over employee expenses and bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

# South Australian Fire and Emergency Services Commission (SAFECOM)

---

## Financial report opinion

### Modified


The emergency services sector (ESS) did not have an effective process to meet the disclosure requirements of Treasurer’s Instructions (Accounting Policy Statements) for reporting the value of procurements with South Australian and non-South Australian businesses for 2024-25.


---

## Audit findings

- Personal protective clothing (PPC) needs to be commercially cleaned more frequently.
  - Contract management for the PPC commercial cleaning and maintenance services needs to improve.
  - Cyber security and incident response plans have not been developed.
  - Asset management practices need to improve.
- 


## Financial statistics (SAFECOM only)


 \$45.3 million  
Total income

 \$41.5 million  
Total expenditure

 86  
FTEs

Administered – Community Emergency Services Fund

 \$396 million  
Total income

 \$397 million  
Total expenditure

---

## Significant events and transactions

- The ESS property, plant and equipment was revalued up by \$185.3 million by an independent valuer.
  - The ESS progressed its delivery of mental health and wellbeing and suicide prevention plans.
-

## Audit findings

---

We communicated our audit findings in a management letter to the SAFECOM Chief Executive Officer, and the Chief Officers of the:

- South Australian Country Fire Service (SACFS)
- South Australian Metropolitan Fire Service (SAMFS)
- South Australian State Emergency Service (SASES).

The main findings are discussed below. We had not received responses from these agencies at the time of this report.

### Contract management

Personal protective clothing needs to be commercially cleaned more frequently

We have previously reported that the SACFS could improve its PPC commercial cleaning frequency levels. These contracted services are critical to firefighter safety as they involve the decontamination of carcinogens and other contaminants that attach to PPC and uniforms.

In 2024-25 we found that the SACFS was either performing or planning initiatives to improve the frequency of PPC commercial cleaning.

The risk exposure that we have previously reported remains while these initiatives need more time to deliver their expected results.

Contract management for the PPC commercial cleaning and maintenance services needs to improve

We have previously reported that the SACFS could not provide us with evidence that it was managing some key clauses for the PPC commercial cleaning and maintenance services contracts. In 2024-25 we found similar issues, including the failure to:

- confirm some supplier standard and performance requirements
- confirm some supplier quality management practices
- evidence that contract management meetings had occurred.

Without the oversight of contractual obligation compliance, the delivery of goods and services may be ineffective.

Cyber security and incident response plans have not been developed

The South Australian Protective Security Framework, South Australian Cyber Security Framework and Australian Cyber Security Centre's (Commonwealth Government) Essential Eight outline the requirements for cyber threat mitigation strategies. For several years we have reviewed the ESS's compliance with these requirements.

In 2024-25 we found that SAFECOM had not developed its cyber security and incident response plans to comply with these requirements. Without these plans, SAFECOM's cyber security incident and protective security responses may not be aligned with best practice.

SAFECOM advised us that it intends to develop these plans in 2025-26.

## Asset management practices need to improve

### Vehicles and vessels not serviced

We have previously reported that a significant number of SASES fleet assets either had no servicing history, or were not being serviced in line with established guidelines. Last year the SASES responded that it would review its guidelines to support improved asset servicing statistics.

Over the past two financial years we found that these assets had not been serviced:

- 91 (31%) high-risk fleet assets (marine vessels, marine trailers and motor vehicles)
- 135 (64%) low-risk fleet assets (motor vehicles and trailers).

Sixty-eight (13%) of these SASES fleet assets (46 low- and 22 high-risk) had no available record of ever being serviced.

Where vehicles and vessels are not serviced in line with the guidelines, the risk of asset failure increases. This may endanger volunteer and staff safety, reduce emergency response capability and increase the cost of corrective maintenance.

### Strategic asset management plans and asset management plans have not been developed

Since 2021-22 we have reported that the ESS should develop strategic asset management plans and asset management plans. In 2024-25 we found that limited progress was made to develop these plans.

Assets may not be managed effectively if asset management plans are not fully established.

### Maintenance scheduling matrices are not used

SAMFS procedures require Site Commanders to develop testing and servicing schedules for their site's plant and equipment. We found that maintenance scheduling matrices were developed to support sites to ensure testing is carried out and recorded. However, as we have reported since 2021-22, these matrices are still not being used.

Without the required maintenance schedule matrices, plant, equipment and appliances may not be tested to identify maintenance needs.

### Appliance and equipment inspection reporting anomalies

SAMFS procedures require all appliance and equipment inspection outcomes to be documented. Consistent with the last three years, we requested documents for a sample of regional and metropolitan SAMFS sites to assess their compliance with these reporting requirements. The SAMFS did not supply us these documents. However, the SAMFS advised us that this has not improved much in the last year.

Where inspections are not documented or records are incomplete, there is an increased risk that assets are not inspected when needed. This increases the risk of equipment failure or breakdown.

## Mobile and fixed plant servicing processes could be improved

SACFS guidelines require that all trailers must be serviced bi-annually and some plant and equipment, including back-up generators, must be serviced annually. We have previously found instances where SACFS regions could not provide evidence that these assets had been serviced, or that the servicing performed was inconsistent with the guidelines.

The SACFS have previously responded that it would review asset servicing and safety industry standards for mobile and fixed plant assets, including developing a minimum service requirement procedure.

In 2024-25 we found that this procedure was being developed and is not complete. Where mobile and fixed plant appliances are not serviced to required standards, the risk of asset breakdowns increase, which may endanger the safety of volunteers and staff.

## Interpretation and analysis of the financial report

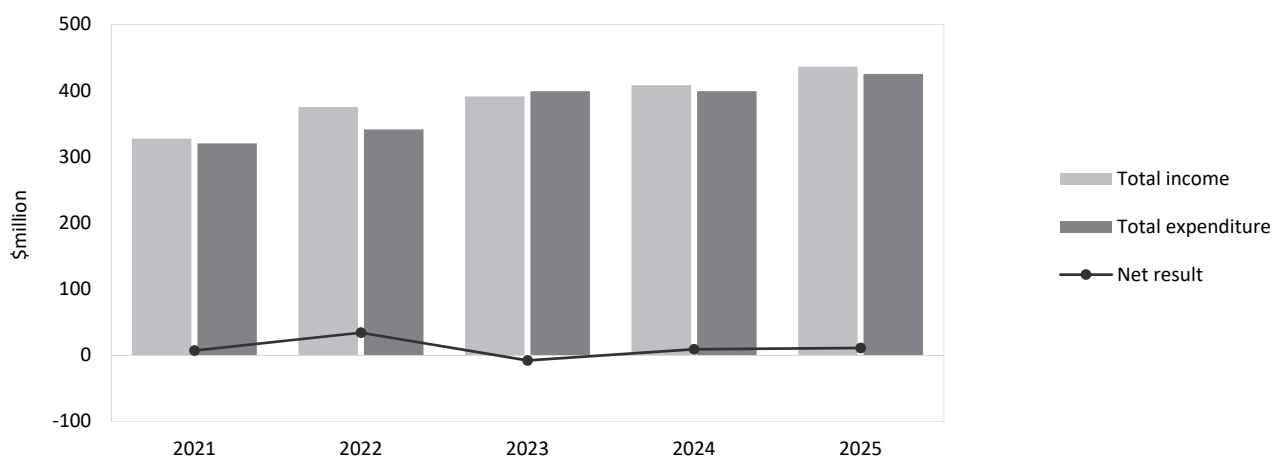
### Highlights of the financial report – consolidated emergency services sector

	2025 \$million	2024 \$million
<b>Income</b>		
Contributions from the CESF	342	326
Other income	94	82
<b>Total income</b>	<b>436</b>	<b>408</b>
<b>Expenses</b>		
Employee related	231	233
Supplies and services	148	125
Depreciation and amortisation	26	26
Other expenses	20	15
<b>Total expenses</b>	<b>425</b>	<b>399</b>
<b>Net result</b>	<b>11</b>	<b>9</b>
Other comprehensive income	185	38
<b>Total comprehensive result</b>	<b>196</b>	<b>47</b>
<b>Assets</b>		
Current assets	63	61
Non-current assets	724	520
<b>Total assets</b>	<b>787</b>	<b>581</b>
<b>Liabilities</b>		
Current liabilities	70	65
Non-current liabilities	126	122
<b>Total liabilities</b>	<b>196</b>	<b>187</b>
<b>Total equity</b>	<b>591</b>	<b>394</b>

## Statement of Comprehensive Income

### Net result

The following chart shows the ESS's total income, total expenses and consolidated net result for the past five years. It shows that the Community Emergency Services Fund (CESF) contributions and other income, mainly grants and contributions, have generally been sufficient to meet total expenses.



The ESS's net results are often impacted by annual emergency situation activity levels. The moderate improvement in net result in 2025 was mainly driven by increases in CESF contributions (\$16.9 million) and intra-government transfers (\$18.5 million), offset by increases in supplies and services (\$23 million) and grants and subsidies expenses (\$6 million).

### Income

Total income increased by \$28 million (6.4%) to \$436 million, mainly due to CESF contributions of \$342 million (\$326 million), which account for 78.5% of total income. See 'Community Emergency Services Fund'.

### Other comprehensive income

In 2024-25 the ESS engaged a professional valuer to perform an independent valuation of its property, plant and equipment fixed asset base. This resulted in a \$185.3 million upward revaluation across the ESS, with the SAMFS (\$121.8 million) and SACFS (\$47.5 million) accounting for most of this.

### Expenses

Total expenses increased by \$26 million (6.5%) to \$425 million, largely driven by the increase in supplies and services expense of \$23 million (18%) mainly for increased SACFS aerial support costs of \$10.4 million (41%) to combat the 2024-25 bushfire season.

## Statement of Financial Position

### Property, plant and equipment

Property, plant and equipment increased by \$184.2 million in 2024-25, mainly for:

- property, plant and equipment being revalued up by \$185.3 million. This was the ESS's first full revaluation since 2019-20, with land and buildings accounting for 96.8% of the increment. The revaluation increments across the ESSs were:
  - SAMFS – \$121.8 million
  - SACFS – \$47.5 million
  - SASES – \$13.9 million
  - SAFECOM – \$2.1 million
- transfers from capital work in progress of \$24.1 million
- offset by depreciation expenses of \$25.9 million.

## Highlights of the financial report – SAFECOM

	2025 \$million	2024 \$million
<b>Income</b>		
Contributions from the CESF	20	19
Other income	25	29
<b>Total income</b>	<b>45</b>	<b>48</b>
<b>Expenses</b>		
Employee related	12	11
Supplies and services	10	10
Other expenses	20	13
<b>Total expenses</b>	<b>42</b>	<b>34</b>
<b>Total comprehensive result</b>	<b>3</b>	<b>14</b>
<b>Assets</b>		
Current assets	37	36
Non-current assets	15	13
<b>Total assets</b>	<b>52</b>	<b>49</b>
<b>Liabilities</b>		
Current liabilities	5	6
Non-current liabilities	11	12
<b>Total liabilities</b>	<b>16</b>	<b>18</b>
<b>Total equity</b>	<b>36</b>	<b>31</b>

## Statement of Comprehensive Income

### Income

Grants and subsidies revenue decreased by \$2.1 million (8.5%) due to funding adjustments from the Commonwealth's Disaster Ready Fund in 2024-25. This funding is aimed at improving disaster resilience. SAFECOM's main funding source was CESF contributions of \$19.6 million (\$19.3 million), which accounted for 43% of its revenues.



## Expenses

Total expenses increased by \$7.6 million (22.5%), mainly driven by a \$7.9 million rise in grants and subsidies expenses for more Disaster Ready Fund payments.

## Statement of Financial Position

SAFECOM's asset base increased by \$3.7 million (7.5%), mainly from property, plant and equipment being revalued up by \$2.1 million.

SAFECOM's liabilities decreased by \$2.2 million (12.2%), largely due to a \$1.3 million decline in payables.

## Highlights of the financial report – administered items

	2025 \$million	2024 \$million
<b>Income</b>		
Revenues from levy sources	391	381
Other revenues	5	5
<b>Total income</b>	<b>396</b>	<b>386</b>
<b>Expenses</b>		
Contributions to SA Government administrative units	385	367
Grants and subsidies	3	4
Other expenses	9	9
<b>Total expenses</b>	<b>397</b>	<b>380</b>
<b>Net result and total comprehensive result</b>	<b>(1)</b>	<b>6</b>
<b>Assets</b>		
Current assets	22	23
<b>Total assets</b>	<b>22</b>	<b>23</b>
<b>Liabilities</b>		
Current liabilities	1	1
<b>Total liabilities</b>	<b>1</b>	<b>1</b>
<b>Total equity</b>	<b>21</b>	<b>22</b>

## Community Emergency Services Fund

CESF levy contributions are provided by fixed and mobile property land owners (including state and local governments) to fund the provision of emergency services. Levies are collected in line with the *Emergency Services Funding Act 1998*, and are set to cover the budgeted emergency services expenditure for the coming financial year.

The fixed property levy is collected by RevenueSA and applies to capital values, adjusted for location and land use. The mobile property levy is collected by the Department for Infrastructure and Transport using the vehicle registration system. Once collected, these levies are paid into the CESF. Levy collection administration costs are met from the CESF. The SA Government offsets the levy impact through remissions (fixed and mobile property) and concession subsidy payments through the Department of Human Services.

Emergency services levies increased by \$10.4 million to \$391.5 million (2.7%). The increases in levy revenue and changes in remissions over the past five years are shown in the table below.

	2021 \$million	2022 \$million	2023 \$million	2024 \$million	2025 \$million
Fixed property collections	164	171	179	194	203
Fixed property remissions*	119	129	128	128	128
Mobile collections	47	48	49	49	50
Mobile remissions*	3	3	3	7	7
Government concessions	6	6	6	3	3
<b>Total</b>	<b>339</b>	<b>357</b>	<b>365</b>	<b>381</b>	<b>391</b>

\* Remissions are provided by the SA Government.

The following table shows the contributions made by the CESF to SA Government entities over the past five years.

	2021 \$million	2022 \$million	2023 \$million	2024 \$million	2025 \$million
SAMFS	164	163	168	178	190
SACFS	88	93	93	102	106
South Australia Police	23	24	24	25	26
SASES	23	23	34	26	27
SAFECOM	18	20	20	19	20
Other SA Government entities	9	16	18	17	16
<b>Total</b>	<b>325</b>	<b>339</b>	<b>357</b>	<b>367</b>	<b>385</b>

## Further commentary on operations

### Staffing

SAFECOM and the ESSs employed the following FTEs at 30 June for the past two years.

	*2024 FTEs	*2025 FTEs
SAFECOM	92	86
SAMFS	1,044	1,051
SACFS	189	206
SASES	71	76
<b>Total</b>	<b>1,396</b>	<b>1,419</b>

\* Staffing data is provided by the Office of the Commissioner for Public Sector Employment and is unaudited.

### Volunteers

The SACFS and SASES had the following active volunteers at 30 June for the past two years.

	*2024 FTEs	*2025 FTEs
SACFS	13,122	12,939
SASES	1,667	1,791
<b>Total</b>	<b>14,789</b>	<b>14,730</b>

\* Volunteer data was supplied by SAFECOM and is unaudited.

## Functional responsibility

---

SAFECOM is established by the *Fire and Emergency Services Act 2005*, which also defines the ESS as:

- SAFECOM
- SACFS
- SAMFS
- SASES.

SAFECOM's legislative functions include the development of strategic and policy frameworks, review and consultation roles, and corporate governance across the ESS. SAFECOM also provides for the effective allocation of ESS resources and has a strategic leadership role in statewide emergency management. SAFECOM administers the CESF, which is the main source of funding for the ESS.

## Scope of the audit

---







The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- revenue
- payroll and workforce management
- supplies and services expenses
- property, plant and equipment
- asset management
- contract and procurement activities
- IT general controls
- cash and cash equivalents.

We reviewed internal audit activities in planning and conducting our audit. We did not place any reliance on the work performed by internal audit.

We reviewed controls over bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

# South Australian Government Financing Authority (SAFA)

Financial report opinion	Unmodified		
Audit findings	—	SAFA’s procedures have not been formally reviewed since June 2022.	
	—	Some monthly reconciliations were not promptly prepared and reviewed.	
	—	Security for data provided to system developers could be strengthened.	
	—	There were weaknesses in the IT controls for privileged user access to the treasury management system.	
Financial statistics			
 \$322 million	 \$638 million	 \$51.8 billion	
Total income	Total expenditure	Total assets	
 \$51.8 billion	 \$316 million (loss)	 7,347	
Total liabilities	Before income tax equivalents	Number of fleet vehicles (including held for sale)	
Significant events and transactions	—	SAFA returned funds of \$55.7 million to the Department of Treasury and Finance, which was held to provide for efficiency improvements at the Whyalla Steelworks if certain conditions were met by the previous operators.	
	—	SAFA raised \$8.2 billion in funding, of which \$1.7 billion was for future needs.	

## Audit findings

---

We communicated our audit findings in management letters to the Chief Executive Officer. The main findings and SAFA's responses are discussed below.

### **SAFA's procedures have not been formally reviewed since June 2022**

SAFA has a comprehensive procedures manual for maintaining a strong control environment. Under SAFA's policy, the manual is required to be reviewed annually and approved by SAFA's Chief Executive Officer.

We found that the manual had not been reviewed since June 2022. We noted that some of these procedures were in draft and completed procedures did not contain evidence of management approval, when they were last reviewed or the next review due date.

SAFA advised us that it decided this manual was no longer needed as it relies on procedures maintained by its business divisions instead. It has started a comprehensive review of its procedures to ensure that they are updated, including establishing a central register to list each business division's procedures and the review due dates. The procedures will be approved by each division's director.

### **Some monthly reconciliations were not promptly prepared and reviewed**

We found that some of SAFA's key monthly reconciliations were not prepared and/or reviewed promptly, including monthly bank reconciliations for its operating, vehicle leasing and disposal contractors accounts.

SAFA responded that it would review its reconciliation schedules to ensure that they are promptly performed and reviewed.

### **Security for data provided to insurance system developers could be strengthened**

Last year we noted that software developers were provided access to sensitive data from the insurance system production environment. Data masking functionality was not available at that time, but would be developed in the future.

We found an instance in January 2025 where unmasked insurance data was inappropriately provided to other SA Government agencies by a system developer.

SAFA responded that its data masking functionality was available from March 2025, but it was not licenced to use it. SAFA is considering the licencing of the new module, subject to a successful system demonstration by the supplier.

### **Weaknesses in IT controls for accessing the treasury management system**

In 2024-25 we reviewed the IT general controls over SAFA's treasury management system, Findur. This included reviewing controls over:

- password management
- privileged user access
- user onboarding and offboarding
- user access review

- audit logging
- change management
- patch management
- back processes
- disaster recovery management
- job scheduling and monitoring.

We found that some controls could be strengthened, particularly for privileged user access management.

SAFA's indicated to us that it would address the weaknesses raised.

## Interpretation and analysis of the financial report

### Highlights of the financial report\*

	2025 \$million	2024 \$million
Interest revenue	2,544	2,201
Interest expense	(2,477)	(2,164)
<b>Net interest revenue</b>	66	37
Net gain (loss) on financial instruments and derivatives	56	55
Leasing and hire revenue	68	57
Insurance premium revenue	108	89
Recoveries	4	24
Other income (including net gain on sale of property, plant and equipment)	21	14
Vehicle operating costs (including depreciation and impairment)	(38)	(34)
Insurance claims	(544)	(223)
Other expenses	(57)	(13)
<b>Profit (Loss) before income tax equivalents</b>	(316)	4
Income tax equivalent expense	-	(3)
<b>Profit (Loss) after income tax equivalents</b>	(316)	2
<b>Total comprehensive income</b>	(316)	2
<b>Assets</b>		
Cash, short-term assets and investments	9,940	9,139
Loans	40,939	36,130
Derivatives receivable	110	125
Property, plant and equipment (including held for sale)	284	246
Other assets	561	252
<b>Total assets</b>	51,834	45,891
<b>Liabilities</b>		
Deposits and short-term borrowings	12,933	12,412
Bonds, notes and debentures	36,960	31,835
Outstanding claims	1,692	948
Derivatives payable	181	304
Payables and other liabilities	54	59
<b>Total liabilities</b>	51,819	45,558
<b>Total equity</b>	15	332

\* Table may not add due to rounding.

## Statement of Comprehensive Income

### Interest revenue and expense

Interest revenue and expense are recognised on a market value accounting basis and accrued in line with the terms and conditions of the underlying financial instruments. Interest revenue increased by \$343 million or 16%, while interest expense increased by \$313 million or 14%. These increases were mainly due to higher interest rates and increased borrowings in 2024-25. They were also impacted by the timing of maturities and settlements for financial instruments, including derivatives.

### Net gain on financial instruments and derivatives

SAFA's operating result includes a net gain of \$56 million on financial instruments and derivatives in 2024-25. This represents upward movements in the prices of the financial instruments and derivatives SAFA held, mostly as a result of changes in market rates.

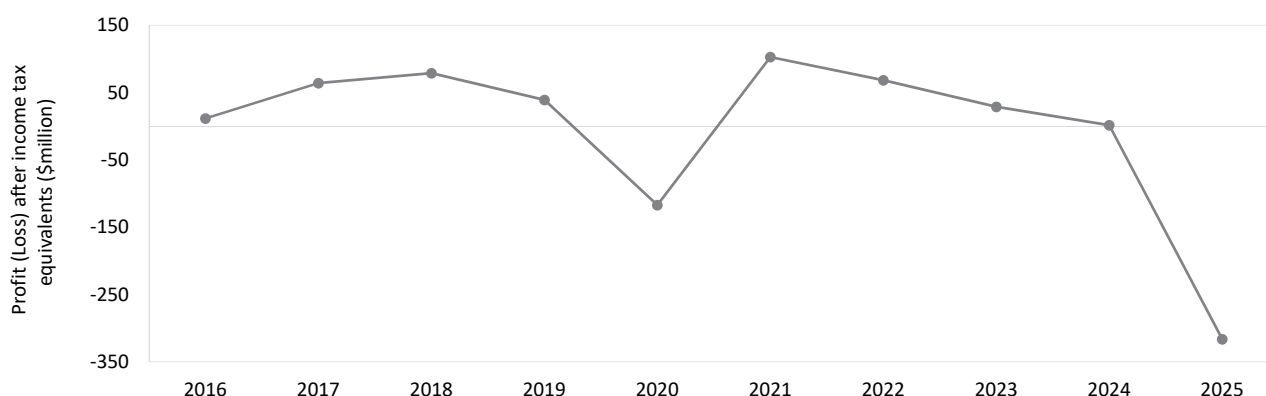
### Leasing and hire revenue

Leasing and hire revenue reflects the fees charged to other government agencies for leasing fleet vehicles. It increased to \$68 million in 2024-25, due to more fleet vehicles and higher average vehicle costs.

### Profit (Loss)

SAFA is required to pay the Treasurer an income tax equivalent on its profit, calculated by applying a tax rate of 30% to its profit before tax. It made a loss before income tax equivalents of \$316 million in 2024-25, mainly due to losses on its insurance activities of \$337 million. No income tax equivalents were payable in 2024-25 due to this loss.

The 10-year trend in SAFA's profit or loss after income tax equivalent expense is shown in the following chart. It highlights the volatility in SAFA's results.



### Insurance activity impact on profit (loss)

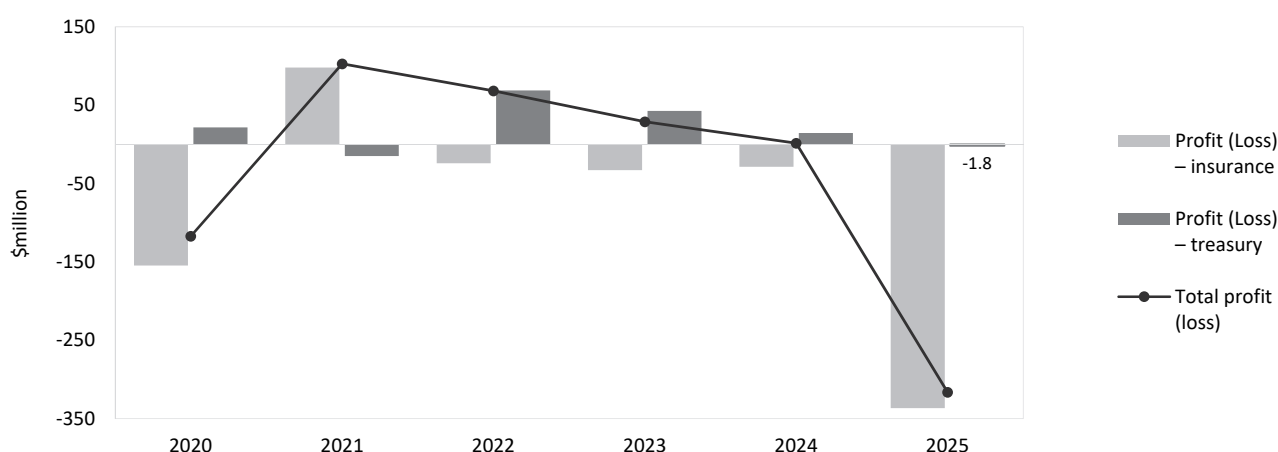
SAFA's insurance activities are separated into five funds. Its result after income tax equivalents is, in net terms, only affected by the results of Fund 1. SAFA has negotiated funding arrangements with the Treasurer for the other insurance funds.

Fund 2 is used to fund liabilities from insurable incidents that:

- occurred before 1 July 1994
- involve claims under the building warranty indemnity reinsurance arrangements up to 30 June 2013
- involve the former State Government Insurance Commission's residual claims and workers compensation claims managed by the former South Australian Asset Management Corporation
- are historical workers compensation and asbestos claims previously managed by other SA Government entities.

Fund 3 is used to fund liabilities arising from claims under the building indemnity insurance scheme effective from 1 July 2013. Fund 4 is used to manage liabilities for the SA Government's participation in the National Redress Scheme for Institutional Child Sexual Abuse (see 'National Redress Scheme for Institutional Child Sexual Abuse'). Fund 5 holds funds to facilitate insurance arrangements specific to SA Government infrastructure projects. All of SAFA's remaining insurance activities are funded through Fund 1.

The impact of SAFA's insurance activities on its profit or loss after income tax equivalent expense is shown in the following chart.



SAFA's insurance activities reported a 2024-25 loss of \$337 million (loss of \$29 million) in 2024-25, due to increases in:

- income of \$21 million, mainly due to increases in net gains on investments with the Superannuation Funds Management Corporation of South Australia (Funds SA) of \$19.7 million and premium revenue of \$19 million, offset by a \$20.1 million decrease in recoveries
- expenses of \$316 million, mainly due to a \$320 million increase in insurance claim expenses, offset by a \$3 million decrease in management fees/deferred acquisition costs. The increase in insurance claims expenses mainly reflects the increase in Fund 1 outstanding claims liabilities, mostly for physical and sexual abuse claims and medical malpractice, and assumed future reported claims.

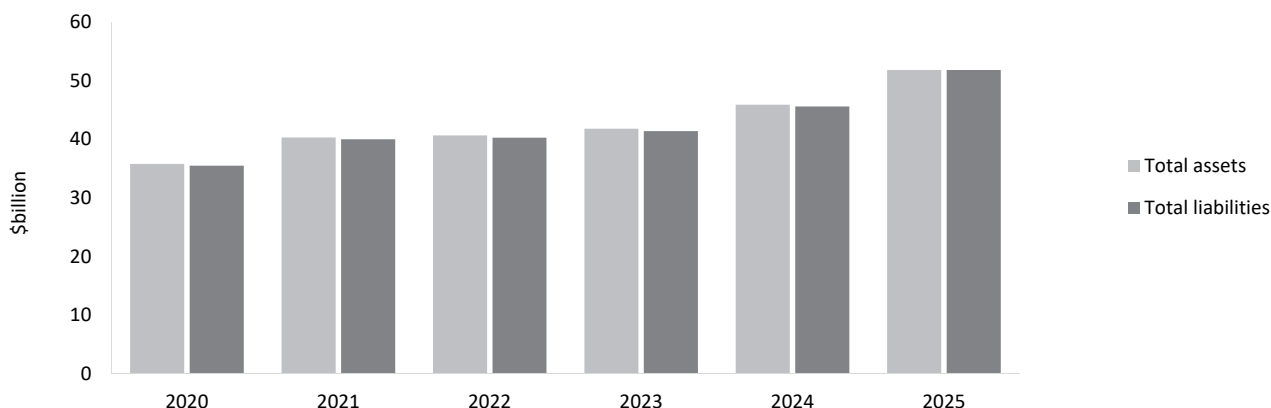
These changes highlight the inherent volatility of insurance activities and the impact on SAFA's financial performance.



## Statement of Financial Position

### Assets and liabilities

SAFA's total assets and liabilities for the six years to 2025 are shown in the following chart.



In 2021 there was a significant increase in SAFA's liabilities of \$4.4 billion, with total assets rising by a corresponding amount. This was mainly the result of increases in loans to the Treasurer to meet funding requirements and to fund the Consolidated Account deficit for that year. In 2024 there was a \$4.2 billion increase in SAFA's liabilities, with total assets increasing by \$4.1 billion.

There was a \$6.3 billion increase in SAFA's liabilities in 2025, with total assets increasing by \$5.9 billion, mainly for:

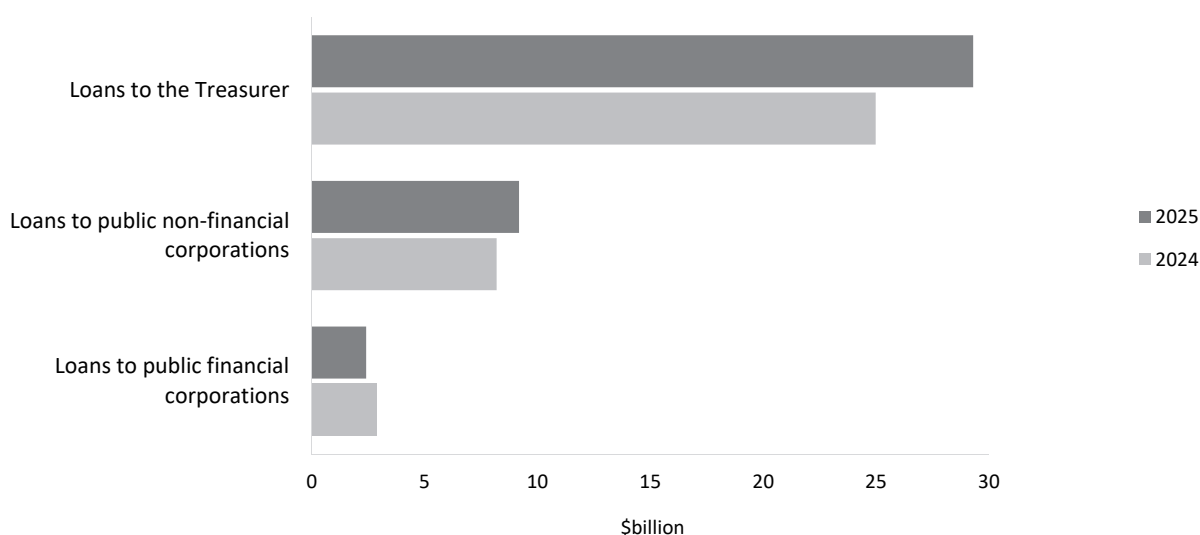
- loans (\$4.8 billion), mainly to the Treasurer at cost of funds and cash and loans to public non-financial corporations
- cash and short-term assets (\$2.4 billion), mainly in secured cash lending, overdraft facility to HomeStart Finance and negotiable certificates of deposit
- offset by a decrease in investments (\$1.6 billion), mainly in bank and corporate securities, offset by increases in semi-government securities.

The main increases in liabilities were:

- bonds, notes and debentures (\$5.1 billion)
- deposits and short-term borrowings (\$521 million), mainly in the Treasurer's at call deposit, offset by a decrease in commercial paper
- outstanding claims (\$743 million).

### Loans to government agencies

Total assets include loans of \$40.9 billion, comprising SAFA's loans to the Treasurer to fund accumulated Consolidated Account deficits and loans to other public authorities. SAFA's loans to the Treasurer totalled \$29.3 billion at 30 June 2025. The Treasurer also had funds on deposit with SAFA totalling \$10.3 billion (\$9.3 billion). The following chart shows SAFA's government sector loan composition for the last two years.



Loans to the Treasurer increased by \$4.3 billion in 2025, due to funding for the \$3.6 billion deficit in the Consolidated Account, funding for future needs (\$1.7 billion) and market value movements.

Loans to public non-financial corporations increased by \$984 million while loans to public financial corporations decreased by \$456 million. Loans to public non-financial corporations were to the South Australian Water Corporation, Urban Renewal Authority and Adelaide Venue Management Corporation.

### Capital and distributions

SAFA's capital reserves were represented by its retained earnings of \$15 million (\$332 million). A dividend distribution of \$1.5 million (\$95.7 million) was made to the Treasurer in 2024-25 under the *Government Financing Authority Act 1982* (SAFA Act), which states that any surplus of funds remaining after SAFA's costs are met in any financial year must be paid into the general revenue of the State or otherwise dealt with as the Treasurer determines. The \$1.5 million payment in 2024-25 was a final payment of dividends for 2023-24. No dividend payment was made for 2024-25.

## Further commentary on operations

### SAFA Advisory Board

The SAFA Act establishes the South Australian Government Financing Advisory Board (Advisory Board), comprising up to seven members, one of whom is the Under Treasurer who is also the Presiding Member.

The SAFA Act allows the Under Treasurer to request and consider advice from the Advisory Board. The Advisory Board can provide advice to the Treasurer or SAFA, as it sees fit. SAFA's annual report must include details of any advice from the Advisory Board that the Treasurer or SAFA has decided not to follow and the reason for that decision. There were no instances of advice from the Advisory Board not being followed in 2024-25.

## Business risk management

### General market risk management

SAFA is the State's central borrowing authority and manages most of the State's debt. It lends funds raised from financial markets to a number of South Australian public sector clients, including the Treasurer who borrows on behalf of public sector agencies to support their operational needs.

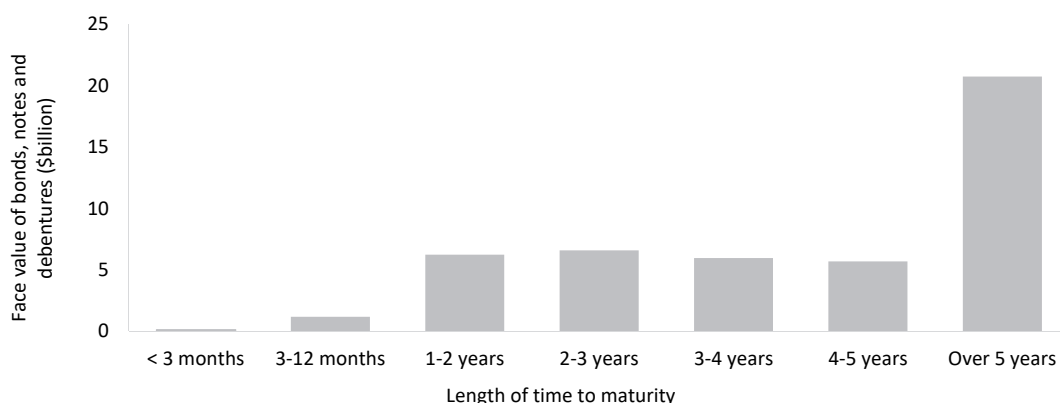
SAFA's risk appetite statement indicates that it performs its treasury, insurance, fleet and commercial advisory functions to protect the interests of its owners and clients and its reputation as a provider of services consistent with its strategic direction.

SAFA has a structured approach to risk management. It performs its treasury and commercial advisory functions with a moderate risk appetite and its insurance and fleet functions with a low risk appetite. A moderate risk appetite approach for SAFA means that it is prepared to accept exposure to risk within pre-defined limits.

### Funding risk management

SAFA raises funds from domestic and international financial markets to support the SA Government's budgetary funding requirements. Funding risk refers to the prospect of SAFA either being unable to raise funds when required, or only being able to raise funds at a higher cost. Accordingly, SAFA's objective for funding risk is to ensure that it is not exposed to a significant refinancing or funding risk within any financial year. The Under Treasurer sets the guidelines for funding risk.

The following chart shows a maturity profile of the undiscounted principal and interest repayment amounts for SAFA's bonds, notes and debentures at 30 June 2025. Bonds, notes and debentures include SAFA's core funding through the issuance of select lines and floating rate notes.

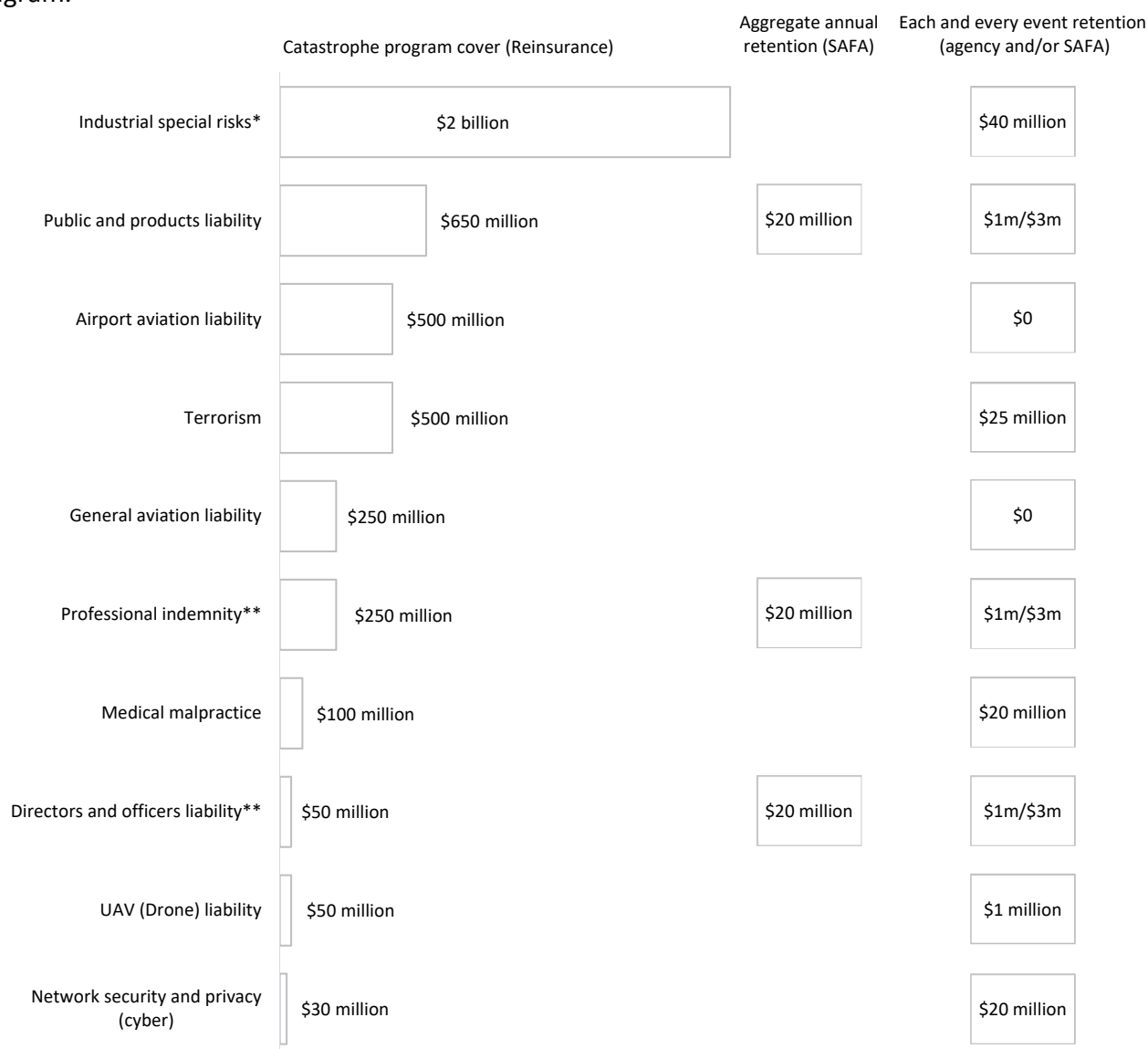


The chart shows SAFA's principal and interest repayments varying each year over the next four years. From 2031, SAFA will have \$20.7 billion of principal and interest repayments. The chart does not include expectations for the SA Government's early refinancing or future financing requirements.

### Catastrophe reinsurance program

The SA Government is fundamentally a self-insurer. However, to protect the State's finances against a very large loss or claim, or a series of large losses or claims in a year, a commercial catastrophe reinsurance program is placed in the international insurance market. The reinsurance program is renewed annually and then approved by the Treasurer after it is considered by the Advisory Board.

The structure of SAFA's catastrophe reinsurance program for 2024-25 is shown in the following diagram.



\* Includes property.

\*\* Full insurance placement could not be completed at acceptable/affordable terms for this insurance class.

SAFA's catastrophe reinsurance premium expense increased by 6% to \$23.9 million (\$22.5 million) in 2024-25. The increase is mainly due to rising property reinsurance costs, driven by an uplift in the declared values of government-owned assets.

SAFA reviews its coverage levels annually. While various factors influence its final choice of cover, key drivers in this evaluation are the market's willingness to accept risk for SAFA's preferred coverage, and SAFA's internal value-for-money assessments of the prevailing insurance market.

### School loans scheme

In the 2016-17 State Budget, the SA Government established a \$250 million low-interest loan scheme to help non-government schools upgrade their infrastructure and facilities. Loans of between \$500,000 and \$10 million per school were made available over five years, with loan terms up to 15 years. All non-government schools were eligible to apply and access was granted based on highest need, taking into account a school's socioeconomic status score. Priority was given to projects that invest in science, technology, engineering and maths, and early learning facilities.

There have been six funding rounds since the scheme started. The first loan was drawn down under the scheme in February 2017.

Total funds advanced to non-government schools were \$113.8 million, and \$44.1 million of this funding has been paid back at 30 June 2025. The total value of approved school loans was \$115 million at 30 June 2025, with \$1.2 million undrawn and no longer available for draw down.

In the 2020-21 State Budget, the SA Government announced a new \$320 million low-interest loan scheme to help non-government schools upgrade their existing facilities, including early learning centres co-located on a school site. SAFA is administering the new scheme, although loans under the scheme are reported in the Department of Treasury and Finance's administered items financial statements. See 'Department of Treasury and Finance'.

### **SA Venture Capital Fund**

In June 2017 Cabinet approved to establish the \$50 million SA Venture Capital Fund as a notional fund in SAFA's Statement of Financial Position. The objective of the Fund is to help early-stage South Australian companies attract private sources of co-investment from national and international investors. It has been managed by Artesian Venture Partners since March 2020.

Investments from the Fund are required to meet a range of criteria, including requirements for assets and staff to be located in South Australia within 12 months of the initial investment date. In 2024-25 there was one new investment and further investment in three companies totalling \$5.2 million.

At 30 June 2025 investments from the Fund totalled \$35.5 million and had been made to 12 companies.

### **National Redress Scheme for Institutional Child Sexual Abuse**

In May 2018, the SA Government approved South Australia's participation in the National Redress Scheme for Institutional Child Sexual Abuse and for SAFA to administer all payments for this. In June 2018 the Premier signed an Intergovernmental Agreement confirming South Australia's participation. The Scheme started in February 2019 and it will accept applications until 30 June 2027.

The Treasurer approved the transfer of \$146.4 million from the Victims of Crime Fund to SAFA in June 2018 to meet the expected cost of paying claims made under the Scheme. A further \$25 million was approved and transferred in June 2023 to reflect the increasing estimated costs. Any funds not paid under the Scheme will be returned to the Victims of Crime Fund on the closure of the Scheme.

The Scheme is administered through Fund 4, a separate fund. Its outstanding claims liability is calculated by an external actuary who considered:

- the number of applications that the SA Government will have full or partial liability
- the average payment to its applications
- other payments, including counselling, legal and administration costs
- the expected payment pattern and impact of discounting.

The outstanding claims liability for Fund 4 was \$479.2 million (\$206.3 million) at 30 June 2025. While the current estimate of claims is above the level of remaining funding provided to date, the estimate is subject to change because the Scheme is open until 2027. In September 2023 the Treasurer approved funding any future shortfalls for Fund 4 if and when they arise.

There were 3,674 (2,171) Scheme applications to 2025. Redress payments totalling \$46.5 million (\$40.5 million) were made to 455 (389) applicants in 2024-25.

## Functional responsibility

---

SAFA, a body corporate, is established by the SAFA Act. It is the central borrowing authority for the State, and is responsible for managing most of the State's debt and implementing the SA Government's debt management policy as determined by the Treasurer. Under the SAFA Act, its liabilities are guaranteed by the Treasurer.

SAFA also administers the SA Government's:

- insurance and risk management arrangements through its insurance division
- passenger and light commercial vehicle fleet operations through its Fleet division.

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- cash
- financing
- treasury
- insurance
- general ledger
- IT general controls over the Findur treasury management system.

We considered the work of SAFA's internal auditors in planning and conducting the audit. We specifically considered the work performed by SAFA's compliance unit and internal auditors for elements of our program, including:

- quarterly reporting by its compliance unit
- internal audit reviews of its cyber security capabilities, the commercial and advisory loan framework, fleet cash flow, critical systems management and credit risk management.

We reviewed controls over SAFA's borrowings, investments, outstanding claims liability, interest expense, guarantees and indemnities, reinsurance process and bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

# South Australian Housing Trust (SAHT)

## Financial report opinion

## Unmodified

### Audit findings

- Contract management plans for complex projects were not approved promptly.
- Assessments of completed contracts were not completed on time.
- Some housing was allocated to tenants before all of the allocation criteria were checked.

## Financial statistics



**\$484 million**

Total income



**\$783 million**

Total expenditure



**\$299 million**

Net deficit



**811**

FTEs



**\$11.1 billion**

Value of rental properties



**\$4.9 billion**

Value of service concession assets and assets under arrangements

## Significant events and transactions

- Property, plant and equipment was revalued up by \$1.6 billion.
- Property, plant and equipment at Seaton totalling \$24.7 million was transferred to the Urban Renewal Authority (URA). The Treasurer designated all transfers of assets and liabilities between the SAHT and URA for the Seaton Demonstration, Greater Seaton Renewal and the Noarlunga Projects as contributions from and distributions to owners.
- The responsibility for homelessness services was transferred to the Department of Human Services (DHS) on 1 July 2024.

## Audit findings

---

We communicated our audit findings in a management letter to the Chief Executive. The main findings and the SAHT's responses are discussed below.

### Controls opinion findings

#### Asset management (construction projects)

Contract management plans for complex construction projects were not approved promptly

We found that contract management plans (CMPs) for complex construction projects were approved after the contract had started. Delays in completing these CMPs ranged from 35 days to 196 days.

The SAHT's contract management procedure requires that a CMP is documented for all construction contracts and is approved by the contract manager before the contract start date.

The SAHT responded that the CMP requirements will be updated in the project management system schedule to raise awareness and remind staff to complete this task before contract execution. It also advised us that staff will be provided with more training about this process, which is now documented in its capital construction building procedures.

Assessments of completed contracts were not completed on time

We found that the SAHT's contract managers were not consistently submitting contract closure assessments to the Procurement Services Unit as required by its contract management procedure within 60 days from the end of each contract. This information is used to record contractor performance in its procurement and contract management system to inform future procurements.

The SAHT responded that it will update its project management system to set reminders for its contract managers to regularly check and report the status of project completion. It expects that this system upgrade will be completed by 31 December 2025.

#### Rental income

Some housing was allocated to tenants before all of the allocation criteria were checked

The SAHT's allocation guidelines require its allocation officer to perform a range of eligibility checks before making a tenancy offer. Eligibility criteria include a housing needs assessment using documents such as proof of household income and asset ownership, and property ownership checks through the South Australian Integrated Land Information System.

We found that the SAHT was unable to show that all final eligibility checks were performed for a sample of property allocations we tested.



The SAHT responded that, while it was satisfied that the relevant eligibility checks were performed for all exceptions we noted, it acknowledged that evidence of these checks was not recorded in its Connect system as required. The SAHT advised us that it will develop an allocation checklist to ensure that all eligibility checks are documented in its Connect system, and it will provide training to its allocation officers so they are aware of the checklist and understand their responsibilities.

### Information technology general control review of the Connect system

The Connect system is used by the SAHT to manage its housing property data, including registration, maintenance, tenancy and payment arrangements and enquiries.

In 2024-25 we reviewed the IT general controls applied to Connect system including:

- password management
- privileged user access management
- user onboarding and offboarding processes
- user access reviews
- audit logging
- change management
- patch management
- backup management
- disaster recovery management
- job scheduling and monitoring.

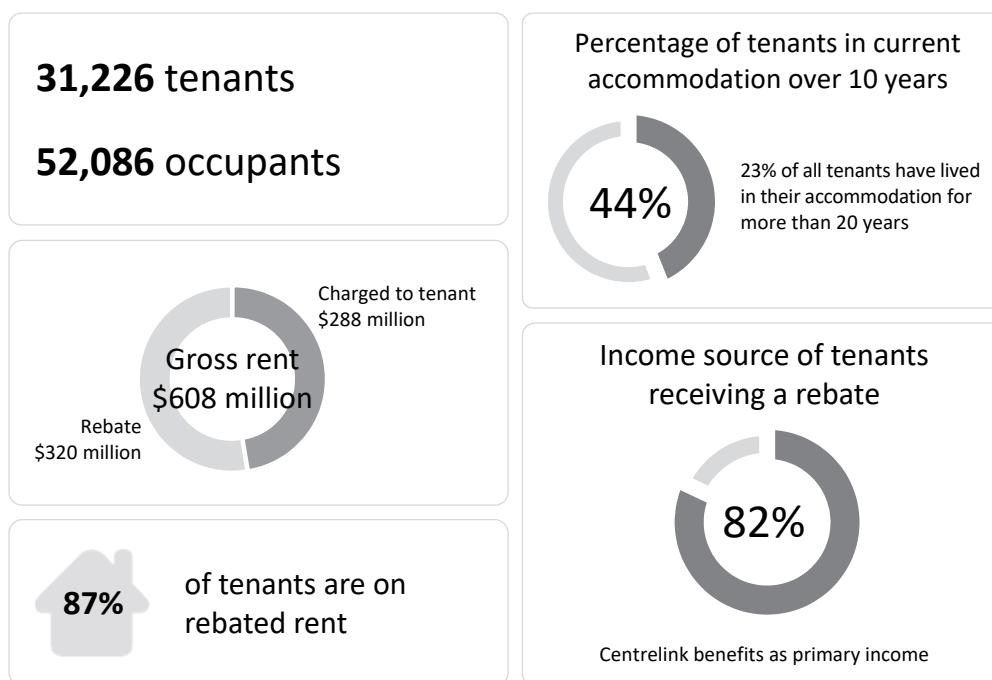
We found areas where IT general controls could be improved, including patch management and user access management for privileged user access, offboarding and user access review processes. These weaknesses increase the potential for unauthorised access to the Connect system and its data.

Our review ended in late-August 2025. At the time of finalising this report, the SAHT was in the process of responding to our findings and recommendations with its remediation actions.

## Snapshot of the SAHT operations

---

The SAHT's public housing operations, excluding SAHT housing managed by community housing providers (CHPs), are summarised below. The data was provided by the SAHT and is unaudited, except for the value of rental income, rebates and property, plant and equipment.



## Public housing register allocations to SAHT houses 2024-25\*\*



## Public housing register applicants at 30 June 2025\*

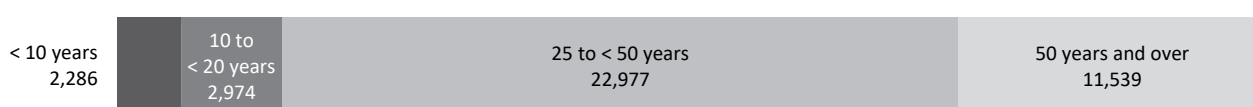


## Property, plant and equipment – \$16.8 billion

## Number of SAHT and CHP rental properties



## Age of SAHT-owned rental houses



\* Excludes tenants requesting a transfer to another property.

\*\* Excludes tenants transferring between properties.

\*\*\* Category 1 applicants are people with urgent housing need and long-term barriers to accessing or maintaining private housing options.

\*\*\*\* Includes unlettable properties and SAHT owned properties managed by either the SAHT or CHPs.

The above chart demonstrates that SAHT is only able to allocate housing to a relatively small number of applicants each year, especially those not considered to have an urgent need.

## Interpretation and analysis of the financial report

### Highlights of the financial report\*

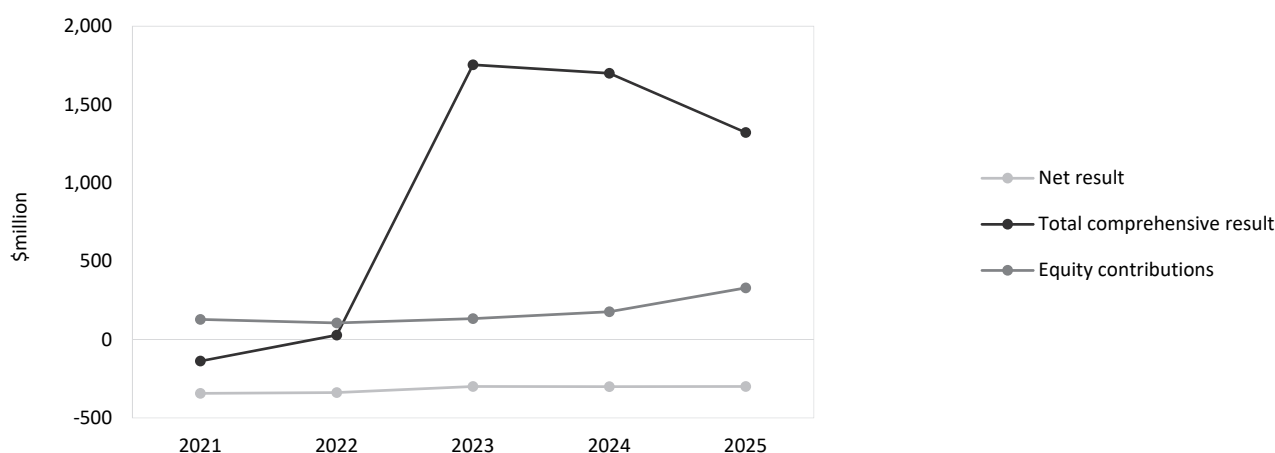
	2025 \$million	2024 \$million
<b>Income</b>		
Rental income	307	289
Grants and subsidies	119	145
Recoveries	22	23
Other	36	60
<b>Total income</b>	<b>484</b>	<b>516</b>
<b>Expenses</b>		
Employee benefits expenses	80	80
Maintenance	151	131
Council rates and water rates	83	79
Land tax equivalent	212	197
Depreciation and amortisation	151	132
Grants and subsidies	33	111
Other expenses	73	87
<b>Total expenses</b>	<b>783</b>	<b>817</b>
<b>Net result</b>	<b>(299)</b>	<b>(300)</b>
Other comprehensive income	1,621	2,001
<b>Total comprehensive result</b>	<b>1,322</b>	<b>1,700</b>
<b>Assets</b>		
Current assets	277	323
Non-current assets	16,881	15,177
<b>Total assets</b>	<b>17,158</b>	<b>15,500</b>
<b>Liabilities</b>		
Current liabilities	127	90
Non-current liabilities	39	48
<b>Total liabilities</b>	<b>166</b>	<b>138</b>
<b>Total equity</b>	<b>16,991</b>	<b>15,362</b>

\* Table may not add due to rounding.

### Statement of Comprehensive Income

#### Total comprehensive result and equity contributions

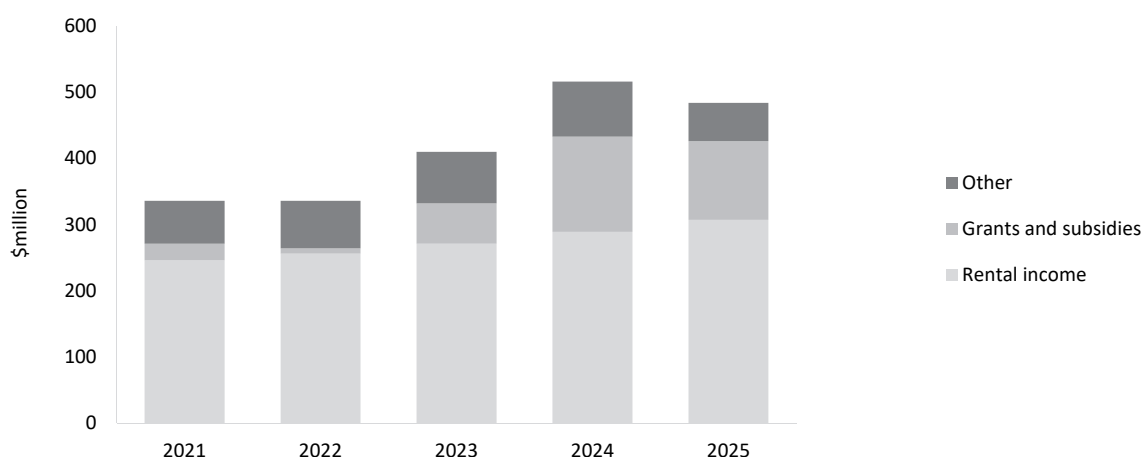
The SAHT's total comprehensive result and equity contributions for the five years to 2025 are shown in the following chart. It shows deficits in the net results for the last five years, which were impacted by the SA Government's funding arrangements for the SAHT. The SAHT is funded mainly by equity contributions, which are not recognised as income in its Statement of Comprehensive Income. The SA Government provided an equity contribution of \$330 million (\$178 million) and grants of \$119 million (\$144 million) in 2025.



The total comprehensive result reflects the financial impact of property, plant and equipment being revalued up, which has been significant since 2023.

## Income

The SAHT's income for the five years to 2025 is shown in the following chart.



Rental income increased by \$18 million to \$307 million, mainly due to increases in market rents and Centrelink benefits, which are included in household income calculations for determining tenant rents.

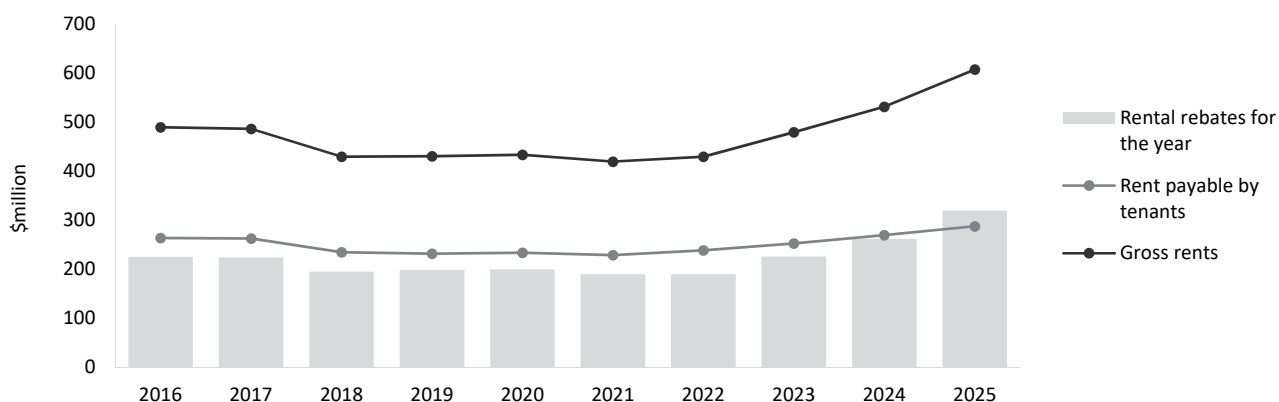
Grants and subsidies decreased by \$26 million to \$119 million in 2025, mainly due to a \$74 million decrease in grants associated with the transfer of homelessness services to DHS in July 2024, offset by a \$56 million increase in grants for the Social Housing Accelerator Program and Housing Australia Future Fund for remote maintenance.

Resources received free of charge decreased by \$15 million, reflecting that the SAHT obtained 100% control of properties developed by CHPs under certain arrangements in 2023-24.

Other revenue decreased by \$20 million, reflecting the timing of development projects by CHPs. The SAHT's funding and project agreements with CHPs allow CHPs to redevelop existing assets. When the redevelopment is complete, the net value of these assets is recognised in other revenue. The arrangements provide that the SAHT receives assets valued at an amount at least equal to the value of the original asset that was redeveloped.

## Rental operations

Information provided by the SAHT shows that 85% (86%) of tenants pay reduced (rebated) rent. The amount of rent rebates depends on each tenant's circumstances, with rent payable charged at 30% of household income or market rent, whichever is lower. The following chart shows the trend in tenant rents and rebates for the last 10 years.

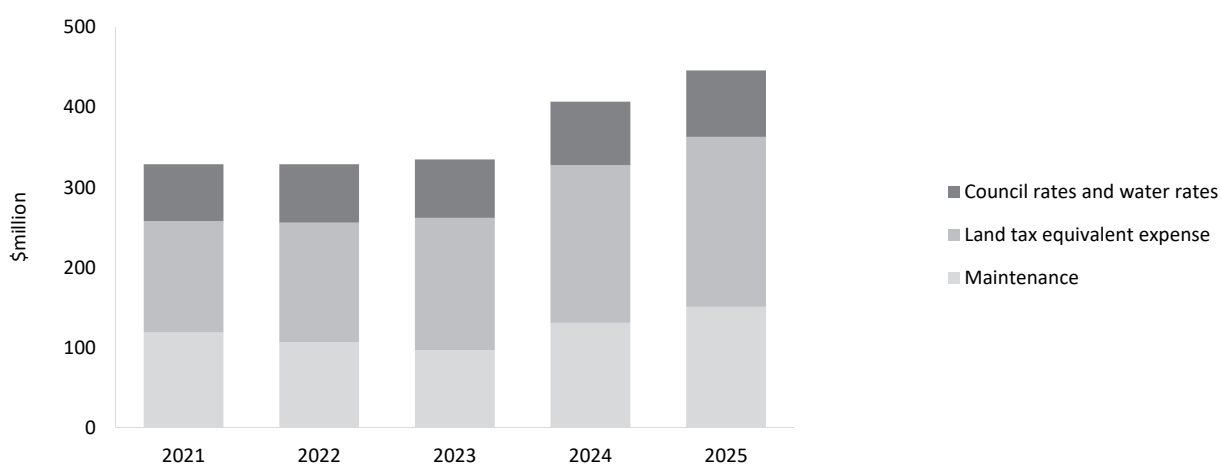


The chart shows that gross rents, rental rebates and rent payable by tenants dropped in 2018 after the responsibility for managing tenancy for over 5,000 properties was transferred to the community housing sector between 2016 and 2018. The rent on these properties is retained by the community housing sector.

Gross rent (market rent) increased by \$76 million to \$608 million in 2025, reflecting higher market rents determined by the Valuer-General. Rent payable by tenants increased by \$18 million to \$288 million, mainly due to increases in Centrelink benefits that are included in household income calculations for determining tenant rents. Rebates (the difference between market rents and rent payable by tenants) rose by \$58 million to \$320 million. Rebates as a percentage of gross rent were 53% (49%), reflecting that market rents have increased at a rate faster than that of household incomes.

## Expenses

Total expenses comprise rental property expenses of \$448 million and other expenses of \$335 million. Major rental property expenses for the five years to 2025 are shown in the following chart.

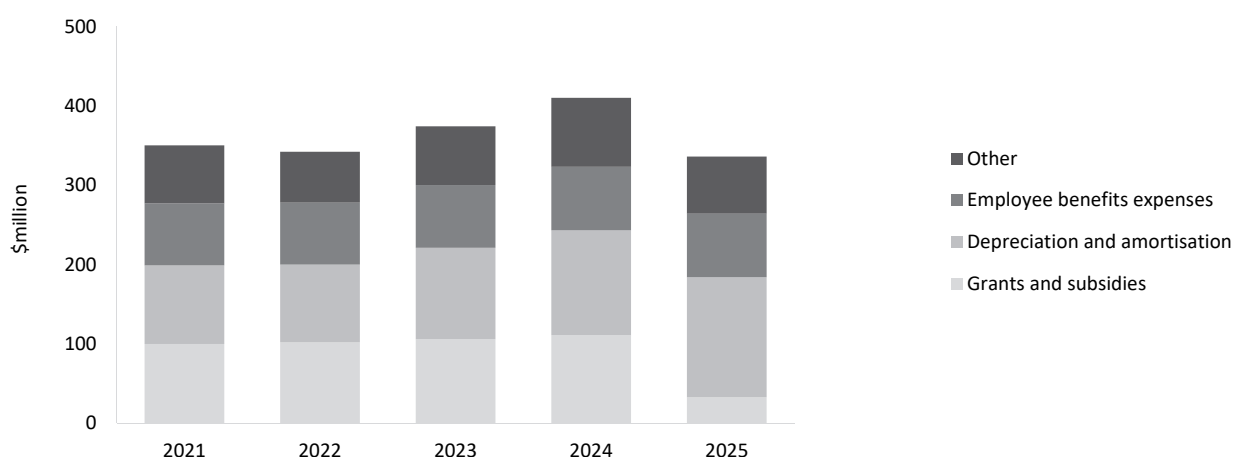


Land tax equivalent expenses increased by \$15 million to \$212 million, mainly driven by increases in land values. The SAHT is responsible for the land tax equivalent paid on properties owned by the SAHT but managed by CHPs. It is not responsible for council and water rates on CHP managed properties. Charges paid by the SAHT are driven by changes in the value of properties and rates charged by local government and the South Australian Water Corporation.

Maintenance expenses increased by \$21 million to \$151 million, with increases in work orders and a focus on vacancy maintenance in 2025. Labour and material costs also increased. The maintenance expense increase in 2024 related to a large backlog of uncompleted work orders that were completed in 2023-24.

Council rates and water rates remained relatively consistent over the last five years, increasing by \$4 million to \$83 million in 2025.

Other major expense items for the five years to 2025 are shown in the following chart.



Total other expenses decreased by \$74 million to \$335 million in 2025, mainly due to decreases in grants and subsidies of \$78 million and contributed asset expenses of \$22 million, offset by an \$18 million increase in depreciation and amortisation expenses.

The decrease in grants and subsidies in 2025 mainly reflects the transfer of specialist homelessness services to DHS in July 2024.

In 2024 the SAHT transferred capital works in progress at Seaton and vacant land at Noarlunga to the URA for no cost, resulting in a \$22 million contributed asset expense. In December 2024 the Treasurer approved designating all future transfers of assets and liabilities between the SAHT and URA for the Seaton Demonstration, Greater Seaton Renewal and Noarlunga Projects as contributions from distributions to owners. This designation means that all future transfers between the two agencies for these projects will be recognised in the Statement of Changes in Equity as transfers of contributed capital.

Depreciation and amortisation expenses increased by \$18 million to \$151 million, reflecting the impact of property, plant and equipment being revalued up in 2023-24.

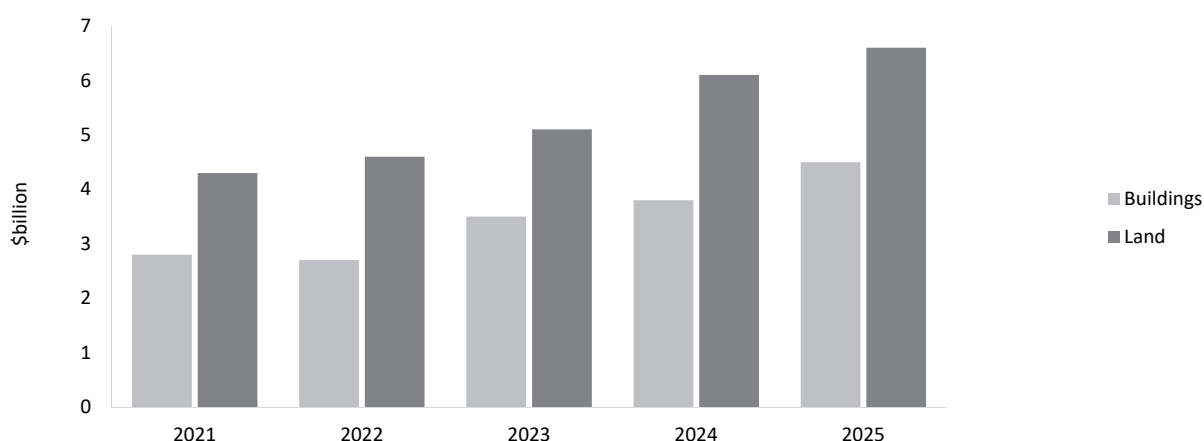
## Statement of Financial Position

The SAHT's financial position mainly comprises its significant property assets, cash and deposits with the South Australian Government Financing Authority (SAFA). Its net assets increased by \$1.6 billion to \$17 billion, due to property, plant and equipment being revalued up by \$1.6 billion.

The SAHT's current assets of \$277 million (\$323 million) were significantly higher than its current liabilities of \$127 million (\$90 million).

### Rental properties

The SAHT's rental properties are estimated to be worth \$11.1 billion (\$9.9 billion) and comprise 66% (66%) of the SAHT's property, plant and equipment of \$16.8 billion (\$15.1 billion). The following chart shows the movements in the SAHT's rental properties value over the past five years.



Since 2021 the value of rental properties has increased by \$4 billion, mainly driven by individual properties being revalued upward. The SAHT advised us that its rental stock increased by 162 properties to 32,980 in 2025.

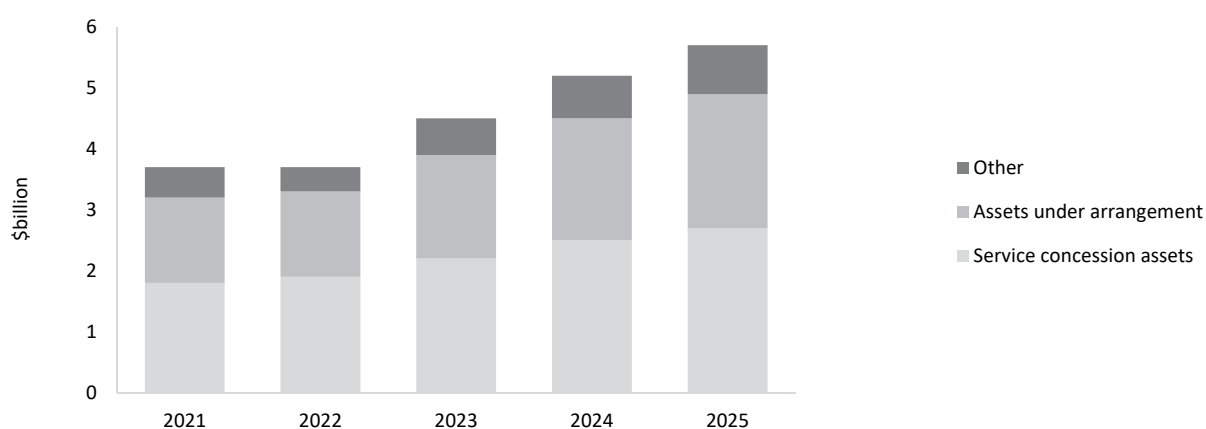
The \$1.2 billion rise in the value of rental properties to \$11.1 billion in 2025 reflects an upward revaluation of land and buildings of \$1.1 billion and additions of \$196 million, including completed capital works and maintenance upgrades. These increases were partially offset by depreciation expense of \$85 million, transfers to other asset categories of \$21 million (mainly to capital works in progress for redevelopments), transfers to the URA as part of the Seaton urban renewal of \$18 million and disposals of \$8.2 million.

Rental stock excludes 5,362 (5,347) SAHT-owned rental properties managed by the community housing sector on behalf of the SAHT and 1,438 (1,513) SAHT-owned rental properties in specialist housing programs. These are classified as service concession assets.

The SAHT revalues most land and buildings annually using the Valuer-General's values. Because of the timing of the update of the Valuer-General's database and the SAHT's financial reporting obligations, reported values lag current market values. The values for 2025 were issued by the Valuer-General at 1 July 2024. This policy has been consistently applied and reflects the practicality of valuing a very large housing stock. The Valuer-General published a notice in The South Australian Government Gazette advising that the average percentage change in site values is 9.5% at 1 July 2024 and 13.8% at 1 July 2025.

## Property, plant and equipment (excluding rental properties)

The following chart shows the value of the SAHT's property, plant and equipment, excluding rental properties, over the past five years.



Assets under arrangement and service concession assets are properties managed by the community housing sector on behalf of the SAHT under a variety of arrangements.

The SAHT's property, plant and equipment, excluding rental properties, increased by \$447 million in 2025, mainly due to the following movements:

- Service concession assets increased by \$227 million to \$2.7 billion, largely driven by a net upward revaluation of land and buildings of \$246 million. These were partially offset by depreciation expense of \$18 million. These assets are revalued in the same way as rental properties using the Valuer-General's values.
- Assets under arrangement increased by \$206 million to \$2.2 billion, following a net upward revaluation of land and buildings of \$231 million. These increases were partially offset by depreciation expense of \$18 million. These assets are revalued in the same way as rental properties using the Valuer-General's values.
- Capital works in progress increased by \$78 million to \$290 million, due to additional works of \$302 million (\$163 million) and properties transferred from other asset categories for development of \$112 million (\$213 million), partially offset by works completed of \$336 million (\$357 million).
- Vacant land decreased by \$40 million to \$96 million, revalued up by \$14 million, offset by net transfers to other asset categories of \$62 million following property redevelopments.
- Remote indigenous leased properties decreased by \$20 million to \$285 million, mainly due to depreciation.

## Current assets

Current assets decreased by \$47 million to \$277 million, reflecting decreases in cash and deposits held with SAFA of \$35 million and inventories of properties developed for sale of \$16 million.

## Liabilities

Total liabilities increased by \$28 million to \$166 million, mainly due to a \$30 million increase in payables, partially offset by an \$8 million decrease in financial liabilities. The increase in payables is driven by capital project related costs.



## Further commentary on operations

---

### Housing maintenance

Three head contractors for maintenance services are responsible for all aspects of delivering housing maintenance works and manage their own direct labour and subcontractors. Their contracts are for six years from September 2022, with a two-year extension option. The SAHT estimated that the total cost of these contracts will be about \$1 billion over eight years.

### Review of the maintenance contracts

In June 2024 the Premier announced a review of the SAHT maintenance contracts. The Maintenance Contracts Audit Committee (the Committee) was formed to conduct the review, comprising the Chairs of the Urban Renewal Authority, SA Water Board and SAHT Board (all independent statutory authorities), and the Chief Executive of the Department for Housing and Urban Development.

The Committee provided its report to the Minister for Housing and Urban Development in September 2024. The report made six recommendations:

- the approach to vacancy maintenance be adjusted to ensure that contracted vacant property turnaround times are achieved
- review the schedule of rates to better align with market rates
- increase the SAHT's annual maintenance budget
- review the impact of current Treasurer's Instructions and financial delegations on the speed of delivery
- head contractors improving communication with SAHT staff and customers about the progress of works on all jobs
- SAHT improving communications with key stakeholders.

### Responses and actions taken by the SAHT

The SAHT accepted the recommendations from the audit of maintenance contracts review and has taken the following actions in response:

- SAHT changed its vacancy works process and contracting arrangements to reduce the time taken for tenants to get into properties. The new approach defers non-essential works until after tenancy has started, with major upgrades tendered separately.
- From 1 July 2025, all schedules of rates were increased for CPI. This is now an annual process that is written into the contract.
- SAHT received an additional \$28 million over four years as part of the 2024-25 mid-year budget review, to reduce the time it takes to complete vacancy maintenance and the number of vacant houses.
- SAHT is reviewing its financial delegations and the application of Treasurer's Instructions to identify opportunities to streamline variation approvals.

- SAHT developed a shared communication library for head contractors and SAHT staff. This includes information on technical specifications, compliance standards and trade feedback.
- SAHT implemented SMS notifications to tenants and streamlined its enquiry and escalation protocols to reduce call waiting times for tenants and improve its communications with key stakeholders.

## Functional responsibility

---

The SAHT is established by the *South Australian Housing Trust Act 1995* (SAHT Act). Its functions include:

- the construction, purchase, ownership and management of houses and units for tenant occupation
- managing SAHT tenancies and housing grant programs
- supporting the homelessness services sector to enable more integrated and responsive service provision.

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- revenue, including tenant rents and recoveries
- accounts payable
- payroll
- property expenses, including maintenance, land tax, council rates and water rates
- fixed assets, including rental properties, service concession assets and capital works
- house sales
- general ledger.

We reviewed controls over the following areas as part of our overall controls opinion, which is discussed in Part B of this report:

- rental income
- asset management, including land, buildings and improvements, assets under arrangement and service concession assets
- the receipt, expenditure and investment of money through the SAHT Operating Account.

# South Australian Tourism Commission (SATC)

---

## Financial report opinion

Unmodified

---

## Audit findings

No significant findings.

---

## Financial statistics



**\$141 million**  
Total income



**\$143 million**  
Total expenditure



**140**  
FTEs

---

## Significant events and transactions

- In 2024-25 SATC continued to sponsor and manage major events including the Santos Tour Down Under, AFL Gather Round and LIV Golf.
- SATC developed a long-term destination brand for the State’s tourism industry in collaboration with other SA Government agencies.

## Audit findings

We communicated our audit findings in a management letter to the Chief Executive. There were no significant findings.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	67	63
Government grants, subsidies and transfers	59	59
Other	15	13
<b>Total income</b>	<b>141</b>	<b>135</b>
<b>Expenses</b>		
Employee related	20	18
Advertising and promotion	30	27
Industry assistance	58	61
Event operations	27	28
Other	8	7
<b>Total expenses</b>	<b>143</b>	<b>141</b>
<b>Total comprehensive result</b>	<b>(2)</b>	<b>(6)</b>
<b>Assets</b>		
Current assets	13	21
Non-current assets	5	5
<b>Total assets</b>	<b>18</b>	<b>26</b>
<b>Liabilities</b>		
Current liabilities	11	17
Non-current liabilities	7	7
<b>Total liabilities</b>	<b>18</b>	<b>24</b>
<b>Total equity</b>	<b>-</b>	<b>2</b>

### Statement of Comprehensive Income

SATC's financial activities vary each year depending on the mix of marketing, destination development and event activities it supports, and the level of funding for these activities.

In 2024-25 SATC continued to sponsor major events such as LIV Golf and the AFL Gather Round. Other SATC sponsored and managed events included the Santos Tour Down Under cycling race, National Pharmacies Christmas Pageant, Tasting Australia presented by Journey Beyond and Illuminate Adelaide.

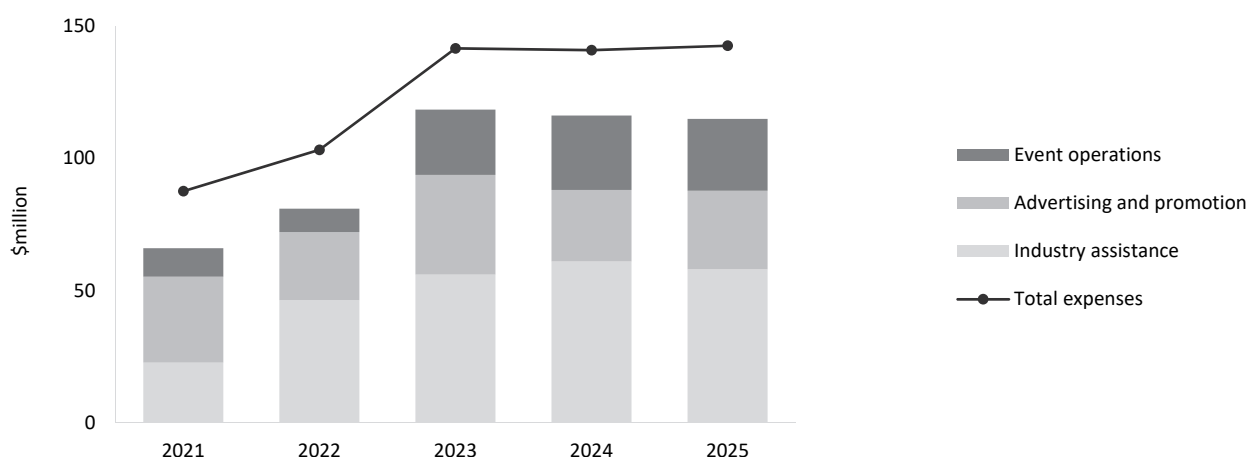
## Income

Income increased to \$140.6 million (\$134.5 million) mainly due to appropriation increases of \$3.9 million. This was mainly due to increased funding for branding activities (\$5 million), and managed and sponsored events, mainly offset by funding ceasing for the 2023 FIFA Women's World Cup.

Income from the SA Government totalled \$126.3 million (\$123.1 million) or 90% (91%) of total revenue in 2024-25. This included \$55.9 million (\$58 million) received from the Department of the Premier and Cabinet's Major Events Fund.

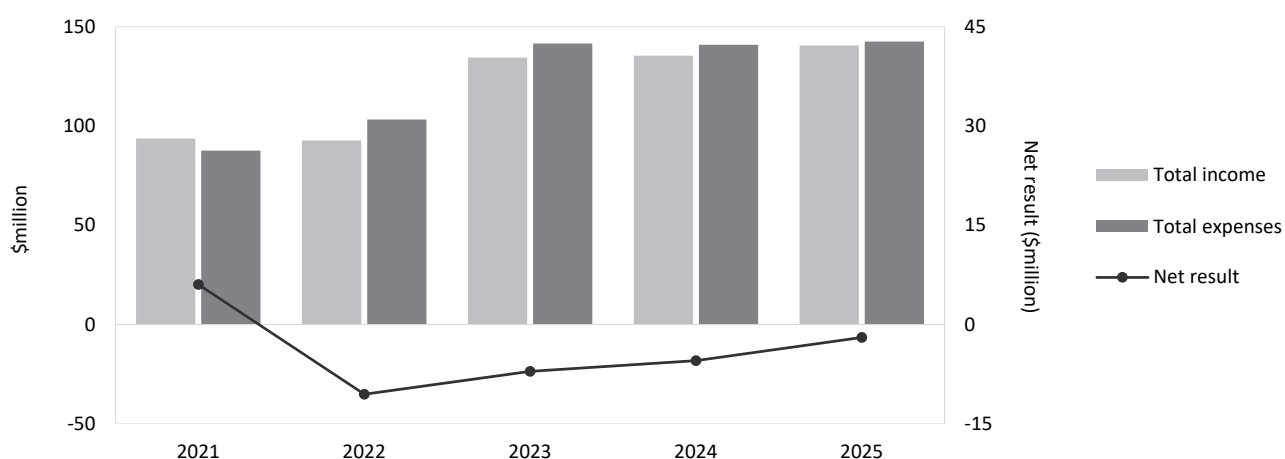
## Expenses

The following chart shows that SATC's main expenses have remained stable since 2023. In 2023 expenses increased by \$37.5 million. This was due to new event sponsorship for sponsored events and increases in event operations following the COVID-19 pandemic and advertising and promotion expenses.



## Net result

The following chart shows SATC's total income, total expenses and net result for the five years to 2025. It highlights that SATC has recorded negative net results since 2022.



## Statement of Financial Position

### Current and non-current assets

Current assets were \$13.3 million and exceeded current liabilities of \$10.7 million by 19.6% at 30 June 2025.

Current assets decreased by \$7.6 million, mainly due to a decrease in cash and cash equivalents of \$8.4 million resulting from increased cash outflows for supplies, services and industry assistance payments. These increased outflows were partly due to the payment of 2023-24 payables in 2024-25.

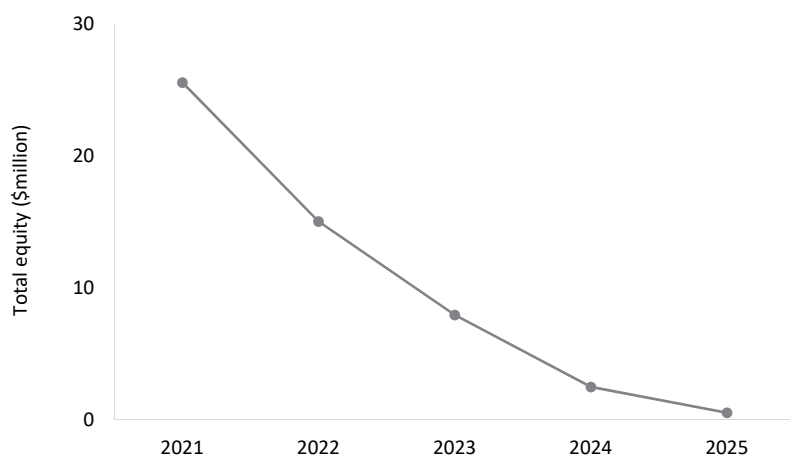
SATC held \$4.9 million in non-current assets at 30 June 2025, mainly for plant and equipment.

### Current and non-current liabilities

Total liabilities decreased by \$6.3 million, mainly due to a decrease in current payables of \$6.9 million offset by a slight increase in employee related liabilities.

### Equity (net assets)

Total equity decreased by \$2 million to \$533,000 in 2024-25 due to a negative net result of \$2 million. The following chart shows that SATC's total equity at 30 June has decreased since 2021.



## Further commentary on operations

### Continuation of major sponsored and managed events

SATC continued sponsoring and managing major events in 2024-25. The LIV Golf tournament attracted more than 102,000 attendees over three days, driven by strong international and interstate visitor numbers. This is an 8% increase from 2023-24. Similarly, the AFL Gather Round continued to be a major domestic tourism drawcard, with hotel occupancy rates up 6% from 2023-24. These numbers were provided by SATC and are unaudited.

## Functional responsibility

---

SATC is established by the *South Australian Tourism Commission Act 1993* and is a body corporate.

SATC's functions include securing economic and social benefits for the State by promoting and developing South Australia as a tourism and events destination. It aims to achieve this by:

- ensuring a coordinated approach to promoting South Australia
- attracting, developing and supporting major and strategic tourism events
- developing tourism resources to maintain and preserve South Australia's environmental and cultural heritage.

## Scope of the audit

---

Our audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- cash and cash management
- contract management and procurement
- employee benefit expenses and workforce management
- supplies and services expenses.

We considered the work of SATC's internal auditors in planning and conducting our work.

# South Australian Water Corporation (SA Water)

## Financial report opinion

## Unmodified

### Audit findings

- Contract management plans do not specify the requirements for managing expiring contracts.
- SA Water requirements for managing conflict of interest declarations are inconsistent with SA Government policy.
- Some of SA Water's practices for managing conflicts of interest declarations were not in line with accepted practice.
- There was no approved contract management plan in place before a major contract started.
- There was incomplete risk management documentation for a major contract.

## Financial statistics



**\$1.8 billion**  
Total income



**\$1.6 billion**  
Total expenditure



**1,805**  
FTEs



**\$9.7 billion**  
System infrastructure assets



**\$1.3 billion**  
Capital works in progress



**37,100 km**  
Length of pipes and mains

### Significant events and transactions

- SA Water started its Metro Growth program, budgeted at \$1.2 billion, to increase water and wastewater capacity in metropolitan Adelaide.
- Long-term debt increased by \$480 million to fund capital expenditure.
- SA Water's infrastructure, plant and equipment assets increased from \$11.1 billion to \$11.8 billion, mainly due to capital expenditure.
- In February 2024 the Treasurer issued a pricing order for drinking water and sewerage retail services provided by SA Water.



## Audit findings

---

We communicated our audit findings in management letters to the Chief Executive. The main findings and SA Water's responses are discussed below.

### **Procurement and contract management for capital projects**

Contract management plans do not specify the requirements for managing expiring contracts

We found that SA Water's policies and procedures do not require extension options, review procedures or the required lead time for re-tendering or renewing contracts to be documented in its contract management plans for major contracts.

SA Water responded that it accepted the recommendation to review and amend its contract management plans as needed to clearly define extension options, establish review procedures required for expiring contracts and set lead time benchmarks for re-tendering or renewing major contracts.

SA Water requirements for managing conflicts of interest were inconsistent with SA Government policy

We found the following inconsistencies between SA Water's governance requirements for managing conflicts of interest and Procurement SA's *Sourcing Policy* requirements:

- The *Sourcing Policy* specifies that a conflict of interest declaration is required from all participants in a procurement evaluation process before starting each procurement, even when there are no conflicts to declare. SA Water's conflict of interest framework or procurement and contract management procedure do not include this requirement.
- The *Sourcing Policy* specifies that the Chair of a procurement evaluation panel (offer evaluation team) is responsible for reviewing conflict of interest declarations and documenting any action taken in response to declared conflicts. SA Water's applicable governance documents do not identify who is responsible for these actions.

SA Water accepted our recommendation to update its policy frameworks to align with the requirements of Procurement SA's *Sourcing Policy*.

Some of SA Water's practices for managing conflict of interest declarations were not in line with accepted practice

In testing SA Water's management of conflict of interest declarations, we found:

- no evidence that 23 conflict of interest declarations received for three procurements were reviewed by SA Water
- nine conflict of interest declarations were missing from members of the offer evaluation team for two procurements.

SA Water acknowledged the need to improve its conflict of interest processes, and accepted our recommendation to update its policy frameworks to align with Procurement SA's policy requirements and best practice.

There was no approved contract management plan in place before a major contract started

We found that there was no approved contract management plan in place for a major contract before it started in 2019.

We found that key documented information for effective contract management was missing at the time the contract started. This included contract financial details, insurance and liability limits, pricing information, contract governance arrangements, performance escalation methods, risk management, dispute resolution and termination, required frequency of contract reviews and contract finalisation time frames, including transition requirements.

SA Water advised us that it did not develop a contract management plan because it was not required to under Treasurer's Instruction 18 *Procurement* at the time the contract commenced.

A contract management plan was approved on 25 June 2025. SA Water advised us that this was developed and approved due to a contract extension on 5 June 2025.

SA Water accepted our recommendation to ensure that a contract management plan is approved for all major contracts before contract commencement in line with the requirements of Treasurer's Instruction 18 and Procurement SA's contract management policy.

### Incomplete risk management documentation for a major contract

SA Water could not provide a risk management plan or tailored risk register for a major contract we reviewed.

SA Water advised us that risks for the management of the major contract we reviewed were captured in the capital investment program risk register. We noted, however, that the register only contained general risks applicable to all SA Water capital programs and not risks discussed and monitored in the client-contractor committee for the contract we tested.

SA Water accepted our recommendation to develop and document risk management plans for all major contracts, and ensure that the risks relating to the oversight and management of contractor viability and performance are promptly identified, and that treatments and controls are documented and monitored.

## Interpretation and analysis of the financial report

### Highlights of the financial report\*

	2025 \$million	2024 \$million
<b>Income</b>		
Water and sewer rates and charges	1,343	1,190
Community service obligations	146	145
Other	280	234
<b>Total income</b>	<b>1,769</b>	<b>1,569</b>

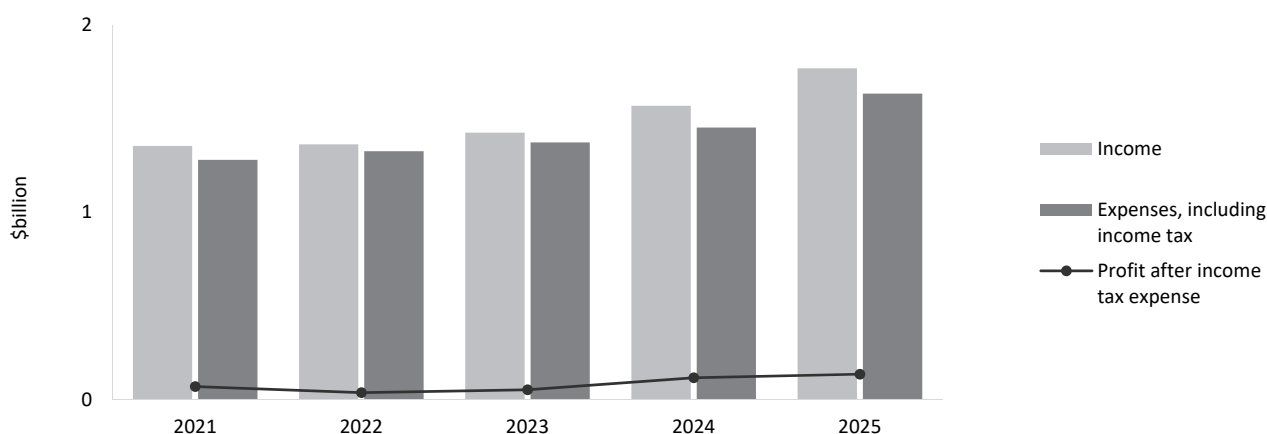
	2025 \$million	2024 \$million
<b>Expenses</b>		
Borrowing costs	360	311
Operational and service contracts	340	274
Depreciation and amortisation expense	282	309
Supplies and services	225	204
Employee benefits expenses	199	159
Electricity expense	103	72
Other expenses	70	83
<b>Total expenses</b>	<b>1,579</b>	<b>1,412</b>
<b>Net profit before income tax equivalents expense</b>	<b>190</b>	<b>157</b>
Income tax expense	55	41
<b>Net profit after income tax equivalents expense</b>	<b>135</b>	<b>116</b>
<b>Other comprehensive income (net of tax)</b>	<b>58</b>	<b>(645)</b>
<b>Total comprehensive result</b>	<b>193</b>	<b>(529)</b>
<b>Assets</b>		
Current assets	254	248
Non-current assets	12,082	11,475
<b>Total assets</b>	<b>12,336</b>	<b>11,723</b>
<b>Liabilities</b>		
Current liabilities	395	366
Non-current liabilities	9,108	8,574
<b>Total liabilities</b>	<b>9,503</b>	<b>8,940</b>
<b>Total equity</b>	<b>2,833</b>	<b>2,783</b>

\* Table may not add due to rounding.

## Statement of Comprehensive Income

### Operating result

SA Water's profit after income tax equivalents expense increased by \$19 million to \$135 million. The following chart shows its income, expenses (including income tax) and profit after income tax for the past five years.



Since 2013 the Essential Services Commission of South Australia (ESCOSA) has regulated the revenue that SA Water can earn from providing drinking water and sewerage retail services. ESCOSA determines the revenue (not price) that SA Water can derive from these services, with SA Water setting annual water and sewerage charges within these revenue limits, and ESCOSA monitoring SA Water's performance.

In February 2024 the Treasurer issued a pricing order for drinking water and sewerage retail services provided by SA Water. The new regulatory period (RD24) and the 2024 pricing order commenced on 1 July 2024. See 'Further commentary on operations'.

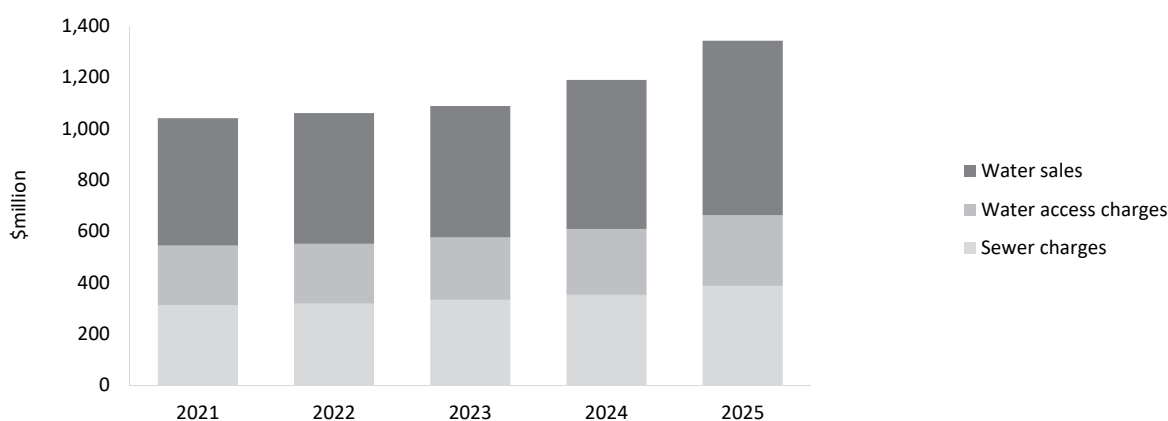
## Income

### Water and sewer rates and charges

The major source of SA Water's income is water and sewer rates and charges, which mainly comprise:

- water sales, charged by volume of water used
- water access charges, mainly set at a fixed amount
- sewer charges, mainly set on property values.

The following chart shows these components for the past five years.

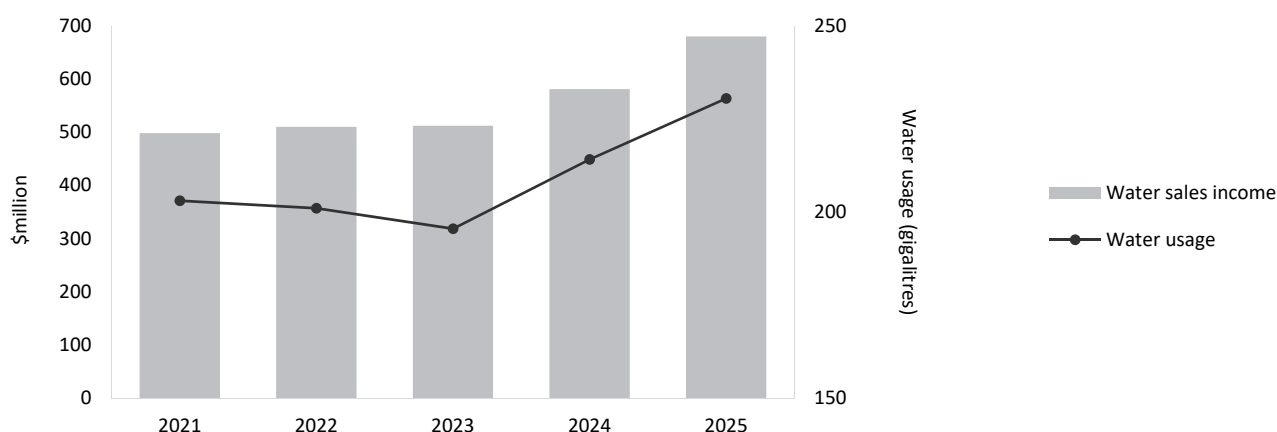


Water and sewer rates and charges revenue is affected by changes in prices charged and water consumption. These rates and charges increased by \$153 million (13%) in 2025, mainly due to \$89 million (7%) for price increases for water and sewer rates and access charges, and \$45 million (4%) for increased water use in the current year. Growth in the customer network was 1.4% for water access and 1.3% for sewer access.

ESCOSA's Final Regulatory Determination 2024 (Final Determination) established limits for the total revenue that SA Water could recover for water and sewerage retail services in the four years from 1 July 2024, being a total of \$5.3 billion in real terms (December 2022 dollars). This is an increase of 21% in the water retail services cap and 30% in the sewerage retail services cap since the last regulatory determination set in 2020 (RD20).

The increase was largely driven by the increase in the rate of return required to cover increased financing costs and the recovery of capital expenditure over time of \$1.39 billion. The SA Government requires SA Water to spend capital expenditure to deliver specific projects and programs including the Metro Growth and Tea Tree Gully sustainable sewers programs during the period. This amount will not be recovered entirely within RD24 but will be recovered over the life of the assets, which can be up to 100 years in some cases. The impact of this requirement in the four-year period is slightly more than 2% of the overall cap.

The following chart shows water usage and water sales income for the past five years.



There were large increases in water usage to 214.1 gigalitres in 2024 and 230.5 gigalitres in 2025, due to below average rainfall and above average temperatures. There is also a growing need for water resources due to factors such as population growth and economic development, with average customer growth totalling 1.3% in 2025. Water prices increased by 5.9% on average in 2025.

The current ESCOSA regulatory period that commenced on 1 July 2024 had a 203.7 gigalitre water demand forecast, increasing by about 0.5% per year to 206.6 gigalitres in 2027-28. Actual demand for water in 2025 was 231 gigalitres, an increase of 13.4% over the forecast. See 'Further commentary on operations'.

### Contributed assets and developer fees

Contributed assets and developer fees increased by \$46 million to \$101 million in 2025. This is mainly due to an additional \$25 million in augmentation charges and a \$19 million increase in assets transferred from developers to SA Water for no cost. See 'Further commentary on operations'.

In June 2024, the Minister for Housing Infrastructure (now Minister for Housing and Urban Development) directed SA Water under the *Public Corporations Act 1993* to charge additional augmentation charges for all new incremental allotments in the greater Adelaide region where connection to water and wastewater infrastructure was required. The charges are payable for all applications for connections made between 1 July 2024 to 30 June 2025 and will continue to apply for the future years in the ESCOSA regulatory period.

### Fees and charges

Fees and charges increased by \$22 million to \$79 million in 2025, mainly due to increases in:

- new property connection charges to the water and sewer network (\$14 million)
- additional electricity generated due to solar panels being online for a greater portion of the year (\$4 million).

## Community service obligations (CSO)

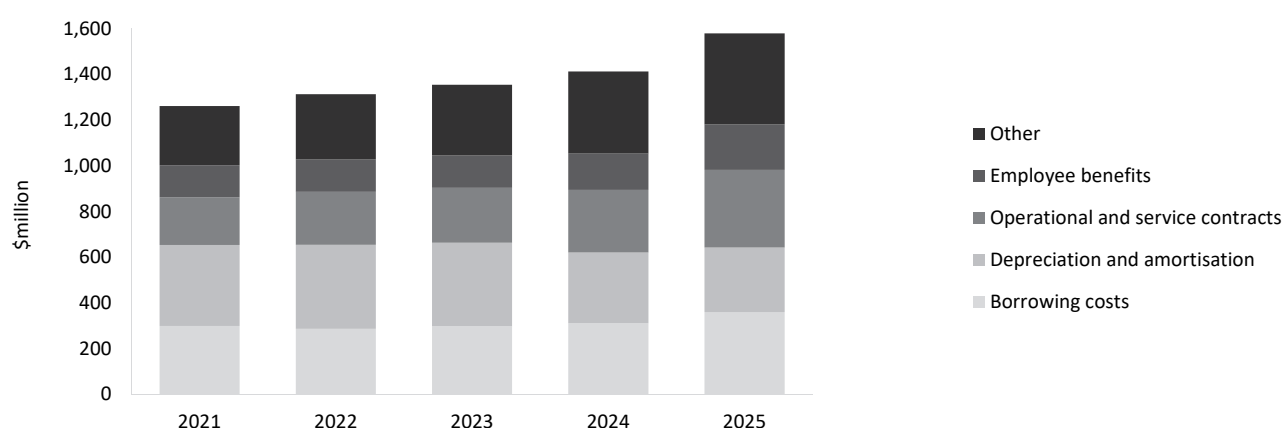
SA Water is required to provide a number of non-commercial services to the community on behalf of the SA Government. The SA Government provides SA Water with CSO funding to compensate it for these activities. CSO revenue increased by \$1.5 million to \$146 million in 2025, including:

- \$109.5 million (\$109 million) for the shortfall in the recovery of costs for country water and sewer services (due to the requirement for statewide pricing)
- \$21 million (\$20 million) for the provision of water and sewer exemptions and concessions to certain properties, including charities and public schools
- \$16 million (\$16 million) for other payments such as Tea Tree Gully sustainable sewers capital works, South Australian Government Radio Network and emergency functional services, and maintaining water and sewerage services in remote communities.

CSOs are provided under SA Water's financial ownership framework, which is agreed with the Treasurer and Minister.

## Expenses

The following chart shows SA Water's main expenses, excluding income tax equivalents expense, for the past five years.



Total expenses (excluding income tax equivalents expense) increased by \$167 million to \$1.6 billion in 2025.

Borrowing costs are SA Water's largest expenses at \$360 million (18%), which are impacted by the size of SA Water's debt and movements in interest rates. SA Water's total borrowings increased by \$482 million (6.3%) in 2025 and the associated interest expense increased by \$49 million (16%). SA Water's long-term borrowings are held at fixed rates so movements in interest rates take time to result in significant impacts on the interest expense.

Operational and service contract expenditure relates to contracts that SA Water has with service delivery providers for metropolitan field operations (including maintenance for the metropolitan pipe network) and water production and treatment. These expenses increased by \$66 million in 2025, largely due to:

- a \$23 million increase for the metro alliance contracts, with dry weather conditions resulting in increased water repairs, meter repairs beyond historic norms and additional work performed to address the water leak backlog

- a \$12 million increase for greater production volumes at the Adelaide desalination plant in 2025 (24.1 gigalitres from 4.8 gigalitres in 2024) and increases in pumping and contracted rates for the River Murray water treatment plant contracts
- a \$20 million increase due to reclassification of design, project management and stakeholder engagement costs to expenditure following revisions to the Eyre Peninsula desalination plant project.

Depreciation and amortisation expense decreased by \$27 million (9%) to \$282 million. The decrease largely reflects SA Water's infrastructure, plant and equipment assets being valued down by \$979 million in 2024.

Employee benefits expenses increased by \$40 million to \$199 million in 2025. Increases in salaries and wages of \$18 million were mostly due to an additional 196 FTEs in 2025 and enterprise agreement salary increases. Superannuation expense increased by \$19 million, mainly due to a \$14 million lump sum payment to Super SA for staff who are members of defined benefit schemes.

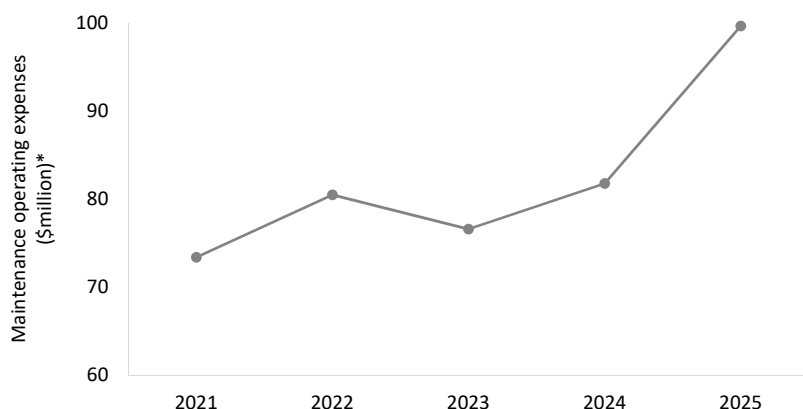
Electricity expenses increased by \$31 million (42%) to \$103 million in 2025, caused by a 42% higher energy usage (432,760 MWh to 614,101 MWh), aligned with a 35% increase in major pumping (187,114 megalitres to 253,345 megalitres), particularly from southern regions to the northern areas of Adelaide, driven by unexpectedly dry weather conditions. The increase was also impacted by price increases of 32% from \$56.17 per MWh in 2024 to \$73.88 per MWh in 2025.

Other expenses decreased by \$13 million to \$70 million, including:

- \$20 million in net bad and doubtful debts, reflecting SA Water's expectation that the \$19.9 million in outstanding water charges from OneSteel Manufacturing Pty Ltd, which was placed into administration in February 2025, is unlikely to be recovered
- \$39 million (\$30 million) of expenditure previously recognised as capital expenditure that was written off due to deferral, redesign or cancellation of projects in 2025.

## Maintenance expenses

The following chart shows SA Water's routine maintenance and repairs expenses on water and sewerage assets for the past five years.



\* Data was provided by SA Water and is unaudited.

Maintenance expenses increased from \$81.8 million to \$99.7 million (22%) due to dry conditions, additional meter repairs and additional work to address a maintenance backlog.

There are many factors that affect the level of maintenance, including the nature of the pipe (metropolitan or country infrastructure), location, age and reason for the maintenance. SA Water also incurs capital expenditure to renew its network.

Maintenance includes the costs of responding to pipe failures or bursts. The number of water mains bursts over the last five years is shown in the following table.

	2020-21 Number	2021-22 Number	2022-23 Number	2023-24 Number	2024-25 Number
Reported water main pipe bursts:*					
Metropolitan	1,838	1,917	1,881	2,121	2,934
Country	1,840	1,813	1,849	2,013	1,955
Total	3,678	3,730	3,730	4,134	4,889

\* Data was provided by SA Water and is unaudited.

Water main pipe bursts increased overall by 18% in 2025 due to the dry conditions, with metropolitan bursts increasing by 38%. The Bureau of Meteorology's 2023-24 national performance report for urban water utilities (BOM report) reports that SA Water's water main breaks, bursts and leaks per 100 km of water mains were the sixth lowest among 15 major urban water utilities. It noted that SA Water's sewerage mains breaks and chokes per 100 km of sewer mains was the third highest among 15 major urban water utilities in 2024. The BOM report notes that care should be taken in comparing the performance of utilities using this indicator, given the range of factors that can influence performance, including soil type, pipe age and material, sewerage configuration and rainfall.

## Other comprehensive income

Other comprehensive income includes gains and losses on the revaluation of infrastructure, plant and equipment, and the income tax equivalent impact of these revaluations. In 2025 other comprehensive income saw a gain of \$58 million, compared to a loss of \$645 million in 2024, mainly due to the downward revaluation of infrastructure assets. See 'Statement of Financial Position'.

## Statement of Financial Position

### Assets

Total assets increased by \$613 million to \$12.3 billion in 2025. Significant movements affecting assets during the year were:

- an increase of \$800 million for capital expenditure, mainly due to:
  - \$439 million for annual programs including asset renewals and growth of the network
  - \$146 million for the Metro Growth program
  - \$60 million for upgrading the Tea Tree Gully sustainable sewers program
  - \$23 million for the Eyre Peninsula desalination plant
  - \$15 million for upgrades to the Bolivar wastewater treatment plant
  - \$15 million for the Ceduna Supply system
- a \$70 million upwards revaluation for infrastructure, plant and equipment
- \$58 million for assets transferred to SA Water by developers at no cost

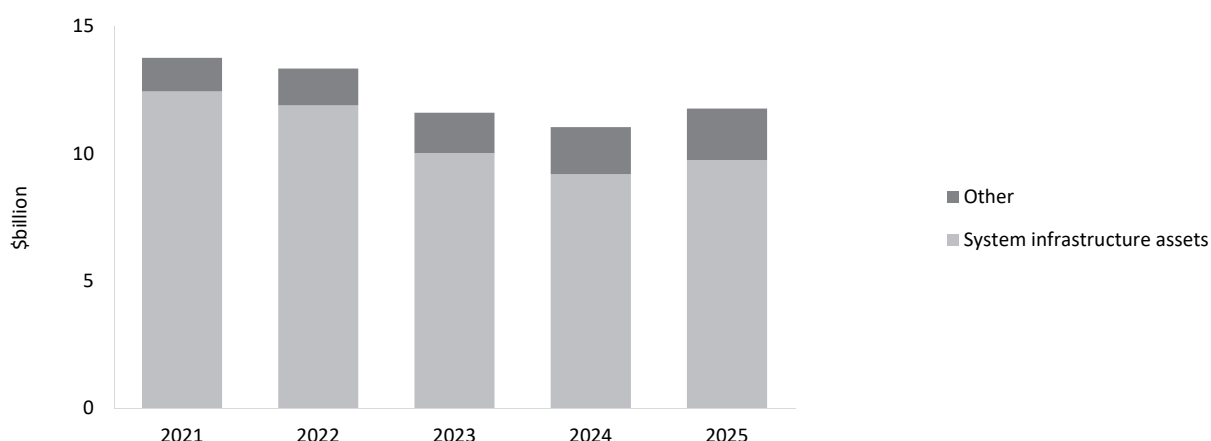


- partially offset by depreciation and amortisation of \$282 million and a \$39 million write-off of work in progress for water and sewerage assets due to the redesign, cancellation or deferral of major projects, including:
  - \$13.5 million for design changes and sunk costs for the Eyre Peninsula desalination plant
  - \$7 million for the Morgan to Whyalla pipeline project caused by delays due to unforeseen ecological considerations.

SA Water's financial position is dominated by water and sewer infrastructure assets and related borrowings.

### Infrastructure, plant and equipment

System infrastructure assets are operationally and financially significant to SA Water, representing \$9.7 billion (79%) of the \$12.3 billion in total assets. The following chart shows the movement in infrastructure, plant and equipment assets for the past five years, which are mostly system infrastructure assets.



Infrastructure, plant and equipment assets have decreased by \$1.4 billion since 2020, reflecting net revaluation decrements and depreciation, offset by additions to water and sewer infrastructure.

### Valuation of SA Water's infrastructure, plant and equipment

Since 2020 SA Water has used an income approach to value its infrastructure, plant and equipment assets. It measures the fair value of the infrastructure by estimating the net future cash flows generated by the use of its water and sewer assets, discounted to present value using a weighted average cost of capital.

SA Water's infrastructure, plant and equipment include all land, system infrastructure assets, plant and equipment, other property, plant and equipment, intangibles, right-of-use assets and work in progress assets that are valued as an integrated network, as all of the assets are required to deliver water, sewerage and recycled water to and from the customer.

A separate income valuation is performed for renewable energy assets, as these assets generate a separately identifiable income source from the water and sewer asset network (see 'Zero Cost Energy Future (renewable energy) assets').

SA Water aligns its approach to determining the future cash flows with the methodology that ESCOSA applies. In addition to the cash flows for regulated assets under this approach, SA Water's fair value calculations include estimated cash flows from non-regulated assets, which are not included in ESCOSA's methodology. The valuation of SA Water's assets in its financial statements does not affect the regulated asset base used by ESCOSA when making revenue determinations (see 'Regulation of water and sewer rates and charges').

### *Asset valuations are sensitive to changes in assumptions*

The discounted cash flow models that SA Water uses to determine the fair value of its infrastructure, plant and equipment assets are highly sensitive to changes in key assumptions and inputs. The primary driver of a discounted cash flow model is the income forecasting used in the predicted future cash flows. SA Water uses the methodology ESCOSA applies in determining its future cash flows, as noted above. The positioning within the regulatory period impacts the certainty of revenue forecasts. The current year is early in the regulatory period so the maximum allowable revenue is known for the current and next three years. As the regulatory period progresses, the forecast makes assumptions about future revenue amounts that fall outside of the current regulatory period.

The following variables have the greatest impact on the fair value calculations:

- the nominal post-tax weighted average cost of capital used to discount future expected cash flows to present values, reflecting the relative risk of the business and the time value of money
- the perpetual nominal growth rate used to estimate the future growth in net cash flows, which is based on long-term inflation estimates
- estimates of future capital expenditure using the ESCOSA final capital expenditure determination as a basis.











In 2025, small changes such as a 0.1% increase or decrease in:

- the nominal post-tax weighted average cost of capital would decrease the valuation by \$666 million or increase the valuation by \$733 million
- the perpetual nominal growth rate would increase the valuation by \$685 million or decrease the valuation by \$623 million.

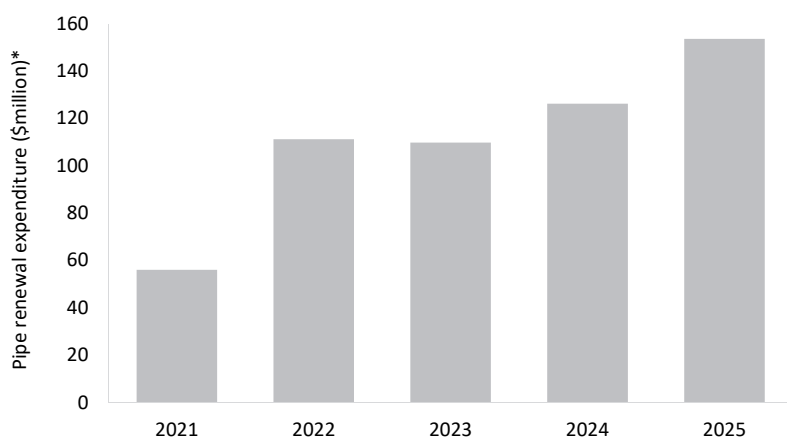
A \$10 million increase/decrease in the nominal post-tax value of future capital expenditure would decrease/increase the valuation by \$401 million.

In 2025 the revaluation of the water and sewer asset network resulted in a small upward (0.5%) revaluation of \$59 million. This was driven by higher revenue forecasts, offset by budgeted increases in capital and operating expenditure over the same period.

The following data provides an overview of SA Water's water and sewer asset network and their value at 30 June 2025. Data on assets was provided by SA Water and is unaudited.

	<b>Water</b>	Assets	Value
	Water customer connections	849,103	\$579 million
	Major pipelines and trunk mains	27,653 km	\$3.1 billion
	Water treatment plants	49	\$159 million
	Dams/Weirs	30	\$446 million
	Desalination plants	8	\$1.3 billion
	<b>Sewerage</b>	Assets	Value
	Customer wastewater connections	669,140	\$520 million
	Wastewater mains	9,473 km	\$1.5 billion
	Treatment plants	29	\$941 million

The following chart shows SA Water's pipe network renewal expenditure for water and sewer pipes, which includes major projects for each year.



\* Data was provided by SA Water and is unaudited.

The chart shows pipe renewal expenditure increasing, with initiatives to replace water mains starting in 2022 and continuing through to 2025 for major projects such as the Metro Growth program and the Morgan to Whyalla pipeline renewal.

### *Zero Cost Energy Future (renewable energy) assets*

The Zero Cost Energy Future (ZCEF) program involved installing over 367,000 solar panels and battery storage across 33 of SA Water's high electricity usage sites. The project originally aimed to provide 70% of SA Water's electricity needs.

The ZCEF program is an unregulated activity, meaning that ESCOSA removed all program costs and future savings that SA Water expects to receive from it from its final revenue determination. All risks and benefits from the ZCEF program will therefore accrue to SA Water and the SA Government, meaning that neither costs or expected future savings arising from the ZCEF program are reflected in the final drinking water and sewerage retail service revenues for the current regulatory period.

SA Water has elected to value its ZCEF assets using the income approach through a discounted cash flow model, using electricity market data and renewable energy certificate pricing estimates. The inputs used for the cash flows are largely derived from the capacity output of the ZCEF program based on estimated energy prices over the life of the assets, up to 2050.

The revaluation using the income approach resulted in ZCEF assets being revalued down by \$4 million (2% of the 2024 fair value of the assets). This decrease was driven by the deterioration in the value of large scale generation certificates, mostly due to lower demand, which more than offsets an increase in value attributable to increased electricity prices. The decrease is recognised as other expenses in the Statement of Comprehensive Income, as there is no existing revaluation reserve for this class of assets after it was also revalued down by \$47 million in 2024 and \$22 million in 2023. The written down value of these assets at 30 June 2025 is now \$197.7 million.

### Liabilities

SA Water's total liabilities increased by \$563 million to \$9.5 billion in 2025. Borrowings represent 86% of total liabilities. The increase in total liabilities is largely due to increases in:

- borrowings of \$482 million to \$8.1 billion to fund capital expenditure. SA Water's borrowings are with the South Australian Government Financing Authority (SAFA). Most of the debt is long term and at fixed interest rates
- deferred tax liabilities of \$70 million to \$594 million, due to the tax effect of the system infrastructure assets revaluation and increases for timing differences between tax and accounting depreciation.

### Current assets and liabilities

Current liabilities amounted to \$395 million at 30 June 2025, exceeding current assets of \$254 million by \$141 million. While such a deficiency in working capital can be of concern, SA Water has a strong cash flow position from operating activities and access to sufficient borrowing facilities with SAFA, which would enable all of its current liabilities to be met. A large component of its current liabilities is payables, comprising 71% (69%) of the balance.

## Further commentary on operations

### Financial ownership framework, charter and performance statement

SA Water operates under a financial ownership framework, charter and performance statement, which are all approved by the Treasurer and Minister. The *Public Corporations Act 1993* requires the charter and performance statement to be reviewed at the end of each financial year.

The performance statement defines SA Water's contribution to the SA Government for dividends, repayment of capital, income tax equivalents and other rates and taxes. The key financial performance measures agreed to in the performance statement are shown in the following table.

Performance measure	Target 2024-25	Actual results 2024-25
Profit before tax (\$million)	143.9	190.0
Tax expense (\$million)	55.9	54.9
Dividend (\$million)	128.5	143.0
Total contribution (\$million)	184.4	197.9
Gearing ratio (%) <sup>*</sup>	60	66.6

<sup>\*</sup> Total interest-bearing debt (including borrowings and lease liabilities) divided by total assets.

SA Water's actual contribution of \$197.9 million was \$13.5 million above its performance target. The target is calculated at 100% of profit, in line with SA Government requirements for government businesses.

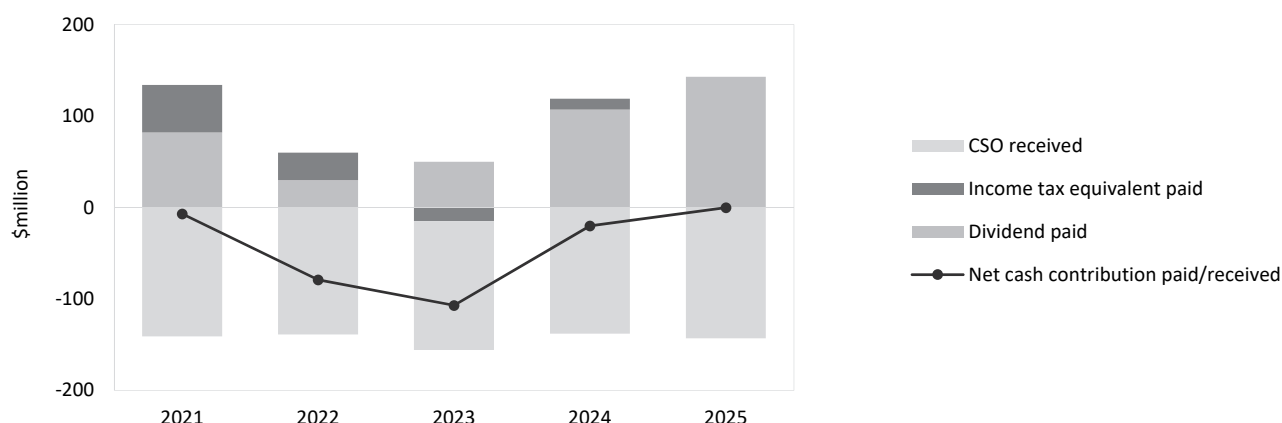
SA Water's performance statement and financial ownership framework includes CSO payments from the SA Government to support non-commercial services (see 'Community service obligations') and requires SA Water to maintain a gearing ratio of at least 45%. For 2025 a target gearing ratio of 60% was specified, while the actual result was 66.6%. The gearing ratio represents the proportion of debt (interest-bearing liabilities) to assets for the entity.

The following table summarises movements in the major items influencing SA Water's borrowings (debt).

	2021 \$million	2022 \$million	2023 \$million	2024 \$million	2025 \$million
Net cash inflows from operating activities	438	372	461	460	469
Net cash outflows from investing activities	(446)	(455)	(548)	(656)	(790)
Surplus (Shortfall in) cash from operations after investing activities	(8)	(83)	(87)	(196)	(321)
Dividend payments to owners	(82)	(30)	(50)	(107)	(143)
Surplus (Shortfall in) funds to pay for dividends and investing activities	(90)	(113)	(137)	(303)	(464)
Net increase in borrowings	107	116	142	322	482

Net borrowings increased by \$482 million in 2025, reflecting the new debt required to pay for dividends and investing activities. In December 2024, the Treasurer approved a core debt limit of \$10.48 billion for SA Water, an increase of \$2.3 billion. The approved working capital facility limit with SAFA at 30 June 2025 was \$150 million. This debt limit increase was required following the implementation of the 2024–2028 regulatory determination period, with the increase required to accommodate higher capital investment levels.

The following chart shows SA Water's cash contributions to the SA Government (dividends and net income tax equivalent paid) and CSO funding provided by the SA Government for the past five years.



The chart shows the money returned to/received from the SA Government through income tax equivalent and dividend payments reducing significantly from 2021 before increasing in 2024 and 2025. Net cash contribution from the SA Government in 2025 was negligible (\$19.7 million in 2024).

### Comparison with other water utilities

As discussed above, SA Water is required to maintain a debt to asset ratio of at least 45%. This is designed to ensure its debt is in line with other interstate water utilities. The following table shows SA Water's 2025 gearing ratio is measured as total debt divided by total assets and is compared to those of four major water utilities from around Australia at 30 June 2024. SA Water's gearing ratio is higher than these other utilities, although it is similar to Sydney Water and Yarra Valley Water.

	SA Water (2025)	Sydney Water	Melbourne Water	Yarra Valley Water
Gearing ratio	66.6	61.1	45.1	59.9

SA Water's gearing ratio increased in 2025, up from 66.1% in 2024, mainly due to a \$482 million increase in borrowings in 2025.

### Housing Roadmap – Metro Growth program

In June 2024, the SA Government released the Housing Roadmap Plan in response to housing shortages across metropolitan Adelaide. The plan includes a \$1.2 billion investment in water and wastewater infrastructure to grow the capacity of the network over the next four financial years.

In June 2024, the Minister for Housing and Urban Development (the Minister) issued a direction under the *Public Corporations Act 1993*, requiring SA Water to spend \$1.2 billion over the 2025–2028 financial years in projects to increase the capacity of the water and wastewater networks. The growth areas in the plan are mainly focused in the northern metropolitan region, with one southern area included at Onkaparinga Heights. The program includes installing 30 km of water mains, 54 km of wastewater mains, nine new pumping stations and two water storage tanks. The program also includes an increase in capacity of South Australia's largest wastewater treatment plant at Bolivar.

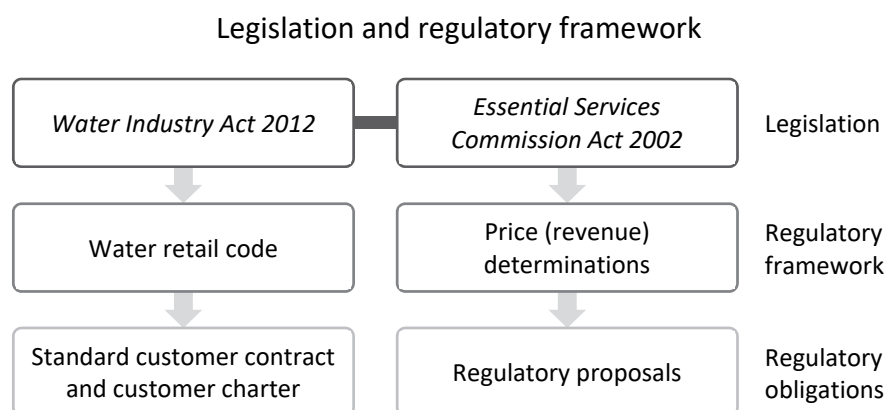
SA Water has named the required works the Metro Growth program, with construction starting in September 2024. The funding for this investment will come from increases in retail water and wastewater charges, increased augmentation fees for new developments and infill and contributions from the SA Government. The 2024-25 Mid-Year Budget Review included \$141 million for the Metro Growth program in 2024-25.

## Regulation of water and sewer rates and charges

### Essential Services Commission of South Australia (ESCOSA)

Under the *Water Industry Act 2012* (WI Act) ESCOSA was appointed as the independent economic regulator for the South Australian water industry from 1 January 2013. SA Water operates within the requirements of the WI Act by holding a licence and continuing to provide water supply and sewerage services.

Under the WI Act, ESCOSA is responsible for making revenue determinations and complying with the requirements of any pricing order issued by the Treasurer under the WI Act.



### Pricing orders

The Treasurer issued a number of pricing orders under the WI Act since September 2012. They have specified that ESCOSA is to determine the revenue (not price) that may be derived from the provision of drinking water and sewerage retail services (separately). ESCOSA considers specified values for SA Water's retail water and sewerage regulated asset bases when determining the revenue for water and sewerage services.

In February 2024 the Treasurer issued a pricing order under the WI Act setting out various parameters, principles or factors that ESCOSA must adopt or apply in making its determination for SA Water's water and sewerage services for the regulatory period 1 July 2024 to 30 June 2028 (RD24).

The 2024 pricing order required that the determination must allow SA Water to recover such costs (less any contributions to such costs that it receives) that are from activities that SA Water is required to provide in line with a direction from the Minister under the *Public Corporations Act 1993* (PC Act).

In June 2024 the Minister issued a direction under the PC Act, directing SA Water to fund over \$1.5 billion in capital expenditure to meet water and wastewater requirements in metropolitan Adelaide and upgrade the Tea Tree Gully community wastewater management system over the four year period. The Minister also directed SA Water to charge additional augmentation charges

for all new incremental allotments in the greater Adelaide region where connection to water and wastewater infrastructure was required. The charges are payable for all applications for connections made between 1 July 2024 and 30 June 2025 and will continue to apply for the future years in the ESCOSA regulatory period.

## ESCOSA determinations

In June 2024 ESCOSA released the final determination to apply to SA Water for the period 1 July 2024 to 30 June 2028 (RD24). This established the total revenue that SA Water can recover in this four-year period for providing drinking water retail services.

This RD24 determination sets SA Water's maximum allowable revenue for drinking water retail services at \$3.5 billion over the four years (averaging \$881 million per annum) and \$1.8 billion for sewerage retail services (averaging \$451.5 million per annum). Compared to RD20, this is a 21% increase in the drinking water retail services cap and a 30% increase in the sewerage retail services cap, largely driven by the increase in the rate of return required to cover increased financing costs.

The increase in the revenue caps also reflects the recovery over time of the additional capital expenditure that the SA Government requires SA Water to spend to deliver the Metropolitan Growth and Tea Tree Gully sustainable sewers programs. Amounts will not be recovered entirely within RD24, but will be recovered over the life of the assets.

The caps on water and sewerage services revenue in the final determination are subject to a demand adjustment mechanism if actual water sales or sewerage connections differ materially from forecasts. ESCOSA monitors compliance with these caps, but any adjustments allowed under the regulatory framework, including any demand adjustments required, are assessed at the end of the regulatory period.

In ESCOSA's analysis, the revenue outcomes will provide SA Water with sufficient revenue to fund efficient operations, finance prudent investments on a long-term basis and meet the health, safety, environmental and customer service standards that apply to SA Water in the current four-year period. While its determination applies to this period, it considers SA Water's long-term asset management, financing and service delivery plans in making its determination.

SA Water was under the RD20 four-year revenue cap for wastewater due to decisions to pass on lower than CPI increases in 2022-23 and 2023-24. However, for water, SA Water was over the revenue cap due to higher than forecast water demand. This triggered an adjustment mechanism where ESCOSA applied a \$30.9 million downward adjustment to the current regulatory period (RD24), reducing SA Water's revenue cap.

## SA Water pricing

SA Water sets annual water and sewerage charges within the revenue limits determined by ESCOSA, with ESCOSA then monitoring SA Water's performance. Prices vary according to customer type. The following table shows the water charges for residential customers for the past five years:

	2021-22	2022-23	2023-24	2024-25	2025-26
Residential water charges	\$	\$	\$	\$	\$
First tier: first 0.3836 kL per day	1.97/kL	2.03/kL	2.13/kL	2.25/kL	2.36/kL
Second tier: from 0.3836 kL to 1.4247 kL per day	2.81/kL	2.90/kL	3.04/kL	3.21/kL	3.37/kL
Third tier: over 1.4247 kL per day	3.04/kL	3.14/kL	3.29/kL	3.48/kL	3.65/kL
Annual residential water supply charge per year	274.40	283.20	296.80	314.40	329.20



Price increases for 2024-25 were below inflation in line with State Budget decisions. However, price increases for 2025-26 result in an increase to the average residential bill of 3.5% plus CPI, being an increase of 4.5% for 2025-26. This is required to fund expenditure requirements as detailed in RD24, including expenditure for the Metro Growth project and maintaining and improving existing assets.

## Regulatory accounting statements

SA Water is required to submit regulatory accounting statements to ESCOSA. ESCOSA's Water Industry Guideline No. 2 *Water regulatory information requirements – major retailers*, issued under the *Essential Services Commission Act 2002*, specifies the requirements for major retailers to collect, allocate, record and report its regulated business data to ESCOSA.

We do not audit the regulatory statements submitted to ESCOSA, which are special purpose financial statements.

## Functional responsibility

---

SA Water is a public corporation established by the *South Australian Water Corporation Act 1994*. From 15 April 2024, it is responsible to the Minister for Housing and Urban Development.

SA Water's primary functions are to provide services for the storage, treatment and supply of water and the removal and treatment of wastewater.

The *Public Corporations Act 1993* applies to SA Water and requires a charter and performance statement to be prepared by the Minister and the Treasurer after consultation with SA Water.

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- revenue, including the billing, collection, receipting and banking of water and sewer rates and charges
- expenditure, including operational and service contracts, services and supplies and electricity expenses
- cash and borrowings, including borrowing costs
- employee benefits expenses and provisions
- fixed assets, including additions to and transfers from capital works in progress, capital purchases, depreciation and revaluations
- governance
- general IT controls.

We reviewed controls over the purchase of non-financial assets (procurement, contract management and project management), management of water and sewerage assets and sale of goods and services (water and sewerage revenue) as part of our overall controls opinion, which is discussed in Part B of this report.

# Department of State Development (DSD)


## Financial report opinion


Unmodified

## Audit findings

Important controls for payroll processing and leave management need to improve.


## Financial statistics

 \$580 million  
Total income

 \$573 million  
Total expenditure

 420  
FTEs

## Administered

 \$19 million  
Total income

 \$21 million  
Total expenditure

## Significant events and transactions

- The Department for Industry, Innovation, and Science was renamed the Department of State Development.
- DSD’s net assets increased by \$53 million due to the following machinery of government changes that were effective from 1 July 2024:
  - Skills SA was transferred from the Department for Education to DSD
  - the trade and investment, Agent-General and Brand SA functions under the Department for Housing and Urban Development were transferred to DSD
  - the Population Strategy Unit was transferred from the Department of the Premier and Cabinet to DSD.

## Audit findings

---

We communicated our audit findings in a management letter to the Chief Executive. The main finding and DSD's response are discussed below.

### Payroll

#### Delayed review of bona fide certificates and leave return reports

We found delays in the review of bona fide certificates and leave return reports by DSD managers.

Managers are required to confirm the validity and accuracy of information in bona fide certificates within 14 days, and leave return reports within 30 days. Prompt review of these reports provides assurance that:

- payments to employees are valid and authorised
- leave taken by employees is completely and accurately recorded.

Between July 2024 and January 2025 the compliance rate for approval was 68% for bona fide certificates and 71% for leave return reports.

We recommended that DSD regularly remind its managers to promptly review these reports, particularly for areas with consistently lower compliance rates.

DSD advised us that it is reviewing payroll reporting capabilities and increasing staff training and awareness for reviewing these reports.

## Interpretation and analysis of the financial report

---

### Highlights of the financial report\*

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	433	54
Fees and charges	3	2
Grants and subsidies	44	-
Intra-government transfers	92	3
Other revenue	8	3
<b>Total income</b>	<b>580</b>	<b>62</b>
<b>Expenses</b>		
Grants and subsidies	476	30
Employee benefits expenses	53	22
Supplies and services	41	10
Other expenses	3	2
Payments to Consolidated Account	-	9
<b>Total expenses</b>	<b>573</b>	<b>72</b>
Changes in property, plant and equipment	-	-
<b>Total comprehensive result</b>	<b>8</b>	<b>(11)</b>

	2025 \$million	2024 \$million
<b>Assets</b>		
Current assets	88	18
Non-current assets	17	9
<b>Total assets</b>	<b>104</b>	<b>26</b>
<b>Liabilities</b>		
Current liabilities	19	7
Non-current liabilities	17	11
<b>Total liabilities</b>	<b>36</b>	<b>18</b>
<b>Total equity</b>	<b>69</b>	<b>8</b>

\* Table may not add due to rounding.

## Statement of Comprehensive Income

### Income

DSD is mainly funded by appropriation, receiving \$433 million in 2025. This represents an increase of \$379 million from the previous year, mainly due to these machinery of government changes, effective from 1 July 2024:

- Skills SA transferred from the Department of Education to DSD
- the trade and investment function transferred from the Department for Housing and Urban Development (previously Department for Trade and Investment) to DSD
- responsibility for the Minister's Office transferred from the Department for Infrastructure and Transport to DSD.

DSD also received \$92 million in intra-government grants and transfers in 2025, including:

- \$65 million from the Treasurer's Contingency Fund:
  - \$48.7 million for the Whyalla Steelworks support package to support the delivery of the South Australian Business Creditor Assistance Scheme and the Whyalla Small Local Business Support Grant program
  - \$15.8 million to support initiatives at TAFE SA in line with priorities of the National Skills Agreement with the Commonwealth
- \$16.6 million from the Business Growth Fund to support round two of the energy efficiency grants
- \$8.2 million from the Department for Housing and Urban Development for programs transferred to DSD as part of the machinery of government changes.

DSD also received \$44 million in Commonwealth-sourced grants of:

- \$37 million under the National Skills Agreement
- \$6 million for phase 2 of the Fee-Free TAFE initiative
- \$1 million for the Degree Apprenticeship Pilot Program.

## Expenses

### Grants and subsidies

Total grants and subsidies were \$476 million in 2024-25. This mainly comprised:

- \$267 million for TAFE SA Vocational Education and Training (VET) funding
- \$112 million for Skills SA VET subsidies to registered training organisations
- \$33 million for industry, innovation and science grants and subsidies
- \$32 million for small and family business grants, including \$16.1 million for the Whyalla Steelworks support package and \$13.6 million provided to small businesses by the Business Growth Fund's energy efficiency grants (round two)
- \$29 million for other VET grants.

### Employee benefits expenses

Employee benefits expenses were \$53 million in 2024-25. This increased by \$31 million due to the transfer of staff as part of the machinery of government changes.

### Supplies and services

Supplies and services of \$41 million mainly consisted of:

- \$13.2 million in contractor expenses, mainly to deliver the Digital Transformation Project to replace a number of manual systems and processes with digital solutions
- overseas trade representation of \$6.7 million to support 15 overseas offices
- IT and communication costs of \$5.1 million
- accommodation and property costs of \$4.2 million
- marketing costs of \$3.6 million, including \$2.6 million in costs for trade and investment initiatives, such as Brand SA.

## Statement of Financial Position

The increase in total equity is driven by the machinery of government changes effective from 1 July 2024.

### Administered items

DSD administers student travel concessions for all VET and higher education students, the disbursement of salaries and allowances pursuant to the *Agent-General Act 1901* and the disbursement of salary and allowances for the Minister.

The increase in DSD's administered activities is largely due to student travel concessions, with the administered appropriation increasing by \$7 million to \$17.9 million in 2025. This reflects:

- price and volume adjustments for student transport concessions of \$3.9 million
- VET student transport concessions of \$2.8 million. These concessions were previously provided by the Department for Education.

## Further commentary on operations

---

### Whyalla Steelworks support package

In 2024-25 DSD provided funding to support South Australian businesses and workers affected by the OneSteel administration. Funding of \$48.7 million was received from the Treasurer's Contingencies Fund, with \$16.8 million paid to recipients in 2024-25 as follows:

- Whyalla creditor assistance payments of \$15.4 million, reflecting 65 payments from the 117 applications received. The remaining applications are being assessed
- Whyalla small local business support grants of \$670,000, reflecting 67 payments from 122 applications received
- additional business and personal support of \$761,000.

The assessment of applications and payments for the support package will continue in 2025-26.

## Functional responsibility

---

DSD is an administrative unit established under the *Public Sector Act 2009*. Its main functions are to drive economic growth and create jobs in priority industry sectors in South Australia, underpinned by research, training, development and innovation capability.

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- machinery of government changes
- expenditure, including grants and accounts payable
- payroll processing
- revenue, including grants and subsidies revenue and accounts receivable
- cash
- property, plant and equipment
- general ledger and reconciliations.

We reviewed controls over bank accounts covered as part of our overall controls opinion, which is discussed in Part B of this report.

# Superannuation sector overview

## South Australian public sector superannuation

The SA Government and its controlled entities contribute to defined benefit and defined contribution superannuation schemes for their employees. Defined benefit schemes provide post-employment benefits to members as defined by the relevant scheme rules. The main defined benefit schemes are now closed to new members.

Defined contribution schemes are post-employment benefit schemes under which the employer pays fixed contributions into a fund. The amount of benefits payable to members depends on a number of factors such as the amount of member and employer contributions, investment earnings and fees charged to the member's account.

The Auditor-General audits the following South Australian public sector superannuation schemes.

Scheme	Type	Membership/Beneficiaries
Governors' Pensions Scheme (GPS)	Defined benefit	Former Governors of the State
Judges' Pensions Scheme (JPS)	Defined benefit	South Australian judges
Parliamentary Superannuation Scheme (Parliamentary Super)	Hybrid (defined benefit and defined contribution)	Members of Parliament
Police Superannuation Scheme (Police Super)	Defined benefit	South Australian police officers who commenced employment with South Australia Police on or before 31 May 1990
South Australian Ambulance Service Superannuation Scheme (Ambulance Super)	Hybrid (defined benefit and defined contribution)	Employees of the SA Ambulance Service Inc
South Australian Superannuation Scheme (SASS)	Hybrid (defined benefit and defined contribution)	<i>Pension Scheme</i> SA Government employees who elected to contribute to SASS before 30 May 1986  <i>Lump Sum Scheme</i> SA Government employees who elected to contribute to SASS after 1 July 1988 and before 4 May 1994
Southern State Superannuation Scheme (Triple S)	Defined contribution	SA Government employees from 1 July 1995
Super SA Retirement Investment Fund (SSARIF)	Mixed (income stream and defined contribution)	SA Government employees who have retired, or are nearing retirement age, or have ceased employment with the SA Government
Super SA Select (Select)	Defined contribution	SA Government employees wishing to join a taxed scheme

All public sector superannuation schemes are exempt schemes that are not regulated by the Australian Prudential Regulatory Authority (APRA) under Schedule 1AA of the Superannuation Industry (Supervision) Regulations 1994. However, while not regulated by APRA, for statutory purposes the schemes report to APRA under an agreement between the Commonwealth and State Governments.

These schemes have unique attributes that include, but are not limited to, the following:

- concessional contributions (ie contributions before tax) plus earnings may be released from the age of 55 (or 50 for Police Super members), on termination of South Australian public sector employment. This does not require permanent retirement
- non-concessional contributions plus earnings may be released irrespective of age on terminating South Australian public sector employment
- a member's preservation age will generally remain at age 55 (or 50 for Police Super members) and not increase to age 60.

A number of South Australian public sector superannuation schemes are constitutionally protected (ie Triple S, SASS, Parliamentary Super, JPS, GPS, Police Super). Consequently, these schemes have the following unique attributes:

- concessional contributions are not taxed on receipt into the scheme, and therefore there is no requirement to deduct the 15% contributions tax
- there is no tax payable on contributions or earnings until the member leaves the scheme. This includes tax on fund income
- there are no annual concessional contribution caps, but a lifetime concessional contribution cap is in place
- annual non-concessional caps do apply to members of the constitutionally protected fund, however any tax payable levied by the ATO is against the member.

## Administration and funds management

The following table shows the entities responsible for administering (that is, receiving contributions and paying benefits) each of the public sector superannuation schemes.

Scheme	Entity responsible for administration
JPS, GPS	Legislation is committed to the Treasurer
Parliamentary Super	South Australian Parliamentary Superannuation Board
Police Super	Police Superannuation Board
SASS, Triple S, SSARIF, Ambulance Super	South Australian Superannuation Board
Select	Southern Select Super Corporation

Except for Police Super, the Department of Treasury and Finance – State Superannuation Office (Super SA) provides outsourced administration services to the schemes. The Police Super Office, an administrative unit of South Australia Police, provides administration services to Police Super.



The Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for investing and managing the superannuation schemes' funds in line with the *Superannuation Funds Management Corporation of South Australia Act 1995*. The Funds SA commentary in this report provides an extensive overview of its investment option performance for its tax-exempt investment options and multi-sector strategies for 2024-25.

## Investments and related performance

Global financial markets remained resilient in 2024-25 amid geopolitical tensions, monetary policy shifts and technological advancements, with robust performance noted across various asset classes. The Australian financial market experienced moderate growth driven by stabilising global market conditions, offset by ongoing trade tensions and commodity price volatility.

In 2024-25 the Reserve Bank of Australia (RBA) shifted its policy position from holding the cash rate to an easing cycle in response to inflation decreasing to within RBA target ranges.

The superannuation schemes had \$44 billion (\$40.9 billion) in combined assets as reported in individual scheme statements of financial position at 30 June 2025. The fair value of these combined assets increased by \$3.1 billion (7.5%), reflecting strong investment returns.

Combined investment expenses were \$119.1 million (\$126.7 million), as reported in individual scheme statements of comprehensive income for 2024-25.

## Surplus (Deficit) of net assets to member benefits liabilities

The SA Government controls and funds a number of defined benefit superannuation schemes designed to provide employees with pensions or defined lump sum benefits on retirement. Except for JPS and GPS, these schemes are now closed to new members.

The total deficit/surplus of net assets to member benefit liabilities was \$3.7 billion (\$4.2 billion) as shown in the table below.

	Net assets available for member benefits		Member benefits liabilities		Total equity over (under) funded	
	2024	2025	2024	2025	2024	2025
	\$million	\$million	\$million	\$million	\$million	\$million
SASS	4,514	4,530	8,661	8,344	(4,147)	(3,814)
Police Super	2,444	2,569	2,590	2,620	(146)	(51)
Parliamentary Super*	280	293	257	265	23	28
Ambulance Super*	293	299	257	257	36	42
JPS	333	351	282	294	51	57
GPS	2	4	4	4	(2)	0
	7,866	8,046	12,051	11,784	(4,185)	(3,738)

\* Amounts included relate only to the defined benefit portion of the schemes.

The total unfunded member benefits liabilities (deficit of net assets to member benefits liabilities) were calculated in line with AASB 1056 *Superannuation Entities*.

## **Different liability balances are reported under separate accounting standards**

The terms of these defined benefit schemes create an obligation for the SA Government to pay future benefits to scheme members. The SA Government estimates a \$6.4 billion liability at 30 June 2025 for unfunded superannuation benefits in the 2025-26 State Budget (see 2025-26 Budget Paper 3 *Budget Statement*, page 56).

This figure is significantly larger than the accumulated deficit of net assets to accrued benefits identified above. This variance is mainly due to the different discount rates used to calculate accrued member benefit liabilities under AASB 1056, and the rate required under AASB 119 *Employee Benefits*. While both standards require measurement of the present value of expected future benefit payments, superannuation schemes are required to use a market-determined, risk-adjusted discount rate appropriate to the scheme.

For the purposes of the State Budget and whole of government financial reporting, the SA Government's unfunded superannuation liability is measured in line with AASB 119, which requires the use of a risk-free discount rate reflecting the market yields on Commonwealth Government bonds.

## **Catch-up funding cash payments**

The unfunded superannuation liability is long-term in nature and can be subject to significant volatility. This is reflected over the years in the short-term variability from valuation assumptions, such as the discount rate and actual investment earnings.

A program began in 1994-95 to fully fund all employer superannuation liabilities and have the defined benefit schemes fully funded by 2034 (see 2025-26 Budget Paper 3 *Budget Statement*, page 56).

The estimated past service liability contribution for 2024-25 was \$569 million (see 2025-26 Budget Paper 3 *Budget Statement*, page 57). Its purpose is to catch up the shortage of funding for employment in years before the full funding policy. The past service contribution is affected by a number of factors, including the long-term earnings rate on superannuation assets. To meet the 2034 funding target, future past service payments will be adjusted to compensate for investment performance that varies from the assumed rate.

# Superannuation Funds Management Corporation of South Australia (Funds SA)

## Financial report opinion


**Unmodified**

## Audit findings

User access review for some systems needs improvement.

## Financial statistics


### Funds SA


 **\$25 million**  
Total income

 **\$23 million**  
Total expenditure


 **71**  
FTEs

### Funds under management

 **\$4.2 billion**  
Net income

 **\$47.8 billion**  
Net assets

 **18**  
Investment options

 **33**  
Client accounts managed

## Significant events and transactions

- Funds under management increased by \$3.6 billion (8%) due largely to \$3 billion of unrealised gain, and \$1.3 billion of rent, interest and dividends, offset by \$575 million of net redemptions by clients.
- Net investment income amounted to \$4.2 billion, of which \$3.3 billion was from international and Australian equities.

## Audit findings

We communicated our audit findings in a management letter to Funds SA. The main finding and Funds SA's response is discussed below.

### User access review needs improvement

We found that the scope of user access review, procedures and documentation for some systems could be improved. Insufficient procedures increase the risk that access reviews are not performed effectively, potentially resulting in unauthorised access to systems.

Funds SA responded with actions to update its procedures and controls over user access.

## Interpretation and analysis of the financial report

### Highlights of the financial report

Funds SA	2025 \$million	2024 \$million
<b>Total income</b>	24.7	22.8
<b>Total expenses</b>	23.3	23.9
<b>Net surplus (deficit) and total comprehensive result</b>	1.4	(1.1)
<b>Total assets</b>	20.9	18.3
<b>Total liabilities</b>	7.6	6.3
<b>Total equity</b>	13.3	12.0
<b>Funds under management</b>	2025 \$billion	2024 \$billion
<b>Net income</b>	4.2	3.2
<b>Net assets</b>	47.8	44.2

### Funds SA

Funds SA's operating result for the year was a net surplus of \$1.4 million (\$1.1 million deficit).

Funds SA's main income is administration fees charged to clients of \$24.3 million (\$22.5 million). Administration fees are calculated based on average funds under management. These fees increased by \$1.8 million (8%), reflecting higher average funds under management during the year. The rates charged did not change from the previous year.

Assets increased by \$2.6 million to \$20.9 million. Liabilities increased by \$1.3 million to \$7.6 million, mainly due to Funds SA agreeing to lease its existing premises for an additional five years.

## Funds under management

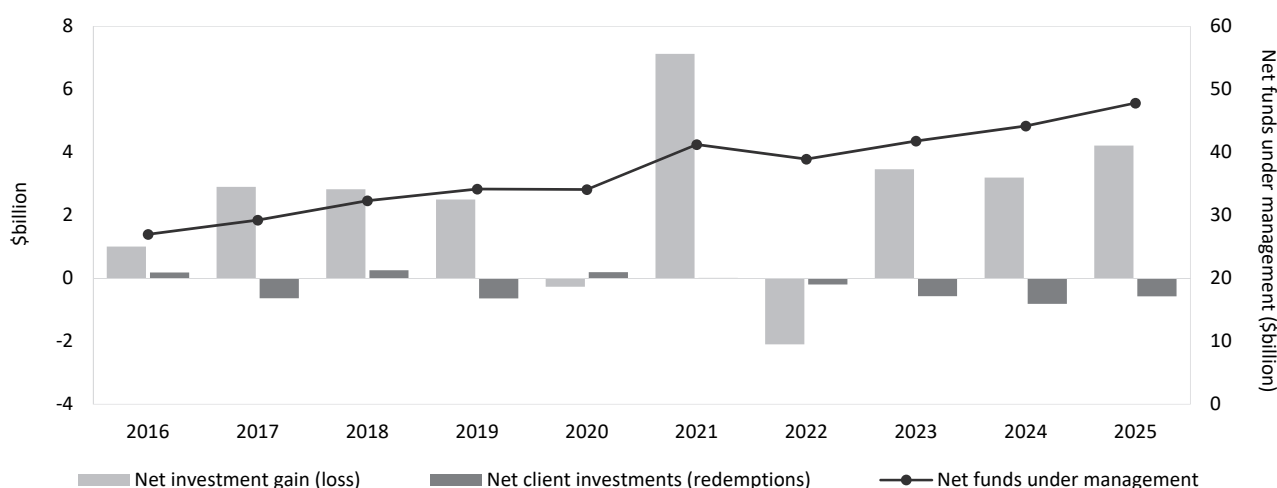
Funds SA exists to invest and manage the public sector superannuation funds, funds of eligible superannuation schemes and nominated funds of approved authorities. Funds SA works with clients to design investment strategies that meet their investment needs.

The value of Funds SA's funds under management was \$47.8 billion at 30 June 2025, of which:

- \$44.3 billion (93%) was for public sector superannuation schemes, which are mostly administered by Super SA (91%). The superannuation overview section of this report details the public sector superannuation structure, entities and administration arrangements
- \$3.5 billion (7%) was from other public sector entities, with the Lifetime Support Authority representing \$2 billion of this amount.

### Funds under management increased in 2024-25

Funds under management increased by \$3.6 billion from \$44.2 billion to \$47.8 billion in 2024-25, due to net investment income of \$4.2 billion, offset by net investor redemptions of \$575 million. The following chart shows the net funds under Funds SA's management at 30 June for the last 10 years.

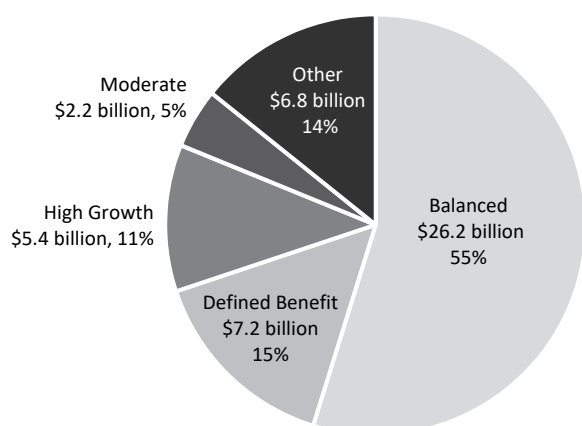


Net investment gains and losses were a main driver of the change in funds under management. The chart also shows a significant level of net client redemptions in recent years, with a total of \$2 billion of net redemptions over the last three years.

### Investment options

Funds SA has established a range of different investment options and tailored multi-sector strategies for its clients. These options and strategies are a mix of differing strategic asset allocations to meet its clients' investment objectives, differing time horizons and levels of acceptable risks.

The following chart shows the different Funds SA investment options, with most funds invested in the balanced option.

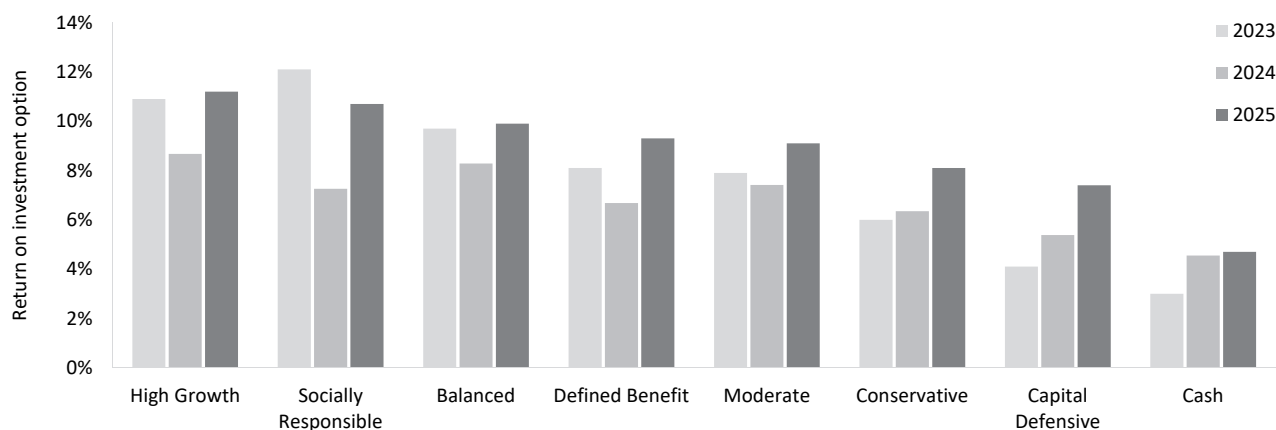


\* The table combines both taxable and tax-exempt investment options.

### Investment option performance

Funds SA's investment strategies are developed in line with the time horizon for each investment option. Each investment option carries a different level of acceptable risk. Negative returns may occur during the investment horizon. For example, the balanced option has a risk of negative returns in four to six years out of 20 years.

The following chart shows the returns for Funds SA's tax-exempt investment options at 30 June for the past three years.



The chart shows the volatility in returns over the past three years, with all investment options providing positive returns. Notably the highest returns were for the High Growth, Socially Responsible and Balanced options. The returns of each investment option reflect the performance of the underlying asset classes.

The following table shows Funds SA's percentage returns for the Balanced tax-exempt investment option for the past 10 years, which represents over 46% of total funds under management. These figures were provided by Funds SA and are unaudited.

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	% p.a.	%	%	%	%	%	%	%	%	%	%
Balanced option	7.3	3.9	11.0	9.5	8.1	(0.3)	21.9	(6.4)	9.7	8.3	9.9

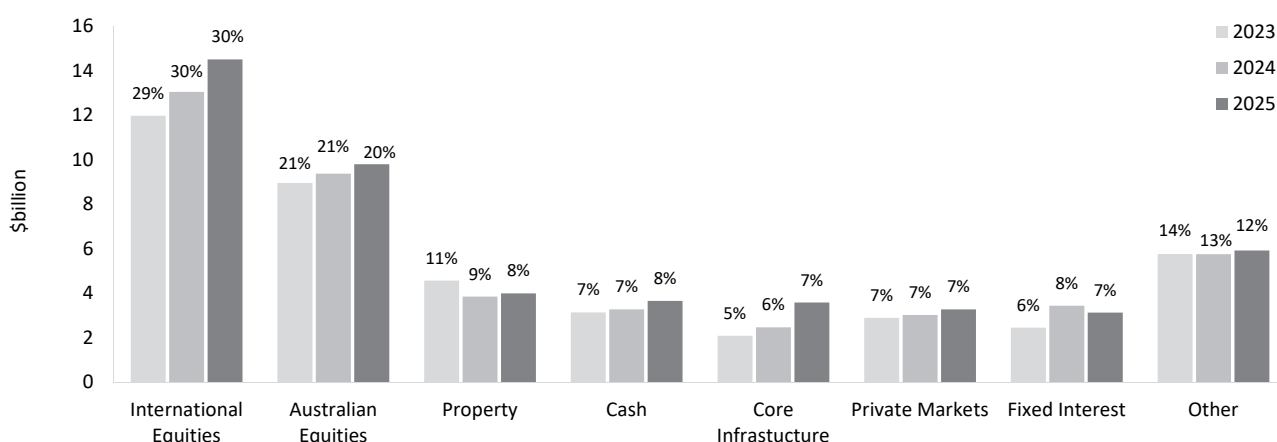
## Asset allocation

An investment policy drives decisions about how funds will be invested. The *Superannuation Funds Management Corporation of South Australia Act 1995* (SFMCSA Act) provides that Funds SA's objective in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for:

- the need to maintain the risks relating to investment at an acceptable level
- the need for liquidity in the funds
- any other matters that are prescribed by regulation.

Underpinning the investment policy and decision making is an understanding of the financial risks facing Funds SA. One of the key strategies Funds SA uses in managing its financial risk is to diversify its funds under management into various asset classes. Funds SA continually monitors investment performance and makes adjustments to ensure holdings are in line with target asset allocations.

The following chart shows the holding of each asset class as a percentage of total funds under management at 30 June for the last three years. The asset classes include both taxed and untaxed funds where applicable.



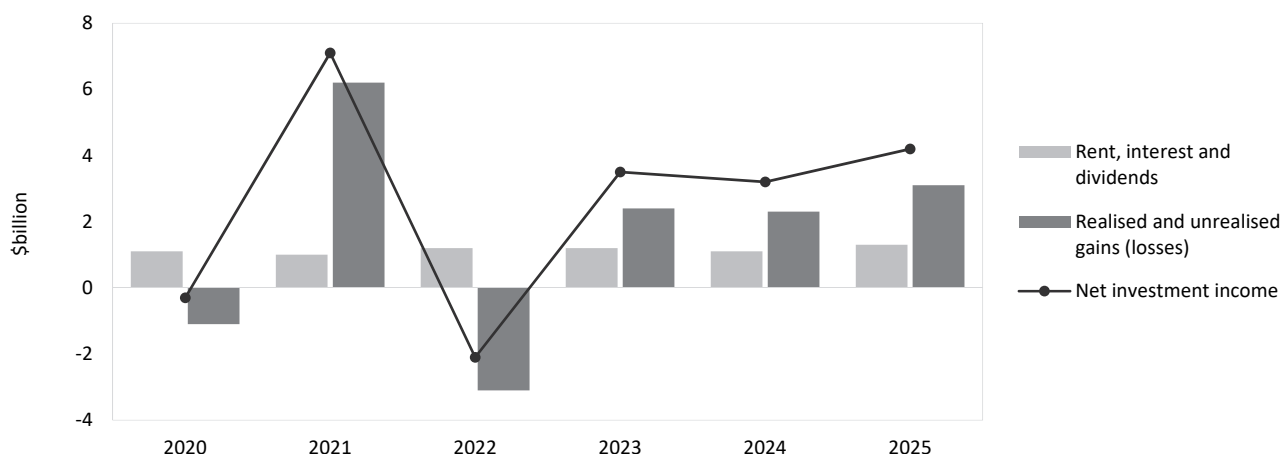
Movements in asset class value and percentage holdings are due to a combination of investment returns, investor switches and investment strategic asset allocation changes. The primarily long-term nature of investment strategies means funds under management are exposed to periodic changes in financial markets.

## Income from investments

Net income from investment activities comprises income from rent, interest and dividends, and realised and unrealised gains and losses from investment valuations, less expenses incurred in the investment activity.

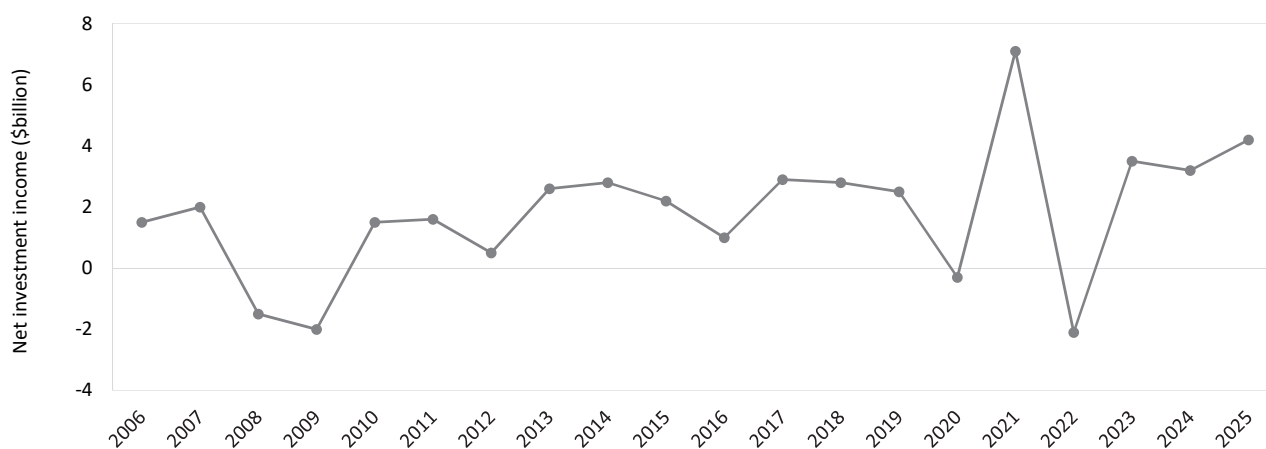
Net income from investment activities produced a surplus of \$4.2 billion (\$3.2 billion surplus). Income comprised rent, interest and dividends of \$1.3 billion (\$1.1 billion), unrealised gains of \$3 billion (\$1.5 billion gain) and realised gains of \$117 million (\$725 million gain), reduced by investment expenses of \$139 million (\$146 million). Schedule 1 of Funds SA's financial report details the income earned from investment activities for each asset class.

The following chart shows the investment result for funds under management for the six years to 2025.



Rent, interest and dividends income remained consistent with previous years. Similar to last year, there was a significant increase in the value of investment assets, with unrealised gains contributing \$3 billion (\$1.5 billion gain) to the increase. This is in contrast to 2021-22 when unrealised losses were \$2.6 billion. This is the nature of long-term investments, where there may be volatility in the short term.

The following chart shows net investment income over the long term.



The years with overall negative performance reflect significant events that impacted the economy. Losses correspond with the Global Financial Crisis in 2008 and 2009, the start of the COVID-19 pandemic in 2020 and the Russian-Ukrainian war in 2022. The last three years reflect economic growth in Australia and globally.

### Investment expenses

In 2024-25 investment expenses totalled \$139 million (\$146 million). This represents only those expenses incurred directly by the fund, such as management and administration fees. Indirect investment expenses are captured as part of unrealised gains/losses through the revaluation of the unit price of Funds SA's asset classes and investment options.



Investment expenses decreased by 5% in 2024-25, mainly due to changes to some fund managers and their fee arrangements resulting in lower management fees. These fees are mainly based on the level of funds under management, which was higher in 2024-25.

Investment expenses reported in Schedule 1 of Funds SA's financial report are 0.3% (0.34%) of average funds under management.

Year	Investment expenses \$million	Average funds under management \$billion
2022	159.2	41.5
2023	141.9	40.7
2024	146.5	43.0
2025	139.2	46.3

## Functional responsibility

Funds SA is a statutory authority established by the *Superannuation Funds Management Corporation of South Australia Act 1995* (the SFMCSA Act). Its main function is to invest and manage the public sector superannuation funds, funds of eligible superannuation schemes, nominated funds of approved authorities and other funds under strategies it formulates. Funds SA works with clients to design investment strategies that meet their investment needs.

Funds SA staff operate across distinct business groups being investment, finance operations, data and technology, corporate engagement, people and culture, governance and strategy, and business services.

### Restrictions on operations

Under the SFMCSA Act, Funds SA is subject to the direction and control of the Minister. However, a ministerial direction must not be given for an investment decision, a dealing with property or the exercise of a voting right. There were no ministerial directions during the year.

Funds SA has broad powers over investing funds under management. However it cannot borrow money or obtain any other form of financial accommodation unless authorised to by the Regulations under the SFMCSA Act or the Minister.

### Investment operations

Funds SA employs a 'manager of managers' approach for the management of client funds. It:

- has outsourced unit pricing, performance reporting, private equity administration and general ledger functions for invested funds to a single custodian. The custodian is also responsible for holding, valuing and accounting for the assets
- makes extensive use of external fund management firms for most investments.

Fund management firms and the custodian are appointed under agreements that dictate the scope of investment services, fees and reporting requirements. Funds SA remains responsible for developing investment strategies and managing the performance of the custodian and external fund management firms.

## Scope of the audit

---

Our audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- investment policy and strategy approval and compliance
- client fund allocation and redemption transactions
- investment allocation, income and valuation
- monitoring of custodian activities
- fund manager appointment, monitoring and termination activities
- fund administration fees
- corporate general ledger, banking, payroll and expenditure.

We reviewed controls over investment assets under management as part of our overall controls opinion, which is discussed in Part B of this report.

# South Australian Superannuation Board (SASB)

---

## Financial report opinion

Unmodified

---

## Audit findings

Access controls for the superannuation administration system could be improved.

---

## Financial statistics

**\$ \$48.5 million**  
Total income

**\$ \$48.7 million**  
Total expenditure

---

## Significant events and transactions

- Investment performance for all investing options remained positive in 2024-25.
  - In January 2025 the SASB implemented phase two of a project to shift towards a forward unit pricing model. This new model replaces the use of historical pricing data provided by Funds SA.
-

## Audit findings

We communicated our audit findings in a management letter to the Chief Executive Officer. The main findings and SASB's responses are discussed below.

### User access reviews for the Bluedoor application could be improved

The Bluedoor application is a web-based, cloud-hosted registry platform mainly used by SASB for superannuation administration purposes.

From January 2025 to April 2025 SASB did not retain evidence to show that it performed a complete and accurate review of all Bluedoor application users.

SASB acknowledged this finding and advised us that it would implement user reconciliations and maintain evidence for it.

### Access to the Bluedoor application was not promptly deactivated for terminated employees and contractors

We found multiple instances of Bluedoor application accounts for both terminated employees and contractors that were not promptly deactivated. We also found that there are no documented protocols for deactivating access for terminated employees.

SASB acknowledged this finding and advised us that it would improve its communication of offboarding procedures and user access management policy requirements to staff. It would also document deactivation processes.

## Interpretation and analysis of the financial report

SASB's financial report reflects its administration role in that:

- revenue is mainly administration fees recovered from the superannuation schemes
- expenses are mainly fees paid to the Department of Treasury and Finance (DTF) to administer the superannuation schemes.

### Highlights of the financial report

	2025 \$million	2024 \$million
<b>Total income</b>	48.5	47.3
<b>Total expenses</b>	48.7	47.3
<b>Total comprehensive result</b>	(0.2)	-
<b>Assets</b>		
Cash and cash equivalents	0.9	4.4
Receivables	8.0	6.9
<b>Total assets</b>	8.9	11.3
<b>Total liabilities</b>	8.0	6.3
<b>Total equity</b>	0.9	5.0

## Statement of Comprehensive Income

The total comprehensive result for the year was a loss of \$185,000 (loss of \$50,000). This result mainly reflects increases in:

- revenue from the recovery of administration fees of \$2.8 million to \$45.2 million. Administration fees are charged to the superannuation schemes SASB administers to recover its costs of operating them. The amount received is then paid to DTF to reimburse actual costs incurred in operating SASB
- administration fee expenses (the amount paid to DTF for its administrative services) of \$2.8 million to \$45.2 million.

As noted, both revenue and expenses increased proportionately in 2024-25. The increase in expenses was mainly due to increases in DTF service level agreement costs and spending on SASB strategic projects, such as system upgrades.

## Statement of Financial Position

The main movements in the Statement of Financial Position included:

- a \$1.1 million increase in receivables, mainly due to a rise in administration fees recovered from the superannuation schemes and products that SASB administers
- a \$1.7 million increase in payables, which were mainly due to DTF for administration fees.

## Further commentary on operations

---

In 2024-25 SASB started implementing the second phase of a contemporary, forward unit pricing model that aligns with the Australian Securities and Investment Commission's regulatory guide pricing requirements. Forward unit pricing enables fund unit prices to be calculated using end of day, and therefore current, pricing data.

## Functional responsibility

---

SASB was established by the *Superannuation Act 1988* (Super Act). It is responsible to the Treasurer for administering the following superannuation schemes:

- South Australian Superannuation Scheme (SASS) under the Super Act
- Southern State Superannuation Scheme (Triple S) under the *Southern State Superannuation Act 2009*
- Super SA Retirement Investment Fund (SSARIF) under the Southern State Superannuation Regulations 2009
- South Australian Ambulance Service Superannuation Scheme (Ambulance Super) under the Super Act.

SASB's administration of these schemes involves maintaining:

- accounts in the names of all members
- employer contribution accounts
- proper accounts for each financial year on receiving contributions and paying benefits.

The DTF – State Superannuation Office (Super SA) provides services to administer the schemes.

The Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for investing and managing the schemes' funds under the above legislation and the *Superannuation Funds Management Corporation of South Australia Act 1995*.

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- reviewing IT general controls for the general ledger and primary superannuation systems
- investment valuations
- measuring accrued benefits and current funding position
- taxation
- controls over SASB's bank accounts.

We considered the work of internal audit in planning and conducting our audit.

## Major superannuation schemes

The three major South Australian public sector superannuation schemes are the:

- South Australian Superannuation Scheme (SASS)
- Southern State Superannuation Scheme (Triple S)
- Super SA Retirement Investment Fund (SSARIF).

The Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for investing and managing these superannuation schemes' funds in line with the *Superannuation Funds Management Corporation of South Australia Act 1995*. The Funds SA commentary in this report provides an extensive overview of its 2024-25 investment option performance for the year ended 30 June 2025.

### Financial report opinions

### Unmodified

## Audit findings

We communicated our audit findings in a management letter to the Chief Executive Officer, Super SA. See the South Australian Superannuation Board section in this report for these findings.

## Interpretation and analysis of the financial reports

### Highlights of the financial reports

	Triple S		SSARIF		SASS	
	2024	2025	2024	2025	2024	2025
	\$million	\$million	\$million	\$million	\$million	\$million
<b>Assets</b>						
Investments	25,569	27,779	7,238	7,861	4,472	4,490
<b>Total assets</b>	25,677	27,911	7,295	7,929	4,520	4,550
<b>Total liabilities</b>	108	82	75	99	6	20
<b>Net asset available to pay benefits</b>	25,569	27,829	7,220	7,830	4,514	4,530
<b>Member benefits</b>						
Defined benefit member liabilities	-	-	-	-	8,230	7,959
Defined contribution member liabilities	25,449	27,541	-	-	431	385
Income Stream member liabilities	-	-	5,180	5,649	-	-
Flexible Rollover Product member liabilities	-	-	2,030	2,150	-	-
<b>Total member liabilities</b>	25,449	27,541	7,210	7,799	8,661	8,344

	Triple S		SSARIF		SASS	
	2024	2025	2024	2025	2024	2025
	\$million	\$million	\$million	\$million	\$million	\$million
<b>Equity</b>						
Defined benefits that are over (under) funded	-	-	-	-	(4,147)	(3,814)
<b>Total equity</b>	120	288	10	31	(4,147)	(3,814)
<b>Income</b>						
Changes in investments measured at fair value	2,007	2,581	524	678	314	409
<b>Total income</b>	2,009	2,583	525	681	315	410
<b>Total expenses</b>	93	93	24	25	34	30
<b>Result from superannuation activities</b>	1,916	2,490	501	656	281	380
Net change in defined member benefits liabilities	-	-	-	-	(129)	(14)
Allocation to defined contribution member accounts	-	-	-	-	(39)	(34)
Net benefits allocated to members accounts	1,877	2,319	499	625	-	-
Income tax expenses	-	-	2	11	-	-
Net insurance activities	26	5	2	-	-	-
<b>Operating result</b>	13	170	(2)	20	113	332
<b>Changes in member benefits</b>						
Net contributions	2,076	2,272	1,326	1,521	517	575
Benefits to members (paid and payable)	(2,347)	(2,504)	(1,386)	(1,556)	(889)	(939)

## Southern State Superannuation Scheme

### Statement of Financial Position

As Triple S is a defined contribution scheme, its accumulative nature means that member benefits liabilities are fully funded.

#### Net assets available for member benefits

Net assets available to pay member benefits increased by \$2.3 billion (8.8%) to \$27.8 billion. This reflects its accumulative nature, where the increase reflects the contributions received and net investment income, offset by benefits paid and other expenses.

### Income Statement

#### Revenue

Total revenue increased by \$574 million (28.6%) to \$2.6 billion, compared to a \$1.6 billion decrease in 2023-24. This rise was driven by higher earnings from net changes in investments measured at fair value.

#### Expenses

Total expenses of \$93.4 million (\$93.3 million) remained consistent with last year.



## Statement of Changes in Member Benefits

### Net contribution revenue

Net contributions increased by \$196.7 million (9.4%) to \$2.3 billion in 2024-25. This was mainly due to increased employer contributions of \$138.8 million, reflecting the change in the statutory contribution rate from 11% to 11.5%.

Details of contribution revenue and membership statistics are provided in the following table. Membership data was provided by Super SA and is unaudited.

	2024 \$million	2025 \$million
Employer contributions	1,504	1,643
Member contributions	79	77
Transfers from other super entities	492	552
Government co-contributions	1	1
Total	2,076	2,273

	2024 Number	2025 Number
Contributory members	29,225	29,314
Non-contributory members	97,720	98,491
Preserved members	42,843	50,177
Spouses	702	759
Total	170,490	178,741

## Super SA Retirement Investment Fund

### Statement of Financial Position

As SSARIF is a mixed income and defined contribution scheme, its accumulative nature means that member benefits liabilities are fully funded.

### Net assets available for member benefits

Net assets available to pay member benefits increased by \$609.5 million to \$7.8 billion. This is mainly due to positive investment returns associated with resilient world equity markets. It is also indicative of the accumulative nature of SSARIF, where the increases reflect the contributions received and net investment income less benefits paid and other expenses.

### Income Statement

#### Revenue

Total revenue increased by \$155.7 million (29.6%) to \$680.9 million, mainly due to positive investment returns.

#### Expenses

Total expenses increased slightly by \$1.1 million to \$24.9 million.

## Statement of Changes in Member Benefits

Total net contributions increased by \$194.4 million to \$1.5 billion, mainly due to increases in:

- rollovers from other schemes of \$194.3 million
- member contributions of \$22.7 million.

This was offset by an increase in income tax expense on rollovers of \$23.3 million.

Member contributions to SSARIF are all voluntary and therefore can fluctuate.

Benefits paid or payable to members increased by \$170 million to \$1.6 billion.

The increase in benefits paid and payable is due to the rise in scheme membership, higher member exits and the increased value of its member accounts at exit, which was driven by strong investment performance in 2024-25. Total benefits available to members ultimately depend on the investment strategy and investment performance, with no guarantee of return provided by the SA Government.

Membership statistics and total investments for the last four years are shown in the following table. Membership data is provided by Super SA and is unaudited.

	2022 Number	2023 Number	2024 Number	2025 Number
Income Stream	12,811	13,381	13,912	14,604
Flexible Rollover Product	7,572	8,074	8,417	8,761
Total	20,383	21,455	22,329	23,365
	\$billion	\$billion	\$billion	\$billion
Total investments	6.2	6.8	7.2	7.9

## South Australian Superannuation Scheme

### Funding of benefit payments

Benefit payments are funded from a number of sources that remained relatively consistent in 2024-25. Over half of the benefit payments are funded from the South Australian Superannuation Scheme – Employer Account.

The South Australian Superannuation Fund portion of a benefit is fully funded. Member contributions are deposited into the Fund and, on payment of a benefit, a proportion of the amount is charged against the Fund. The amount charged is determined by legislation and regulation.

There are numerous arrangements covering the funding of the employer liability for accrued superannuation benefits. Depending on the employer's arrangement with the South Australian Superannuation Board, they may either:

- make provisions for superannuation liabilities in their own accounts and pay for benefits as they emerge
- contribute fortnightly to employer contribution accounts managed by Funds SA, in this way funding their accruing liability
- make cash contributions to the Treasurer, which are invested by Funds SA.

Note 1(d) of SASS's financial report provides details of these various funding arrangements.

Although a portion of the total superannuation liability is currently unfunded, members' entitlements to benefits must be paid out of the Consolidated Account, or a special deposit account established for that purpose.

## Statement of Financial Position

### Investments

Despite a net operating result of \$332.8 million for 2024-25, total investments increased slightly by \$18.6 million to \$4.5 billion in 2024-25. This reflects the impact of the payments associated with a 2.1% decrease in total member numbers.

### Member benefits liabilities

SASS is a defined benefit superannuation scheme. It is comprised of the old scheme with its members entitled to a pension benefit payment and the new scheme with its members entitled to a lump sum benefit payment.

The table below shows the net assets available for member benefits, member benefits liabilities and the resulting excess of liabilities over net assets.

	2024 \$billion	2025 \$billion
Net assets available for member benefits	4.5	4.5
Member benefits liabilities	8.7	8.3
Over (Under) funded member benefits liabilities	(4.2)	(3.8)

## Income Statement

### Revenue

Total revenue increased by \$94.6 million to \$410.2 million as a result of strong investment earnings growth associated with the continuing resilience of world equity markets.

### Expenses

Investment expenses decreased by \$4.8 million to \$11.7 million.

## Statement of Changes in Member Benefits

Contribution revenue and membership statistics are shown in the following table. Membership data was provided by Super SA and is unaudited.

	2024 \$million	2025 \$million
Contributions for past service liability	462	523
Contributions by employers	17	14
Public authority employer contributions	31	31
Contributions by members	7	6
Total	517	574

A program began in 1994-95 to fully fund all employer superannuation liabilities and have the defined benefit schemes fully funded by 2034.

Membership statistics for the last three years are shown in the following table. This data was provided by Super SA and is unaudited.

	2023 Number	2024 Number	2025 Number
<b>Pension Scheme</b>			
Contributory	93	68	50
Preserved	114	90	72
Superannuants	13,262	12,846	12,474
<b>Total</b>	<b>13,469</b>	<b>13,004</b>	<b>12,596</b>
<b>Lump Sum Scheme</b>			
Contributory	1,210	1,037	837
Preserved	710	612	522
<b>Total</b>	<b>1,920</b>	<b>1,649</b>	<b>1,359</b>
<b>Total members</b>			
Contributory	1,303	1,105	887
Preserved	824	702	594
Superannuants	13,262	12,846	12,474
<b>Total</b>	<b>15,389</b>	<b>14,653</b>	<b>13,955</b>

As expected in a closed scheme, the total number of members is decreasing, with a total decrease in members of 1,046 from 2023 to 2025.

## Scope of the audit

The audit program for all three schemes covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- reviewing IT general controls for the general ledger and primary superannuation system
- investment valuations
- contributions revenue
- benefits payments
- cash management
- reconciling data from the superannuation administration systems to the general ledger
- maintenance of member accounts.

We reviewed controls over all three schemes' bank accounts as part of our overall controls opinion, which is discussed in Part B of this report.

# TAFE SA

---

## Financial report opinion

## Unmodified


---

### Audit findings


- TAFE SA’s asset management system data capture program would benefit from a detailed delivery plan.
- Despite reductions in salary overpayments, payroll processes need to improve.

---

### Financial statistics

 **\$376 million**  
Total income

 **\$383 million**  
Total expenditure

 **2,084**  
FTEs (including casuals and hourly paid instructors)

 **13.1 million**  
Number of registered training hours commenced

---

### Significant events and transactions

- Funding from the SA Government increased to \$267 million.
  - The Fee Free TAFE program continued as part of the National Skills Agreement, with 8,291 students enrolled in 2025.
  - The TAFE SA Centre of Excellence in Early Childhood Education and Care was established.
-

## Audit findings

---

We communicated our audit findings in a management letter to the Chief Executive. The main findings and TAFE SA's responses are discussed below.

### Asset management

Asset management system data capture program would benefit from a detailed delivery plan

TAFE SA is progressively recording its plant and equipment assets in its asset management system, including teaching assets. Recording asset data on the system is important for:

- improving asset management decision making
- ensuring asset maintenance and service needs are understood and properly scheduled
- maintaining service delivery.

While TAFE SA has previously advised us that its program to capture this asset data is expected to take about five years, we noted that it did not have a detailed plan of how to deliver the program within that time frame.

We recommended that TAFE SA document a detailed plan for delivering the asset management system data capture program within the five-year target. TAFE SA replied that it is developing this plan.

### Payroll

Overpayments due to delays in processing HR forms at TAFE SA

We noted the need for TAFE SA to further improve its payroll processing, finding that there were 73 salary overpayments totalling \$123,000 for the first six months of 2024-25. This is a reduction in both the value and volume of salary overpayments from last year. The overpayments are driven by delays in processing HR forms.

We recommended that TAFE SA take further action to ensure HR forms are completed and processed promptly, particularly in instances that could result in an overpayment. We also suggested additional training and communication for business units with the highest occurrences of overpayments.

TAFE SA acknowledged the issue and the difficulty it has in avoiding some overpayments, noting the minimal number and value of overpayments relative to its total payroll processing. It outlined a range of actions taken and planned to improve its salary overpayment performance.

## Interpretation and analysis of the financial report

### Highlights of the financial report\*

	2025 \$million	2024 \$million
<b>Income</b>		
SA Government subsidy funding	267	243
Student and other fees and charges	100	91
Other income	9	9
<b>Total income</b>	<b>376</b>	<b>343</b>
<b>Expenses</b>		
Employee benefits	249	229
Supplies and services	99	92
Depreciation and amortisation	34	27
Other expenses	2	1
<b>Total expenses</b>	<b>383</b>	<b>349</b>
Changes in property, plant and equipment	-	316
<b>Total comprehensive result</b>	<b>(8)</b>	<b>310</b>
<b>Assets</b>		
Current assets	122	110
Non-current assets	878	892
<b>Total assets</b>	<b>1,000</b>	<b>1,002</b>
<b>Liabilities</b>		
Current liabilities	47	45
Non-current liabilities	49	45
<b>Total liabilities</b>	<b>95</b>	<b>90</b>
<b>Total equity</b>	<b>905</b>	<b>913</b>

\* Table may not add due to rounding.

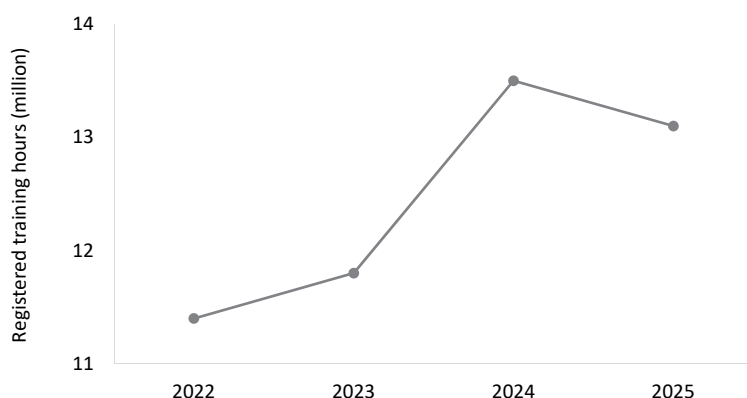
### Statement of Comprehensive Income

#### Income

TAFE SA's main income source, making up 71% of its income, is funding from the Department of State Development (previously from the Department for Education). This funding was \$267 million (\$243 million) in 2025, with the increase mainly due to TAFE SA starting a National Centre of Excellence for Early Childhood Education and Care. The table below shows the funding components.

	2025 \$million	2024 \$million
TAFE SA services	222	207
Capital funding	25	21
Fee Free TAFE	13	15
Other	7	-
<b>Total income</b>	<b>267</b>	<b>243</b>

The following chart shows the training hours that TAFE SA delivered over the last four years.



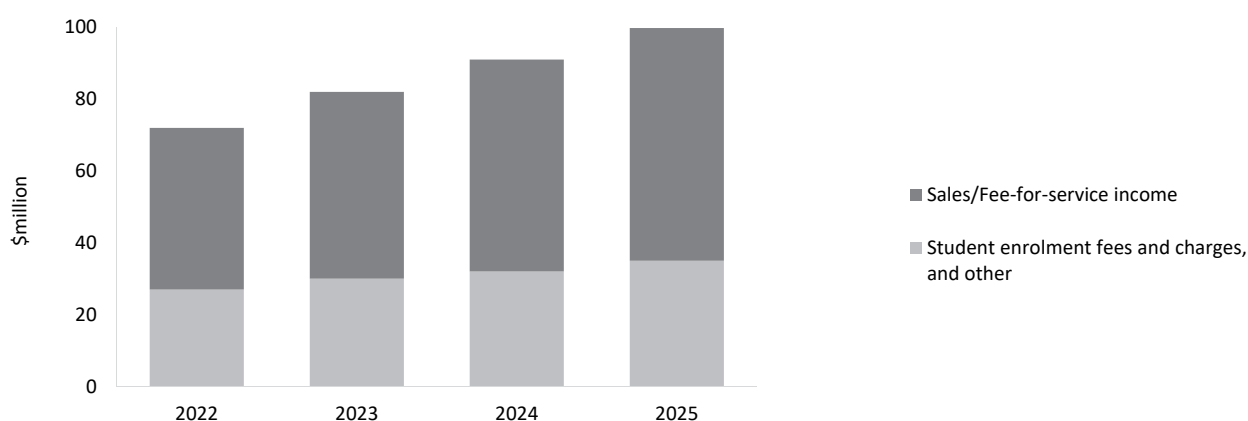
Source: Training hours data provided by TAFE SA and unaudited.

The increase in hours from 2022-23 largely reflects the introduction of a number of Fee Free TAFE training courses. This is a joint State and Commonwealth Government initiative to provide tuition-free training places to students wanting to train, retrain or upskill. It aims to help industries facing skills shortages and other growth industries to train the current and future workforce in high-level skills areas.

Fee Free TAFE continued for selected courses in 2025 with 8,291 students studying, down from 8,731 in 2024.

### Student and other fees and charges

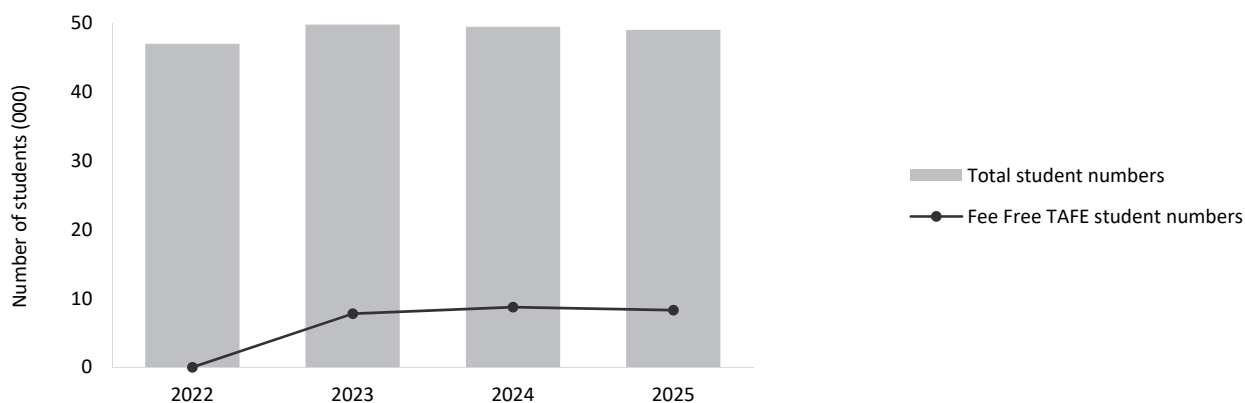
Student and other fees and charges totalled \$99.8 million (\$90.7 million) and made up 27% of TAFE SA's total income. The main components of it for the past four years are shown in the following chart.



The chart illustrates a steady increase in sales/fee-for-service income from 2022, reflecting the increased training hours. The sales/fee-for-service income of \$65 million (\$59 million) includes an additional \$6.9 million received from the Commonwealth Government for the Adult Migrant English and Skills for Education and Employment programs.

TAFE SA's total student numbers, shown in the following chart, rose to 49,795 in 2023 before reducing to 49,021 in 2025. The chart also shows the impact of Fee Free TAFE, which was introduced from semester 1, 2023.





Source: Student number data provided by TAFE SA and unaudited.

## Expenses

TAFE SA's total expenses increased by \$35 million to \$383 million. This included a \$20 million increase in employee-related expenses and a \$7 million increase in supplies and services.

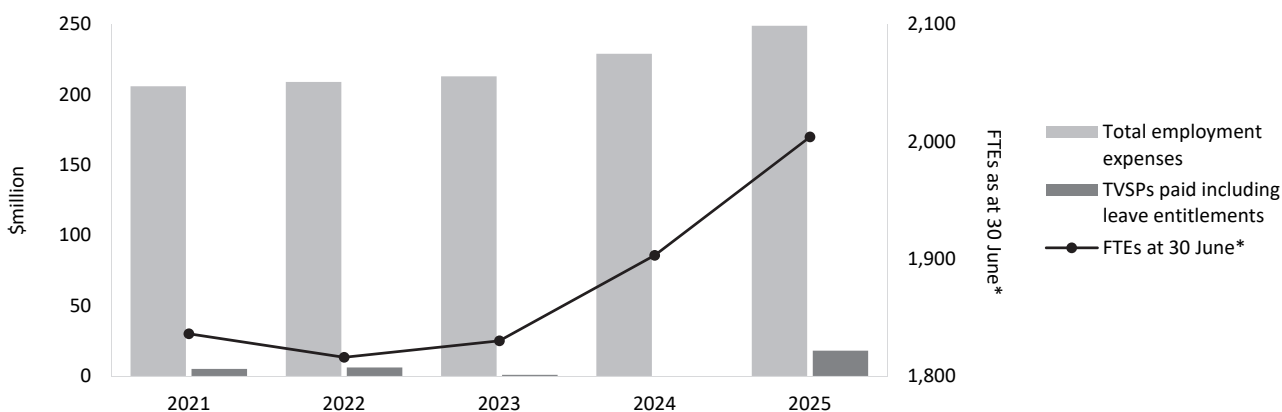
### Employee benefits

Employee benefits are TAFE SA's main expense, accounting for 65% of its total expenses.

Employee benefits expenses increased by \$20 million to \$249 million in 2025, mainly due to:

- a \$10.3 million increase in salaries and wages, driven by:
  - an 89 FTE increase in workforce numbers for the commencement of the National Skills Agreement – National Centre of Excellence for Early Childhood Education and Care and Adult Migrant English and Skills for Education and Employment programs
  - annual Enterprise Agreement increases
- a \$4.7 million increase in annual leave and superannuation expenses, impacted by the increased workforce numbers
- a \$3.1 million increase in workers compensation expenses, largely reflecting an increase in the provision for workers compensation liability following actuarial assessment
- \$1.6 million for 18 targeted voluntary separation package (TVSPs) in 2025 related to workforce transition as part of the National Skills Agreement changes.

The following chart shows employment expenses, TVSP payments and FTE staff (not including casuals and hourly paid instructors) for the last five years.



\* FTE data provided by TAFE SA and unaudited.

The chart shows the decline in FTEs in 2022, with increases from then largely due to the increase in fee-free courses and the Adult Migration English Program. Employment expenses since 2022 reflect these FTE increases. Salaried FTEs are at their highest level since 2021, increasing from 1,903 at 30 June 2024 to 2,004 this year. The composition of FTEs at 30 June 2025 is shown in the following table, based on unaudited data from TAFE SA.

	2025 FTEs	2024 FTEs
TAFE SA Act	1,058	1,021
Public Sector Act	940	876
Excess staff	3	6
Hourly paid instructors	55	54
Casuals	28	37

## Supplies and services

Supplies and services expenses totalled \$99 million, an increase of \$7 million (7%) from 2024. This increase was largely driven by a \$2.9 million increase in information technology and communication costs, including additional hardware to support training growth, and a \$1.5 million increase in cleaning and security expenses across campuses.

## Statement of Financial Position

TAFE SA's total assets of \$1 billion significantly exceed its total liabilities of \$95 million.

Total assets largely comprise property, plant and equipment of \$873 million and cash of \$99 million. Property, plant and equipment decreased by \$11 million in 2025, reflecting depreciation expenses of \$31 million, partly offset by additions of \$20 million.

Total liabilities of \$95 million increased by \$5 million from 2024, and comprised mainly:

- employee-related liabilities of \$64 million
- workers compensation and additional compensation provisions of \$11 million
- payables of \$14 million.

## Further commentary on operations

---

### TAFE SA Centre of Excellence in Early Childhood Education and Care

The TAFE SA Centre of Excellence in Early Childhood Education and Care was established in July 2024 as part of the National Skills Agreement. The agreement provides for \$28 million in funding over five years, with \$7.9 million received in 2025.

A joint initiative between the State and Commonwealth Governments, the Centre partners with key sector stakeholders to share knowledge, undertake research and drive early childhood education initiatives to improve workforce readiness, skill enhancement and workforce retention.

Guided by the recommendations of the Royal Commission into Early Childhood Education and Care, the Centre will develop and support solutions to ensure early childhood VET education is responsive to the needs of families and communities. The Centre has started early work on key projects by undertaking initial research and stakeholder engagement and developing early core initiatives.

## Functional responsibility

---

TAFE SA is established under the *TAFE SA Act 2012* and is a statutory corporation to which the provisions of the *Public Corporations Act 1993* (other than section 35) apply. Its main function is to provide technical and further education. The TAFE SA Board is responsible to the Minister for Education, Training and Skills.

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- expenditure and accounts payable
- payroll processing
- revenue, including funding from the Department of State Development, student revenue and accounts receivable
- cash
- property, plant and equipment
- general ledger and reconciliations.

We reviewed controls over bank accounts and the management of land and buildings as part of our overall controls opinion, which is discussed in Part B of this report.

# Department of Treasury and Finance (DTF)

---


## Financial report opinion

## Unmodified

### Audit findings

- Payroll processing controls could be strengthened.
  - User access, user offboarding, user discretion limits and audit logging controls could be improved for some of Shared Services SA's (SSSA's) main IT systems.
  - Accounts payable and accounts receivable control processes could be strengthened.
  - Procurement processes for whole-of-government contracts could be improved.
  - User access controls over a key taxation revenue system could be improved.
- 


### Financial statistics


 **\$382 million**  
Total income

 **\$377 million**  
Total expenditure

 **1,915**  
FTEs

#### Administered

 **\$25.8 billion**  
Total income

 **\$25.6 billion**  
Total expenditure

---

### Significant events and transactions

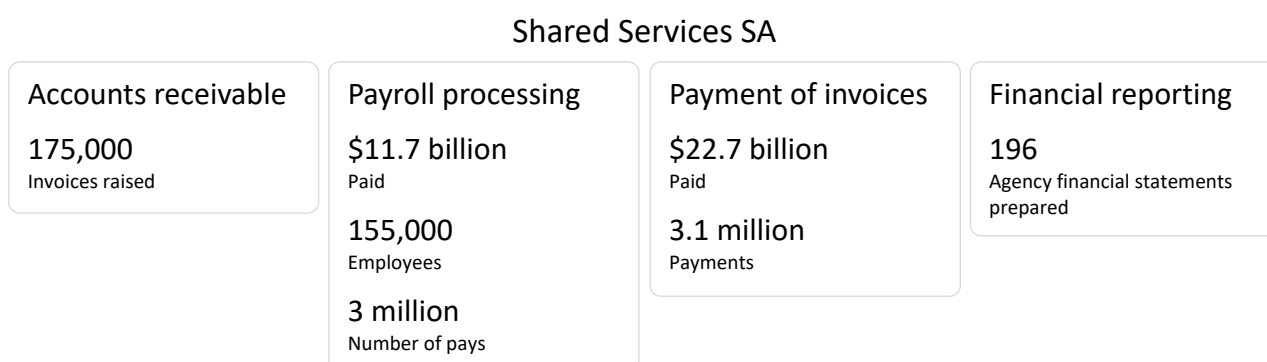
- \$317 million was paid to the administrators of the Whyalla Steelworks.
  - \$162 million was received from the Commonwealth Government as a contribution to the Whyalla steel industry.
  - \$56 million in funding, previously provided to the South Australian Government Financing Authority (SAFA) for improvements to the efficiency of the Whyalla Steelworks had certain conditions been met by the previous operators, was returned to DTF.
  - Net assets of \$18.4 million transferred to DTF from the Department of the Premier and Cabinet (DPC) for the Office of the Chief Information Officer, Office for Data Analytics, Digital Programs and agreed corporate overheads after they transferred to DTF on 1 July 2024.
-

## Audit findings

We communicated our audit findings in management letters to the Under Treasurer. The main findings and DTF's responses are discussed below.

### SSSA – financial systems and transaction processing controls

SSSA processes financial transactions on behalf of a large number of SA Government agencies under service level determinations. Its services cover accounts payable, accounts receivable, payroll, general ledger and financial accounting. Statistics on the services provided annually are shown in the following chart.



The main IT systems that SSSA uses to deliver these services are:

- Chris21 and VALEO – for payroll processing
- Tungsten – for scanning invoices
- Basware – payment processing
- Masterpiece – accounts receivable, accounts payable and general ledger
- ANZ Transactive – banking software to process payments.

### Payroll

SSSA payroll functions include:

- maintaining employee data
- processing, calculating and disbursing payroll
- identifying and managing salary overpayments
- calculating targeted voluntary separation packages and termination payments.

Most SA Government payroll is processed through Chris21, with VALEO used for the Department for Education.

We identified areas where SSSA could improve its internal controls for payroll processing. We found:

- from a sample of 19, 11 instances where there was no evidence that quality assurance checks for employee transfers were performed
- from a sample of 19, 16 instances where there was no evidence that employee pay increments were reviewed
- no evidence that SAPOL master payroll data changes were validated
- inadequate segregation of duties where an officer had access to both perform VALEO payroll data input functions and authorise VALEO payroll disbursements.

We recommended that SSSA reviews all employee changes as scheduled and retains evidence of these reviews.

SSSA responded that it has reminded its staff to retain evidence of their reviews. It also advised us that an electronic records management system will be implemented to reduce its reliance on paper-based filing, and to enable more complete recordkeeping and timely retrieval of payroll documents, including those evidencing quality assurance checks.

SSSA also advised us that the current structure of VALEO payroll processing balances operational continuity with appropriate segregation of duties. To mitigate the risk related to staff having dual access, it will develop a fortnightly report on the activities performed by the officer concerned, and will review it and address any exceptions.

### IT general controls

Given the importance of SSSA's systems to SA Government transaction processing, we review IT general controls each year.

#### Basware

We found a number of exceptions relating to privileged user access, user offboarding and user access reviews.

SSSA responded that it had reviewed and addressed the user access exceptions we identified.

#### Chris21

We found a number of exceptions relating to privileged user access, user offboarding, user access reviews and audit logging.

SSSA responded that it had reviewed and addressed the user access exceptions we identified. It plans to address the audit logging issue by December 2025.

#### Masterpiece

We found exceptions relating to user offboarding and privileged user access.

SSSA responded that it had reviewed and addressed the user access exceptions we identified.

#### ANZ Transactive

We found exceptions relating to user discretion limits and user offboarding.

SSSA responded that it had reviewed and addressed the user access exceptions we identified. SSSA also reminded senior leaders of each business unit of their user access management obligation.

## Accounts payable

### Stale cheques were not addressed

Cheques are generally considered stale if they are not presented within 15 months of being issued. We noted a significant increase in the number of unpresented cheques for the Fines Enforcement and Recovery Unit (FERU) in 2024-25, with the February 2025 bank reconciliation identifying 249 unpresented cheques that were stale but not cancelled.

DTF responded that SSSA is coordinating a project with public authorities to progressively phase out the use of cheques in line with a Commonwealth Government commitment. The FERU will continue to work with South Australia Police and the Courts Administration Authority to improve current processes, including determining whether information collected for suitors can be passed onto the FERU at the time of a court outcome.

### Basware user access reviews not performed promptly

SSSA provides quarterly Basware user access reports, including financial authorisation limits, to DTF for review. The review should ensure that user access levels and financial delegations are still appropriate. DTF decided for practical reasons to perform these reviews every six months, but we found that only one review was performed in 2024-25.

DTF responded that it will ensure the user access reviews are performed in July and January each year.

### Ministerial authorisations not updated for Whyalla Steelworks expenditure authority

In February 2025 the SA Government appointed an administrator for the Whyalla Steelworks. The Treasurer authorised the Under Treasurer and Deputy Under Treasurer to approve payments to the administrator, up to the approved budget. We found that the 2024-25 Ministerial authorisations instrument was not updated to reflect these new authorisations.

DTF responded that it reviews its financial authorisations annually in consultation with its branches. It will remind branches to ensure that any changes during the year are updated on its authorisation instruments. It has updated the 2025-26 Ministerial authorisations instrument for the delegations relating to administrator payments.

## Accounts receivable

### Service level agreements with DTF portfolio agencies not finalised promptly

We noted that DTF had not finalised the 2024-25 service level agreements with DTF portfolio agencies before 1 July 2024.

DTF responded that it now has three-year agreements that expire on 30 June 2027. The process for future agreements will allow sufficient time to finalise them before they expire.

## Procurement for whole-of-government contracts

### Post-sourcing reviews not performed promptly

We found that post-sourcing reviews for two procurements we reviewed were not performed within 60 days of the purchase recommendation approval, as required by the Procurement and Contract Management Framework.

DTF responded that the framework will be revised to require post-sourcing reviews within 60 days of contract execution.

### Departure register incomplete and not updated promptly

We found that DTF's register of policy departures was not updated completely and promptly for two procurements we reviewed, as required by the framework and Treasurer's Instruction 18 *Procurement*.

DTF responded that it had updated its register for all departures identified in the two procurements we reviewed. It will update its purchase recommendation template to prompt the recording of departures in the register.

## Taxation revenue systems

### RevenueSA system user access reviews not regularly performed

We noted that user access to a key taxation revenue system was not reviewed quarterly, as required.

DTF responded that it will schedule quarterly user access reviews and perform them promptly.

## Interpretation and analysis of the financial report

### Highlights of the financial report – controlled items\*

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	262	179
Fees and charges	102	89
Other income	18	20
<b>Total income</b>	<b>382</b>	<b>288</b>
<b>Expenses</b>		
Employee related expenses	197	167
Supplies and services	152	94
Other expenses	28	12
<b>Total expenses</b>	<b>377</b>	<b>273</b>
Other comprehensive income	-	3
<b>Total comprehensive result</b>	<b>6</b>	<b>18</b>



	2025 \$million	2024 \$million
<b>Assets</b>		
Current assets	94	64
Non-current assets	62	50
<b>Total assets</b>	<b>156</b>	<b>115</b>
<b>Liabilities</b>		
Current liabilities	44	31
Non-current liabilities	43	39
<b>Total liabilities</b>	<b>87</b>	<b>70</b>
<b>Total equity</b>	<b>69</b>	<b>45</b>

\* Table may not add due to rounding.

## Statement of Comprehensive Income – controlled items

### Income

Income increased by \$94 million to \$382 million, mainly due to:

- an \$83 million increase in appropriations
- a \$14 million increase in revenue from fees and charges, mostly as a result of a \$12 million increase in services provided to SA Government agencies.

These increases were mainly the result of the transfer of the Office of the Chief Information Officer, Office for Data Analytics, and Digital Programs from DPC to DTF on 1 July 2024.

### Expenses

Expenses increased by \$104 million to \$377 million, mainly due to:

- a \$57 million increase in supplies and services expenses, mostly due to increased expenses for ICT (\$39 million) and contractors and temporary staff (\$18 million)
- a \$30 million increase in employee related expenses, mostly due to additional salary costs (\$22 million), superannuation (\$3 million), annual leave (\$2 million) and other employee-related expenses (\$3 million) that mainly relate to workers compensation
- an \$11 million transfer of surplus cash to the Consolidated Account.

The increase in supplies and services and employee related expenses were also mainly the result of the machinery of government changes on 1 July 2024.

## Statement of Financial Position – controlled items

### Assets

Total assets increased by \$41 million to \$156 million, mainly due to:

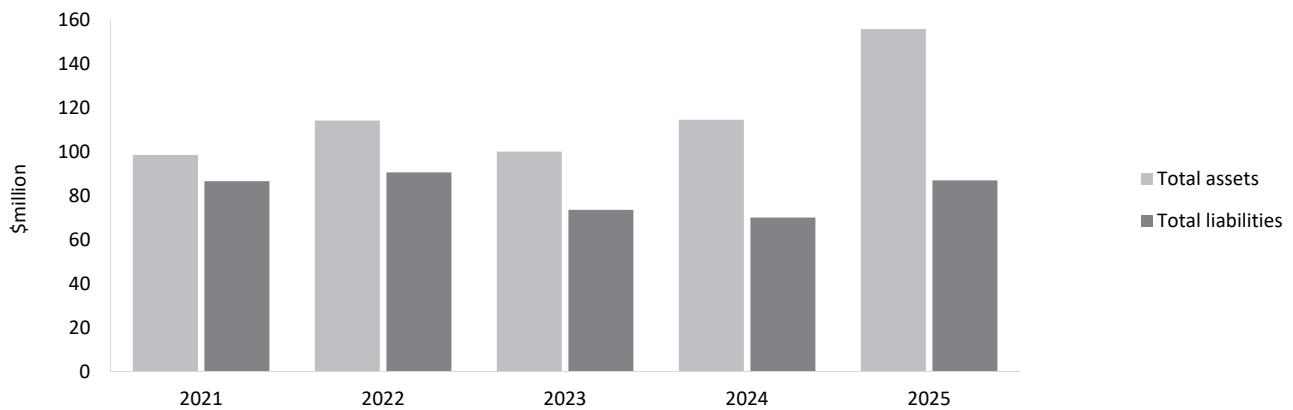
- an \$18.7 million increase in cash
- an \$11.6 million increase in property, plant and equipment, mostly due to:
  - a \$14 million transfer of assets as a result of administrative restructures
  - \$5.8 million of additions, mainly in work in progress
  - \$6.3 million in depreciation and amortisation expenses
- an \$11 million increase in receivables.

## Liabilities

Total liabilities increased by \$17 million to \$87 million, mainly due to:

- a \$10.3 million increase in payables, mainly from an \$8.5 million increase in accrued expenses
- a \$6.5 million increase in employee-related liabilities, mainly from a \$3.8 million increase in long service leave, a \$1.1 million increase in annual leave and a \$900,000 increase in employment on-costs
- a \$1.3 million increase in provisions for workers compensation, mainly from a \$1.1 million increase in the liability due to an actuarial assessment as at 30 June 2025.

The following chart shows DTF's asset and liability balances for the past five years.



## Highlights of the financial report – administered items

The administered financial statements mainly reflect DTF's transactions on behalf of the SA Government for the Consolidated Account. The Consolidated Account result for 2025 is reported in the Treasurer's statements (published on the Audit Office of South Australia's website).

	2025 \$million	2024 \$million
<b>Income</b>		
Taxation	6,318	5,824
Commonwealth revenues	13,904	12,477
Appropriation	3,842	3,327
Other revenues	1,765	1,652
<b>Total income</b>	<b>25,829</b>	<b>23,281</b>
<b>Expenses</b>		
Payments to SA Government	16,995	16,046
Grants, subsidies and transfers	6,422	5,178
Other expenses	2,185	1,662
<b>Total expenses</b>	<b>25,602</b>	<b>22,886</b>
Other comprehensive income	(3)	-
<b>Total comprehensive result</b>	<b>224</b>	<b>394</b>
<b>Assets</b>		
Current assets	1,817	1,847
Non-current assets	716	352
<b>Total assets</b>	<b>2,534</b>	<b>2,200</b>

	2025 \$million	2024 \$million
<b>Liabilities</b>		
Current liabilities	800	769
Non-current liabilities	256	177
<b>Total liabilities</b>	<b>1,056</b>	<b>945</b>
<b>Total equity</b>	<b>1,478</b>	<b>1,254</b>

\* Table may not add due to rounding.

## Statement of Comprehensive Income – administered items

### Administered revenue

Taxation revenue increased by \$495 million to \$6.32 billion, mainly due to:

- a \$186 million increase in stamp duties on property sales conveyances, reflecting generally higher residential property prices and transfers
- a \$123 million increase in land tax, due mainly to growth in property values
- a \$122 million increase in payroll tax, due mainly to growth in employment and earnings
- a \$46 million increase in stamp duties on general insurance, due to growth in premiums
- a \$39 million increase in casino duty, reflecting the outcome of a High Court decision on tax payable on loyalty points converted to gambling credits and used by patrons
- a \$37 million decrease in income tax equivalents, due mainly to decreases in tax payments from the Urban Renewal Authority (\$32.4 million) and SAFA (\$26.9 million), offset by increases from the State Owned Generators Leasing Co Pty Ltd (\$9.5 million), HomeStart Finance (\$6.2 million) and the South Australian Water Corporation (\$4.9 million).

The state taxation statistics in the following chart show that SA Government agencies paid:

- 27% of land tax collected but only 5% of the Emergency Services levy collected in 2024-25
- 52% of payroll tax collected by RevenueSA from the top 20 taxpayers in 2024-25.

### State taxation statistics

Split between SA Government  
and other levy/taxpayers

**\$881 million**  
Land tax

**\$204 million**  
Emergency  
Services levy

**\$2.2 billion**  
Payroll tax

Land tax

27% Land tax equivalent  
regime  
73% Other



Number of levy/taxpayers



**53,000**  
Land tax



**687,000**  
Emergency  
Services levy



**15,000**  
Payroll tax

Emergency Services levy

5% SA Government  
95% Other



Payroll tax (top 20 taxpayers)

52% SA Government  
48% Other



Emergency Services levy by land use type

Residential \$91 million	Commercial \$69 million	Industrial \$19 million
		Other \$25 million

Commonwealth revenue increased by \$1.4 billion to \$13.9 billion, mainly comprising a \$1.1 billion increase in funding received under the Inter-Governmental Agreement on Federal Financial Relations (IGAFFR) and a \$361 million increase in GST revenue grants.

Funding received from the Commonwealth Government in the current and prior years for various infrastructure and capital projects is initially recorded as unearned revenue and then recognised when expenditure on the projects is incurred. Grant revenue received from the Commonwealth for capital projects and recognised as unearned revenue was \$939 million in 2025. Grant revenue recognised for capital works completed was \$854 million.

Appropriation increased by \$514 million to \$3.8 billion, reflecting increased funding for DTF's administered activities.

Other revenue increased by \$134 million to \$1.8 billion, mainly due to:

- \$162 million in Commonwealth contributions to the Whyalla steel industry
- a \$62 million increase in the return of equity contributions by agencies. This amount varies each year as it generally relates to specific transactions
- a \$56 million return of funding previously held by SAFA for improvements to the efficiency of the Whyalla Steelworks had certain conditions been met by the previous operators
- a \$22 million increase in fees and charges, due mainly to an \$18 million increase in guarantee fees and an \$8 million increase in court fees and fines, offset by a \$6 million decrease in FERU suitor collections
- a \$16 million unrealised gain on investment funds held for South Australian universities
- a \$134 million decrease in dividends from SA Government agencies, due mainly to decreases of \$94 million from SAFA, \$80 million from the Urban Renewal Authority, \$5 million from the Public Trustee and \$4 million from the Motor Accident Commission, offset by a \$36 million increase from the South Australian Water Corporation and a \$15 million increase from HomeStart Finance
- a \$35 million decrease in the return of surplus cash from agencies to the Consolidated Account.

### Administered expenses

Administered expenses increased by \$2.7 billion to \$25.6 billion, mainly due to:

- a \$1.2 billion increase in grants, subsidies and transfers, mostly due to a \$659 million increase in recurrent grants, subsidies and transfers and a \$591 million increase in capital grants, subsidies and transfers
- a \$949 million increase in payments to the SA Government, mostly due to a \$963 million increase in the transfer of revenue received on behalf of the Consolidated Account, offset by a \$20 million decrease in other payments to the Consolidated Account
- \$317 million in payments to the administrators of the Whyalla Steelworks
- a \$152 million increase in interest costs, mainly on the Treasurer's borrowings from SAFA
- a \$54 million increase in employee related expenses, mostly due to a \$53 million increase in payments to the Police Superannuation Scheme and the South Australia Superannuation Fund to support funding of the defined benefit liability of these schemes.

## Administered assets

Administered assets increased by \$334 million to \$2.5 billion, mainly due to:

- a \$376 million increase in investment funds held for South Australian universities, reflecting the amounts available to support Flinders University and the new Adelaide University
- a \$99 million increase in receivables, mainly relating to funding receivable from the Commonwealth for Department for Infrastructure and Transport capital projects for which work has been completed and prepayments
- a \$125 million decrease in cash, reflecting a reduction in deposits with the Treasurer
- a \$13 million decrease in loans to the Treasurer
- a \$6 million decrease on revaluation of the National Wine Centre.

## Administered liabilities

Administered liabilities increased by \$117 million to \$1.1 billion, mainly due to:

- an \$85 million increase in unearned Commonwealth revenue relating to capital projects
- a \$77 million increase in revenues collected but not yet paid into the Consolidated Account
- a \$51 million decrease in the repayment of advances payable to the Consolidated Account.

## Further commentary on operations

---

### Commonwealth Government funding arrangements

The IGAFRR is the framework for the Commonwealth's financial relations with the states and territories. It provides for the following types of Commonwealth payments:

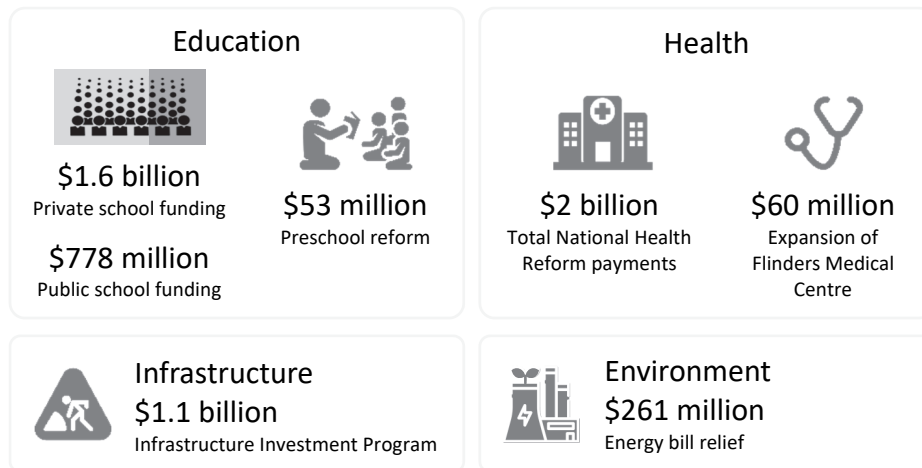
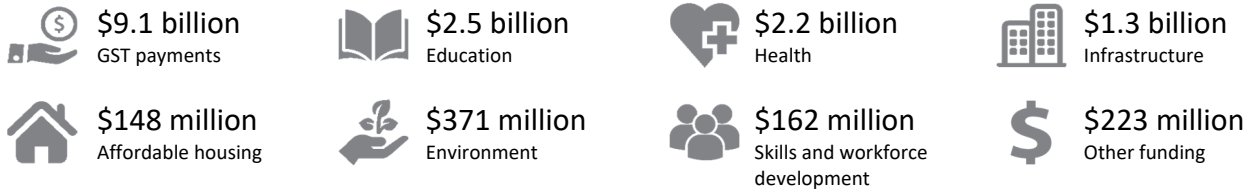
- general revenue assistance, including the ongoing provision of GST payments, to be used by the states and territories for any purpose
- national specific purpose payments to be spent in the key service delivery sectors agreed between the Commonwealth and the states. Each national specific purpose payment is linked to a national agreement that contains objectives, outcomes, outputs and performance indicators, and clarifies the roles and responsibilities of each jurisdiction
- national partnership payments to support the delivery of specified outputs or projects, to facilitate reforms or to reward those jurisdictions that deliver on nationally significant reforms.

All Commonwealth funding under the IGAFRR, with the exception of funding under the National Health Reform Agreement, is provided to DTF. DTF then distributes the funds to agencies. The Treasurer has established a special deposit account to receive and disburse money paid to the State for the national specific purpose payment and national partnership payment purposes listed in the IGAFRR.

The balance of the IGAFRR account was \$149 million (\$124 million) at 30 June 2025. These are the funds that DTF is yet to transfer to other agencies.

Commonwealth funding, presented on a cash basis, was provided for the purposes shown in the following chart in 2024-25. The Commonwealth provided \$13.7 billion to DTF and \$2.2 billion directly to the health sector. Of this, 57% related to GST revenue grants of \$9.1 billion that can be used for any purpose, whereas most of the remaining Commonwealth funding is for specific purposes.

**\$15.9 billion in total Commonwealth funding**  
**\$13.7 billion paid to DTF and \$2.2 billion paid to the health sector**



Source: Australian Government GovTeams report at 30 June 2025.

## Whyalla Steelworks assistance

In February 2025 the Commonwealth and SA Governments announced a multi-billion dollar package to support the Whyalla Steelworks and jobs in Whyalla, and to encourage more investment in Australian-made iron and steel.

Payments to the administrators of the Whyalla Steelworks totalled \$317 million in 2024-25, with the Commonwealth contributing \$162 million of this.

The Treasurer has indemnified the debts of the Whyalla Steelworks administrator for up to \$400 million. The Treasurer's remaining exposure was \$82.9 million at 30 June 2025. In addition to the indemnity, the Commonwealth and SA Governments have committed \$1.9 billion to fund improvements to the Whyalla Steelworks following a successful sale process.

Further commentary on the Whyalla Steelworks assistance package is provided in Part A of this report.

## Local Government Infrastructure Partnership Program

In October 2020 the SA Government announced the Local Government Infrastructure Partnership Program to help local government accelerate spending on community infrastructure projects.

Under the program, the SA Government provides grants to councils for up to 50% of the cost of approved infrastructure projects. Councils fund the remaining 50% either through their own reserves or by borrowing. Infrastructure projects can involve other funding partners, including the Commonwealth Government and local businesses.

Applications for grants closed on 29 January 2021. The program was fully subscribed, with \$106.9 million in grants approved for 57 projects across 58 local councils.

Grant payments are made to local councils to reimburse costs in line with key project milestones and grant agreements. Most councils have experienced project interruptions and significant delays due to supply chain issues and labour shortages.

At 30 June 2025:

- 41 projects were completed
- three projects were terminated by councils
- 10 projects were in progress
- three projects have not commenced as grant deeds are not yet finalised.

Payments of \$23.3 million were made in 2024-25. Payments totalling \$83.9 million had been made under the program as at 30 June 2025.

### **School loans scheme**

In the 2021-22 State Budget the SA Government announced a \$320 million low interest loan scheme to help non-government schools upgrade their existing school facilities, including early learning centres co-located on a school site. Loans of between \$500,000 and \$10 million per school were made available for six years, with loan terms up to 15 years.

SAFA administers the loan scheme and there have been four funding rounds since its inception.

Rounds 1 and 2 provided schools with an initial five-year interest free period, while subsequent rounds provide a two-year interest only period during construction of an approved project, with principal repayments commencing on completion of construction.

Funds advanced to non-government schools totalled \$113.8 million at 30 June 2025. Approved school loans totalled \$141.7 million, with \$27.9 million not yet drawn down.

### **Fines Enforcement and Recovery Unit (FERU) – \$511 million debt outstanding**

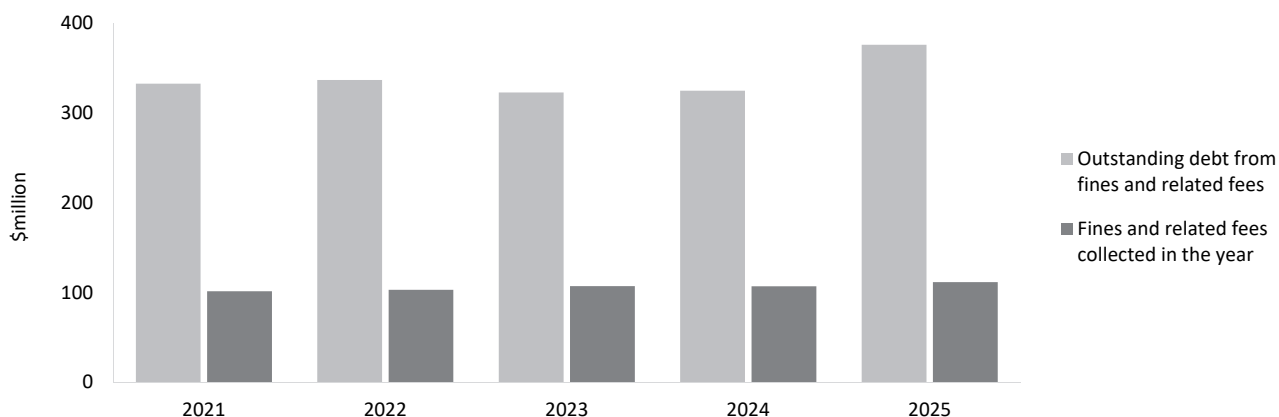
The FERU collects outstanding fines and related payments (suitor amounts and fees and charges related to overdue amounts). It performs this function for court fines, expiation fees (including overdue local government amounts referred) and other outstanding amounts, such as Victims of Crime levies and third-party suitors.

The balance of debt managed by the FERU was \$511.2 million (\$430.9 million) at 30 June 2025, which includes \$53.8 million (\$44.1 million) that is not yet due. This comprises:

- fines – \$278 million (\$239.4 million) – includes expiations of \$208.3 million (\$174.5 million) and pecuniary sums of \$69.8 million (\$65 million)
- Victims of Crime levies – \$135.1 million (\$106 million)
- FERU fees – \$98.1 million (\$85.5 million).

\$149 million (\$127.6 million) of the debt relates to court penalties, while \$362.2 million (\$303.3 million) relates to expiation notices.

The following chart shows the outstanding debt from fines and related fees (excluding Victims of Crime levies) and total collections over the last five years.



Outstanding amounts are not recorded in DTF's Statement of Administered Financial Position as there is significant uncertainty about the amount that will be collected. Instead, revenue is recorded in the Statement of Administered Comprehensive Income when money is received.

Fines lodged with the FERU totalled \$261.1 million (\$219.9 million) in 2024-25. Collections totalled \$123.2 million (\$117.9 million), including Victims of Crime amounts. This included \$111.7 million (\$107 million) collected on behalf of the SA Government and \$10.7 million (\$9.9 million) collected on behalf of non-government entities, including local government councils.

The FERU advised us that the majority of the \$41.2 million increase in debt being managed in 2024-25 relates to the introduction of mobile phone detection camera fines.

Of the balance of debt managed by the FERU, \$323.3 million (\$276 million) is under active management, with \$212.5 million (\$183.9 million) subject to payment arrangements, \$53.8 million (\$44.1 million) subject to arrangements prior to fines being overdue and \$51.8 million (\$47.4 million) not owed to the State. The FERU referred fines totalling \$2.1 million to debt collection agencies in 2024-25.

In May 2019 the FERU started recovering State debt on behalf of other government agencies. It was recovering State debt for 28 (27) government agencies at 30 June 2025. Debt totalling \$13.8 million (\$46.4 million) was referred to the FERU in 2024-25, of which \$5.3 million (\$6.4 million) was collected. \$11.2 million (\$11.7 million) is subject to payment arrangements and \$800,000 (\$3.1 million) was paid back directly to government agencies.

## Functional responsibility

---

DTF is an administrative unit established under the *Public Sector Act 2009* and is responsible to the Treasurer. It administers a range of activities on behalf of the Treasurer, including transactions on behalf of the SA Government for the Consolidated Account.

On 1 July 2024 the Office of the Chief Information Officer, Office of Data Analytics, Digital Programs and agreed corporate overheads transferred to DTF from DPC.



## Scope of the audit

---







The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- taxation revenue
- payroll
- expenditure
- procurement
- general ledger maintenance and reconciliation
- receipting and banking
- finance reform program, including related procurements and contract management
- Digital Investment Fund
- support for the Whyalla steel industry.

We reviewed controls over the following areas as part of our overall controls opinion, which is discussed in Part B of this report:

- Commonwealth Government revenue
- taxation revenue – payroll tax
- taxation revenue – stamp duty – conveyances on sale of property
- Treasurer’s guarantees and indemnities
- unfunded superannuation liability
- SSSA – accounts payable and payroll functions
- Treasurer’s statements A, F, G and I
- a sample of whole-of-government contracts.

# Urban Renewal Authority (URA)

Financial report opinion	Unmodified		
Audit findings	Contract management could be improved.		
Financial statistics			
<div></div> <div><div>\$154 million</div><div>Total income</div></div>	<div></div> <div><div>\$134 million</div><div>Total expenditure</div></div>	<div></div> <div><div>\$20 million</div><div>Profit before income tax equivalent</div></div>	
<div></div> <div><div>178</div><div>FTEs</div></div>	<div></div> <div><div>\$75 million</div><div>SA Government equity contributions</div></div>	<div></div> <div><div>\$62 million</div><div>Equity distributions back to SA Government</div></div>	
Significant events and transactions	<div><div>—</div><div>The URA purchased land at the Mawson Lakes university campus from the University of South Australia for \$50 million.</div></div> <div><div>—</div><div>Development costs totalled \$204 million, including \$113 million for the construction of the Deep Maintenance and Modification Facility at Edinburgh Parks.</div></div> <div><div>—</div><div>Borrowings increased to \$805 million to fund property purchases and future development activity.</div></div> <div><div>—</div><div>The URA received net equity contributions from the SA Government of \$13 million, comprising contributions of \$75 million partially offset by distributions to SA Government of \$62 million.</div></div> <div><div>—</div><div>The URA paid \$5.6 million in dividends to the SA Government.</div></div>		

## Audit findings

---

We communicated our audit findings in a management letter to the Chief Executive. The main findings and the URA's responses are discussed below.

### Contract management

Contract management could be improved

In July 2025 the URA's contracted internal auditor reviewed and reported on the effectiveness of the URA's contract management framework in supporting its compliance, transparency, value for money and alignment with legislative and policy requirements.

The internal auditor concluded that the URA had a strong and mostly effective control environment for contract management. Despite this, they identified several areas for improvement. In particular, there were inconsistent document retention practices, mainly caused by turnover of the URA's contract managers, which led to difficulty locating key documents after staff left.

The internal auditor also found:

- that some contract activities had started before the contracts were signed
- opportunities to improve the handover, ongoing management and closure of contracts.

These observations were consistent with our contract management review findings, which identified instances where the URA's recordkeeping processes could be improved.

The URA accepted all findings and agreed to address the issues by December 2025.

## Interpretation and analysis of the financial report

---

### Highlights of the financial report\*

	2025 \$million	2024 \$million
<b>Income</b>		
Sales	148	177
Cost of sales	(102)	(94)
Revenues from SA Government	16	8
Property income	42	36
Interest revenues	17	10
Gain from changes in the value of non-current assets	33	-
Other revenue	1	1
<b>Total income</b>	<b>154</b>	<b>137</b>
<b>Expenses</b>		
Employee benefits expenses	24	22
Operating expenditure, depreciation and amortisation, and other expenses	76	65
Net loss from changes in the value of non-current assets	-	20
Borrowing costs	34	18
<b>Total expenses</b>	<b>134</b>	<b>125</b>

	2025 \$million	2024 \$million
<b>Profit before income tax equivalent</b>	20	12
Income tax equivalent	(6)	(4)
<b>Total comprehensive result</b>	14	8
<b>Assets</b>		
Current assets	230	145
Non-current assets	1,011	838
<b>Total assets</b>	1,241	983
<b>Liabilities</b>		
Current liabilities	270	309
Non-current liabilities	676	400
<b>Total liabilities</b>	946	709
<b>Total equity</b>	295	274

\* Table may not add due to rounding.

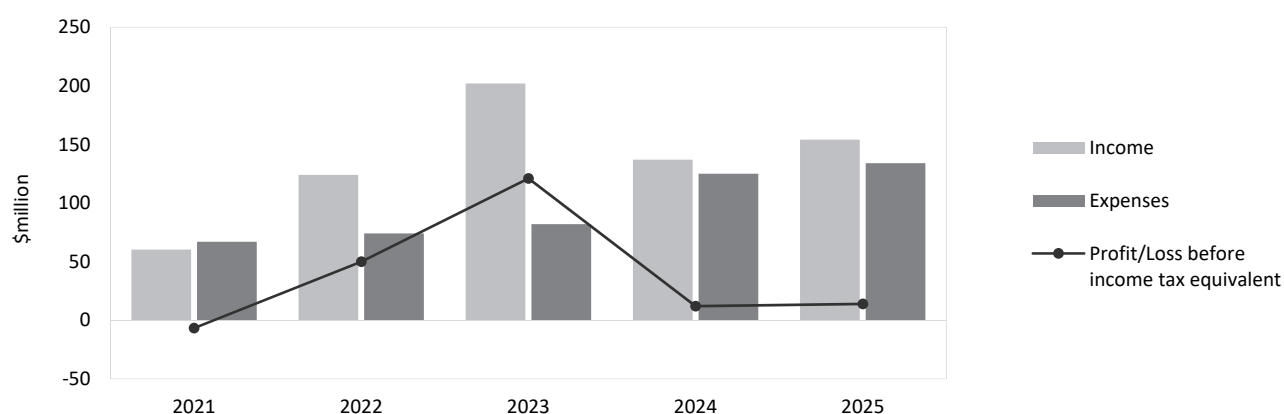
## Statement of Comprehensive Income

The Treasurer has classified the URA as a for-profit entity. The URA's capacity to generate profits is significantly influenced by a range of matters, some of which are discussed below, including government policy.

### Profit (Loss) before income tax equivalent

The URA's profit before income tax equivalent increased by \$8 million to \$20 million in 2024-25. The nature of the URA's business means that its profit (loss) before income tax equivalent is influenced by movements in the value of its inventory and investment property.

The following chart shows the URA's income, expenses and profit (loss) before income tax equivalent for the last five years.



### Income

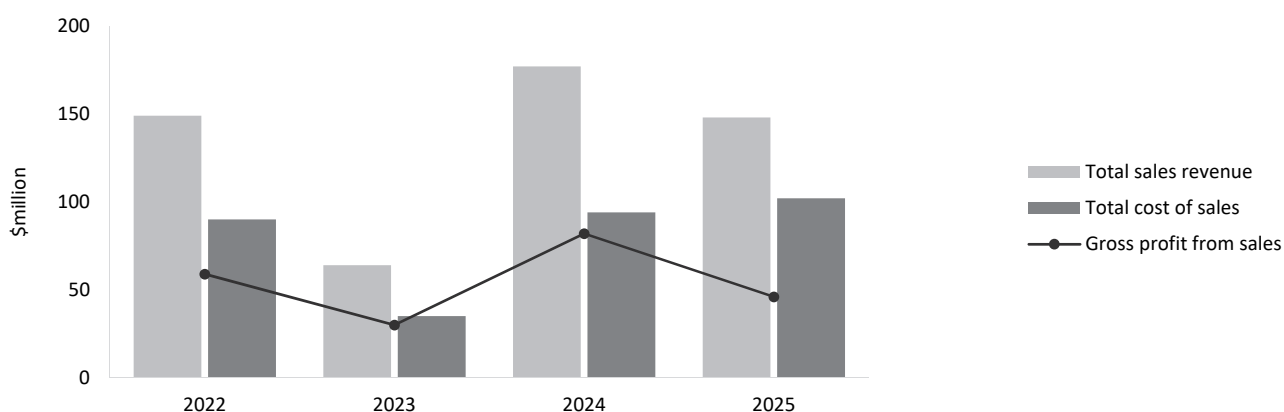
Total income increased by \$17 million to \$154 million, mainly due to:

- a net gain of \$33 million from the re-measurement of non-current assets. This amount reverses previous inventory write-downs. There were no gains from re-measurement in 2023-24
- community service obligation (CSO) funding received from the SA Government of \$17 million

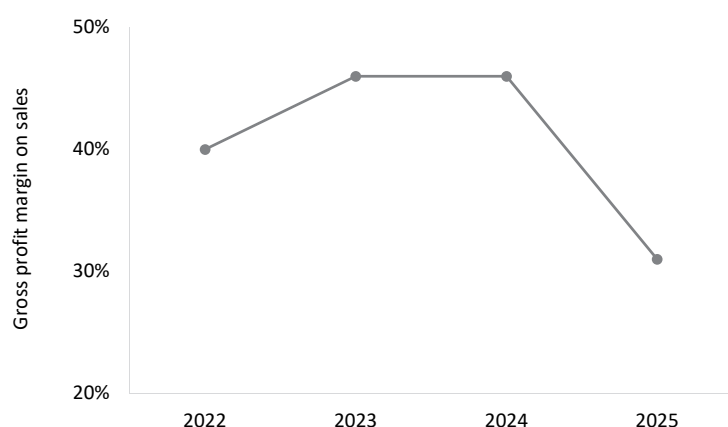
- \$7 million of assets received from the Department for Infrastructure and Transport to close out the Festival Plaza fitout works
- interest revenue increasing by \$7 million resulting from deferred payment arrangements at Aldinga and Oakden – see ‘Deferred payment arrangements’
- gross profits from sales decreasing by \$37 million to \$46 million, largely due to the \$46 million gross profit from the sale of land at Aldinga in 2023-24.

See ‘Assets’ for more information on the changes in the value of inventories and investment properties.

The following chart shows the total land sales and cost of sales for the last four years.



The gross profit margin on sales is an important driver of the URA’s profitability and is influenced by market prices for land, the costs of acquisition and the model of development used. Gross profit margins on sales decreased to 31% in 2024-25. The decrease largely reflects the \$46 million gross profit from the sale of land at Aldinga in 2023-24. The following chart shows the gross profit margin on sales for the last four years.



Sales of properties carried at their net realisable value (which is their likely sales value less future development costs) usually have lower gross profit margins than sales of properties carried at cost. The SA Government sometimes requires the URA to undertake development projects that are not purely commercial in nature. These projects are often written down because their net realisable value is below their cost.

## Deferred payment arrangements

Deferred payment arrangements are receivables from developers who have been provided deferred payment terms for significant land sales. While control of the land has passed to the developer for the purpose of revenue recognition, the full transaction price is received over the term of the development arrangement.

Because the full sale price is received over a period of years, the future payments are discounted to their present value, with this amount recognised as sales revenue and a deferred payment receivable in the year the sale occurs. The difference in the sale price and present value of future payments is treated as a financing arrangement and recognised periodically as interest revenue over the development agreement payment terms.

The URA recognises the development agreement as a sale as required by AASB 15 *Revenue from Contracts with Customers*.

## Expenses

Expenses increased by \$9 million to \$134 million, reflecting:

- borrowing costs increasing by \$16 million to \$34 million, due to the growth in borrowings and higher weighted average interest rates across the debt portfolio
- operating expenses, including depreciation, amortisation and other expenses, increasing by \$11 million to \$76 million, mainly due to increases in land tax payments (\$5 million) following increases in land values, bad and doubtful debts (\$3 million) and depreciation and amortisation (\$3 million)
- no net losses from changes in the value of non-current assets in 2024-25. Inventories and investment properties were written down by \$20 million in 2023-24.

## Dividend

Under the *Urban Renewal Authority Act 1995*, the URA is required to recommend to the Minister whether it will pay a dividend each financial year based on its accounting profit. It is also required to declare a dividend of 100% of the after-tax profit relating to the Adelaide Station and Environs Redevelopment (ASER) site in line with its financial ownership framework, which was approved by the Minister and Treasurer.

The URA paid \$6 million (\$85 million) in dividends to the SA Government, comprising:

- an additional dividend of \$3.6 million, paid on the difference between the URA's expected and final actual profit for 2023-24
- a special dividend of \$2 million was paid for the after-tax profit on the ASER site.

## Statement of Financial Position

The URA's total assets of \$1.2 billion, mainly comprising investment properties and inventories worth \$928 million, exceeded its total liabilities of \$946 million. Its total liabilities mainly comprise South Australian Government Financing Authority (SAFA) borrowings of \$805 million.

The URA's net asset position improved by \$21 million to \$295 million. Current liabilities exceeded current assets by \$39 million and included \$170 million in borrowings from the SA Government, which can be refinanced as required.

## Assets

Total assets increased by \$259 million to \$1.2 billion mainly due to increases in inventories (\$195 million), cash (\$38 million) and receivables (\$26 million).

## Cash

Cash increased by \$38 million, largely reflecting a \$70 million draw-down of debt in June 2025.

## Receivables

Receivables increased by \$26 million to \$173 million. They include \$138 million of deferred payment arrangements from the upfront recognition of sales largely at Oakden and Aldinga.

## Investment properties

Investment properties decreased by \$6 million to \$121 million, driven by sales of \$13 million offset by additions and net gains on re-measurement of investment properties to fair value.

## Inventories

The URA's primary activities involve holding and developing land inventory for sale. The value of its inventory increased by \$195 million to \$807 million at 30 June 2025. The increase mainly comprised inventory additions of:

- \$63 million in land purchases for future development, including the purchase of land at the University of South Australia's Mawson Lakes campus for \$50 million
- \$204 million in capitalised development costs, including direct materials and salaries where they are directly attributable to land currently under development. These costs are then expensed as part of cost of sales when inventories are sold
- \$37 million in gains recognised in 2024-25 from the reversals of previous inventory write-downs
- offset by inventory reductions of \$102 million for inventory sold and included in cost of sales.

## Inventory valuations and write-downs

In line with AASB 102 *Inventories*, the URA recognises inventory at the lower of its cost and net realisable value. The measurement of the net realisable value of inventories depends on their intended use. The URA has grouped its inventories into the following two classes:

- land held for sale requiring low capital investment. The carrying amount of land in this class was \$143 million (\$120 million) at 30 June 2025
- development projects requiring significant capital investment over extended periods of time before the land can be sold. These projects may be initiated by the SA Government, which provides CSO funds to partly support the costs of these projects. Development projects were valued at \$664 million (\$491 million) at 30 June 2025.

The following table shows the inventory write-downs and write-ups (reversals) and the investment property fair value gains and losses over the last five years.

		Write-ups (Write-downs)				Carrying amount	Land area	
	2021	2022	2023	2024	2025	30/06/25	30/06/24	30/06/25
Inventory	\$million	\$million	\$million	\$million	\$million	\$million	Hectares	Hectares
Development projects:								
Tonsley	-	-	16	-	-	32	24	16
Playford Alive	-	-	-	-	26	43	107	87
Bowden	(2)	-	22	-	-	7	7	1
Lot Fourteen	-	-	-	(17)	-	105	7	6
Prospect	-	-	-	-	-	9	2	1
Forestville	-	-	-	-	-	15	4	4
Other land held for development	-	-	-	(17)	11	453	65	169
Land held for sale	2	-	64	-	-	143	3,034	2,839
Total inventory	2	-	102	(34)	37	807	3,250	3,122
Investment property	2	16	13	15	3	121	116	105
Total inventory and investment property	4	16	115	(19)	40	928	3,366	3,226

Note: Table may not add due to rounding.

The values in the table are influenced by the impact of the URA's capitalisation policy and sales forecasts on the carrying amount of long-term development projects and their net realisable values.

### Sales forecasting

Development project write-downs and reversals relate mainly to changes in the cash flow models that the URA uses to determine the net realisable value of its development projects. Importantly, these changes include revised revenue forecasts that occur when the URA reassesses the likely outcomes of its business strategies for these projects. The revised revenue forecasts take into account the prevailing market conditions and the extent to which the conditions are expected to continue into the future. Where market conditions are challenging for a development project, the URA sometimes modifies its business strategy to increase future sales proceeds or lower future costs. However, if it considers that its revised strategy will be insufficient to fully recover the past costs of a project, it will write it down. If there is clear evidence that market conditions have improved or the circumstances that caused the previous write-downs no longer exist, it reverses the write-downs.

### Inventory is valued at the lower of cost and net realisable value

AASB 102 requires the value of inventory to be measured at the lower of cost and net realisable value. Cost represents the actual cost of acquiring or constructing inventories, while net realisable value represents the estimated proceeds that will be received from the sale of the inventories less any selling costs and remaining estimated construction costs.

The URA initially measures the carrying value of its inventories at their actual cost. At the end of each financial year, it estimates the net realisable value of the inventories for comparison to their carrying values. Inventory carrying values are written down when they exceed their net realisable values.



Land held for sale is classified an inventory and has a carrying value of \$143 million. If these assets were not classified as inventory, they would need to be recognised at their fair value, which the URA estimates to be \$573 million. The fair value was estimated using a variety of valuation sources over the last three years, reducing the reliability of the estimate.

### Measuring net realisable value involves estimating

The net realisable value of inventory may not equal its fair value if the entity does not intend to sell the inventory in its current condition in the most advantageous market at measurement date. Net realisable value is determined using the estimated sale proceeds less costs incurred in producing, marketing and selling to customers. Net realisable value for land held for sale is determined for each asset using either external valuation advice or management assessment.

Measuring the net realisable value of large development projects is more complex. The URA determines their net realisable values by estimating the future net cash flows of the projects (before interest) and discounting them back to present values. Inventory valuations can therefore change from year to year because of changes that influence these estimates.

The estimated cash flows are based on the amount and timing of sales and development costs, which for some projects extend many years into the future. The URA estimates when the development of each land parcel under its current strategies will be completed and its market price once developed, and also estimates the development costs, taking into account inflation. Changes to market conditions, policies or project strategies can also change the net realisable value of projects.

### Liabilities

Total liabilities increased by \$237 million to \$946 million, largely reflecting:

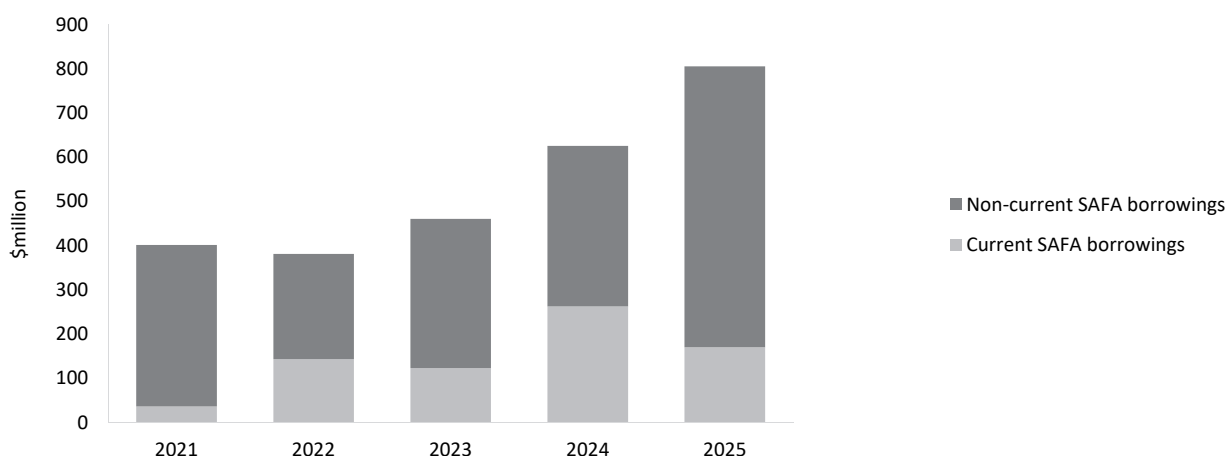
- SAFA borrowings increasing by \$180 million to \$805 million. These borrowings make up 85% of total liabilities. They are required to fund property purchases, capital development costs for inventories and operating expenses. See 'Borrowings, equity contributions and gearing' for further commentary on debt management
- payables increasing by \$27 million to \$55 million, reflecting increases in accrued capital expenses and in accrued interest associated with increased debt and higher weighted average interest rates across the debt portfolio
- unearned income increasing by \$31 million to \$50 million, mainly reflecting \$27 million in CSO funding received in advance for the Seaton project.

## Further commentary on operations

---

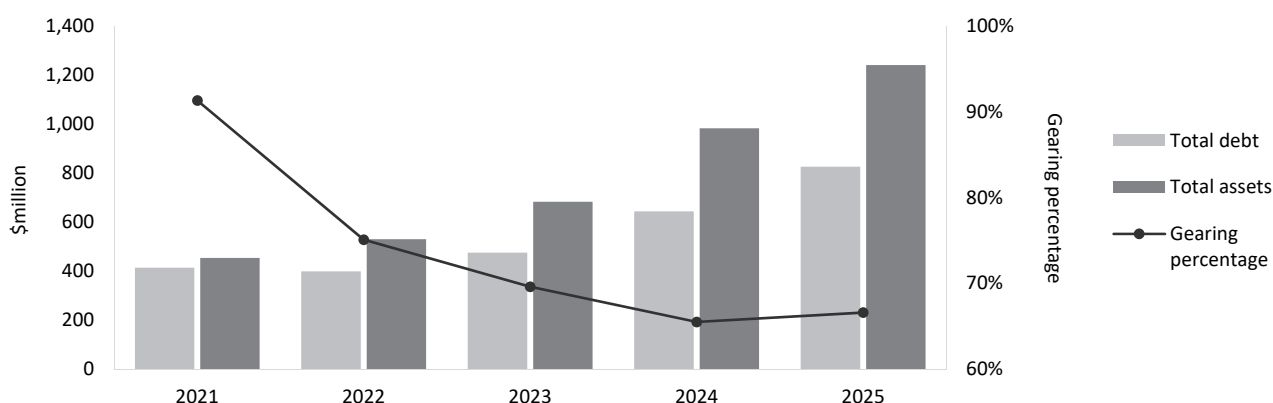
### **Borrowings, equity contributions and gearing**

The URA borrows from SAFA to fund land developments and operating expenses. This requires a level of up-front investment in projects that result in an accumulation of borrowings, until such time as sufficient revenues are realised to progressively retire the loan. The following chart shows the value of the URA's SAFA borrowings for the last five years.



SAFA borrowings of \$170 million will mature in 2025-26.

The following chart shows the trend in the URA's gearing ratio, measured as total debt (loans and lease liabilities) divided by total assets.



A higher gearing ratio in the private sector normally indicates a higher financial risk for lenders and investors, whereas for the URA its entire debt is guaranteed by the SA Government. Gearing was 66% (65%) at 30 June 2025. Under the financial ownership framework, the Treasurer and the Minister approved that gearing for the URA be under 90% and that, if exceeded, gearing be returned to below 90% within a reasonable period. The Treasurer also approved a performance statement for the URA that sets the gearing target at 66% for 2024-25.

## Debt management and financial sustainability

The URA adopts a core debt management facility approach, consistent with other public non-financial corporations. This requires an annual debt ceiling to be approved by the Minister and Treasurer.

In August 2023 the Treasurer approved an increase in the URA's debt ceiling from \$510 million to \$990 million until 30 June 2026, which includes a core debt facility of \$940 million and an overdraft facility of \$50 million. The debt ceiling was increased to accommodate future funding requirements to reflect the nature and uncertain timing of a number of the URA's proposed projects. The URA's borrowings from SAFA were \$805 million at 30 June 2025.

## **Status of major development projects**

### **Lot Fourteen**

The former Royal Adelaide Hospital site (renamed to Lot Fourteen) was transferred to the URA in March 2018 at no cost. In December 2019, the then SA Government approved a development master plan to transform the site into an innovation and commercialisation precinct, featuring facilities such as the Innovation Centre, Space Discovery Centre and the National Aboriginal Art and Cultures Gallery.

The Lot Fourteen Strategic Steering Committee helps coordinate and monitor the progress of this development project. The URA operates under the instruction from the State Project Lead for Lot Fourteen.

The URA's project scope includes demolition, heritage refurbishment and infrastructure works, with construction and ownership of major facilities managed separately by the SA Government. The URA's project budget reflects only its portion of the works, excluding costs for the key institutions.

The URA expects to complete the capital component of the project by 2028-29, with sales also ending in 2028-29. It estimates that its capital expenditure will be \$381 million over the life of the project.

The URA's costs will be partially funded through the long-term lease of allotments, with the balance funded by the SA Government. The URA currently owns the Lot Fourteen land and redeveloped allotments. It intends to dispose of some of this through long-term ground leases.

Lot Fourteen inventory is valued at \$105 million (\$92 million). Lot Fourteen capital expenditure was \$15 million (\$18 million) in 2024-25, while CSO funding received from the SA Government to fund the operating costs of managing the project, including the car park, was \$2.8 million (\$4 million).

### **Playford Alive**

The Playford Alive project was approved by the SA Government in February 2006. The project originally involved renewing the suburbs of Davoren Park and Smithfield Plains and developing land at Munno Para, Munno Para Downs, Andrews Farm and Penfield. The renewal of Davoren Park and Smithfield Plains has been removed from the scope of the project.

In December 2024 the SA Government approved a 71 hectare extension to Playford Alive to include the eastern precinct. This is projected to deliver 1,300 new residential allotments. The resulting increase in value for this project reversed previous write-downs by \$26 million.

The URA expects that capital expenditure on the project will continue to 2031-32, with sales continuing beyond this time.

Playford Alive (including the eastern precinct) inventory is valued at \$43 million (\$16 million). Income from inventory sales was \$33 million (\$14 million), while capital expenditure was \$24 million (\$9 million).

## Tonsley

In December 2009, the SA Government approved the purchase of the former Mitsubishi Motors Tonsley Park manufacturing site at Clovelly Park. The URA is developing the site into a precinct that supports knowledge-intensive industries and helps the economic growth of southern Adelaide. Land is also being developed and sold from the site. The URA expects that significant capital expenditure on the project will end in 2026-27, with sales continuing beyond that.

Tonsley inventory is valued at \$32 million (\$40 million). Income from inventory sales was \$13 million (\$6 million), while capital expenditure was \$1.4 million (\$8 million).

## Bowden

Bowden is a higher density urban infill project expected to house around 3,200 residents in over 1,850 dwellings, and has a substantial commercial and retail component. The URA manages land development, remediation, infrastructure works, community engagement and marketing, with the private sector purchasing vacant developed land for building construction. The URA expects that 2024-25 was the final year of significant capital expenditure on the project, with sales continuing until 2030-31.

Bowden inventory is valued at \$7 million (\$17 million). Income from inventory sales was \$14 million (\$12 million), while capital expenditure was \$6 million (\$5 million).

## Prospect

Prospect is a residential development on land purchased in 2020-21. The project aims to deliver 180 new dwellings with at least 55% of them being affordable housing. The URA expects that significant capital expenditure on the project will end in 2025-26.

Prospect inventory is valued at \$9 million (\$11 million). Income from inventory sales was \$11 million (\$12 million) while capital expenditure in 2024-25 was \$11 million (\$3 million).

## Other notable projects

### Deeper Maintenance and Modification Facility (DMMF)

In March 2023 the SA Government approved the construction, lease and sale of the completed DMMF on land owned by the URA immediately adjacent to the RAAF Base Edinburgh. The DMMF will enable the Royal Australian Air Force to service a fleet of aircraft and comprises four hangars, a storage warehouse and office accommodation. The URA will fund and deliver the facility, which will be leased to Commonwealth Defence before being sold either directly to the Commonwealth Government or a private sector investor. The URA expects that 2025-26 will be the final year of significant capital expenditure on the project, with a sale forecast to occur in 2027-28.

## Seaton

Seaton is a master planned development that will utilise 388 South Australian Housing Trust owned properties and private property acquisitions to create more than 1,300 new homes within the Seaton and Greater Seaton area, including a one-for-one replacement of public housing dwellings as well as affordable and market sales.

In October 2023 the SA Government approved the proposed ownership and delivery approach between the URA and the South Australian Housing Trust. The URA acts as the master developer for the Greater Seaton Renewal Project and is responsible for planning, design, civils, marketing, sales and the delivery of serviced lots to the South Australian Housing Trust. The URA expects that significant capital expenditure and sales activity on the project will end in 2034-35.

## Noarlunga

Noarlunga is a residential development of former government land purchased by the URA in 2023-24. It is projected to deliver 626 total new dwellings, including the serviced allotments for the South Australian Housing Trust to deliver 80 new dwellings. The URA will act as master developer and be responsible for planning, design, civils, marketing, sales and the delivery of serviced lots to the South Australian Housing Trust. The URA expects that significant capital expenditure and sales activity on the project will end in 2030-31.

## Southwark

In December 2024 the SA Government approved the Southwark master plan for a mixed-use precinct with the URA to act as master developer of the project, including being responsible for master planning, approvals, delivery of civils, infrastructure and open space. This is projected to deliver around 1,300 homes (townhouses and apartments) delivered by private developers, including at least 20% affordable. The URA expects that significant capital expenditure will end in 2027-28, with sales continuing to 2030-31.

## Adelaide Festival Plaza – development agreement for second tower

In June 2024 the URA entered into a development deed with a number of entities associated with Walker Corporation for a second tower at the Festival Plaza. The development deed provides development rights to construct the second tower on the Festival Plaza site, subject to a range of conditions that must be met within 12 months of signing the deed. On 31 July 2025 the URA varied the development deed, extending the conditions precedent date to 1 November 2025.

## Functional responsibility

---

The URA is established by the *Urban Renewal Act 1995*. It is the SA Government's property development agency. Its functions include:

- developing residential, commercial and industrial land in the public interest, particularly for urban renewal purposes
- facilitating public and private investment, undertaking development activities that are attractive to potential investors and participating in the development of the State

- facilitating the orderly development of areas through the management and release of land
- holding land and other property to be made available as appropriate for commercial, industrial, residential or other purposes.

The URA's trading name is Renewal SA. It is a for-profit entity under the Treasurer's Instructions (Accounting Policy Statements).

## Scope of the audit

---

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls. Areas of audit attention in 2024-25 included:

- management of projects, procurement and contracts
- land sales
- property income
- payroll
- capital and operating expenditure
- land inventory
- general ledger.

We reviewed controls over the following areas as part of our overall controls opinion, which is discussed in Part B of this report:

- inventories, including land held for sale and development projects
- the Renewal SA Operating Account.

## Annexure – Agency financial statements that we will publish on the Audit Office of South Australia’s website

The *Public Finance and Audit Act 1987* (PFAA) requires me to publish the audited financial statements of all public authorities on a website. This is a significant accountability measure that ensures they are all available centrally. The PFAA also allows me to publish other documents on that website, including the financial statements of agencies that are not public authorities.

Under section 36(1)(4) of the PFAA I will publish the financial statements of the following agencies on the Audit Office of South Australia’s website ([www.audit.sa.gov.au](http://www.audit.sa.gov.au)).

### A.1 Agency financial statements included in this annual report to be published after it is tabled

---

The following agencies are included in Part C of this report and their financial statements will be published on our website after the report is tabled.

Adelaide Venue Management Corporation  
Attorney-General’s Department  
Audit Office of South Australia  
Barossa Hills Fleurieu Local Health Network Incorporated  
Central Adelaide Local Health Network Incorporated  
Child Protection – Department for  
Correctional Services – Department for  
Courts Administration Authority  
Education – Department for  
Energy and Mining – Department for  
Eyre and Far North Local Health Network Incorporated  
Flinders and Upper North Local Health Network Incorporated  
Health and Wellbeing – Department for  
HomeStart Finance  
Housing and Urban Development – Department for  
Human Services – Department of  
Infrastructure and Transport – Department for  
Lifetime Support Authority of South Australia  
Limestone Coast Local Health Network Incorporated  
Northern Adelaide Local Health Network Incorporated  
Premier and Cabinet – Department of the  
Preventive Health SA  
Primary Industries and Regions – Department of  
Public Trustee  
Return to Work Corporation of South Australia  
Riverland Mallee Coorong Local Health Network Incorporated  
SA Ambulance Service Inc  
South Australia Police  
South Australian Fire and Emergency Services Commission  
South Australian Government Financing Authority

South Australian Housing Trust  
 South Australian Superannuation Board  
 South Australian Superannuation Scheme  
 South Australian Tourism Commission  
 South Australian Water Corporation  
 Southern Adelaide Local Health Network Incorporated  
 Southern State Superannuation Scheme  
 State Development – Department of  
 Super SA Retirement Investment Fund  
 Superannuation Funds Management Corporation of South Australia  
 TAFE SA  
 Treasurer's statements  
 Treasury and Finance – Department of  
 Urban Renewal Authority  
 Women's and Children's Health Network Incorporated  
 Yorke and Northern Local Health Network Incorporated

## A.2 Agency financial statements not in this annual report and to be published after their audits are completed

---

The financial statements of the following agencies that are not included in Part C of this report will be published on our website as soon as practical after their audits are completed.

Aboriginal Lands Trust  
 Adelaide Cemeteries Authority  
 Adelaide Festival Centre Trust  
 Adelaide Festival Corporation  
 Adelaide Film Festival  
 Agents Indemnity Fund  
 Alinytjara Wilurara Landscape Board  
 Art Gallery Board  
 Australian Energy Market Commission  
 Board of the Botanic Gardens and State Herbarium  
 Carrick Hill Trust  
 Coast Protection Board  
 Commission on Excellence and Innovation in Health  
 CTP Regulator  
 Dairy Authority of South Australia  
 Defence SA  
 Dhilba Guuranda-Innes National Park Co-management Board  
 Distribution Lessor Corporation  
 Dog and Cat Management Board  
 Dog Fence Board  
 Electoral Commission of South Australia  
 Environment Protection Authority  
 Environment and Water – Department for  
 Essential Services Commission of South Australia



Eyre Peninsula Landscape Board  
Gawler Ranges Parks Co-management Board  
Generation Lessor Corporation  
Governors' Pensions Scheme  
Green Adelaide Board  
Health Services Charitable Gifts Board  
Hills and Fleurieu Landscape Board  
History Trust of South Australia  
House of Assembly  
Ikara-Flinders Ranges National Park Co-management Board  
Independent Commission Against Corruption  
Independent Gaming Corporation Ltd  
Infrastructure SA  
International Koala Centre of Excellence  
Joint Parliamentary Service  
Judges' Pensions Scheme  
Kangaroo Island Landscape Board  
Kanku-Breakaways Conservation Park Co-management Board  
Legal Services Commission  
Legislative Council  
Libraries Board of South Australia  
Limestone Coast Landscape Board  
Local First Nations Voice (Central)  
Local First Nations Voice (Far North)  
Local First Nations Voice (Flinders and Upper North)  
Local First Nations Voice (Riverland and South East)  
Local First Nations Voice (West and West Coast)  
Local First Nations Voice (Yorke and Mid-North)  
Local Government Finance Authority of South Australia  
Lotteries Commission of South Australia  
Mamungari Conservation Park Co-management Board  
Motor Accident Commission  
Murraylands and Riverland Landscape Board  
Museum Board  
Native Vegetation Fund  
Ngaut Ngaut Conservation Park Co-management Board  
Northern and Yorke Landscape Board  
Office for Early Childhood Development  
Office for Public Integrity  
Office for Recreation, Sport and Racing  
Office of Green Industries SA  
Office of Hydrogen Power South Australia  
Office of Northern Water Delivery  
Office of the Commissioner for Public Sector Employment  
Office of the Industry Advocate  
Office of the National Rail Safety Regulator  
Office of the South Australian Productivity Commission  
Outback Communities Authority

Parliamentary Superannuation Scheme  
Planning and Development Fund  
Police Superannuation Scheme  
Premier's Delivery Unit  
Professional Standards Council  
Rail Commissioner  
Residential Tenancies Fund  
Retail Shop Leases Fund  
Rural Industry Adjustment and Development Fund  
Second-hand Vehicles Compensation Fund  
Small Business Commissioner  
South Australian Ambulance Service Superannuation Scheme  
South Australian Arid Lands Landscape Board  
South Australian Country Arts Trust  
South Australian Country Fire Service  
South Australian Film Corporation  
South Australian Forestry Corporation  
South Australian Local Government Grants Commission  
South Australian Metropolitan Fire Service  
South Australian Motor Sport Board  
South Australian Skills Commission  
South Australian State Emergency Service  
South Eastern Water Conservation and Drainage Board  
State First Nations Voice  
State Opera of South Australia  
State Owned Generators Leasing Co Pty Ltd  
State Planning Commission  
State Theatre Company of South Australia  
Stormwater Management Authority  
StudyAdelaide  
Super SA Select Fund  
Teachers Registration Board of South Australia  
Transmission Lessor Corporation  
Vulkathunha-Gammon Ranges National Park Co-management Board  
West Beach Trust  
Witjira National Park Co-management Board  
Yumbarra Conservation Park Co-management Board

