

Auditor-General's Report 8 of 2025

Annual report

for the year ended 30 June 2025

Part B: Controls opinion



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*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.*



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1 Executive summary

Controls opinion	<p>In my opinion, the controls exercised by the Treasurer and public authorities in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, are sufficient to provide reasonable assurance that the financial transactions of the Treasurer and public authorities have been conducted properly and in accordance with law.</p>
Agencies included	<p>57 public authorities were included in the various areas of our controls opinion audit program. We focused on the agencies that processed material levels of financial transactions in the context of the whole of government in 2024-25.</p>
Key areas of review	<p>Our 2024-25 control reviews focused on several areas of financial management and transaction processing, particularly:</p> <ul style="list-style-type: none">— procurement and contract management— asset management (including the Across Government Facilities Management Arrangements (AGFMA))— employment screening checks and ongoing monitoring— staff performance management— delegations and approvals.
Key outcomes	<p>The broad nature of my opinion under the <i>Public Finance and Audit Act 1987</i> (PFAA) is such that issues would need to be very significant or fundamental for me to modify my opinion. We identified issues and common themes. Some are significant and some recurring, but we did not find any systemic weaknesses in controls across the SA Government.</p> <p>Some of our findings have significant relevance for effective public financial administration. While we identified them at individual agencies, they should be considered by all public sector agencies to continue to improve financial management control practices.</p> <p>I draw attention to the significant number of contract management issues we continue to identify in agencies.</p>

These are not new issues and they pose significant risks for government.

Public authorities have and will continue to enter into significant outsourcing arrangements with private sector providers. Agencies responsible for these arrangements must clearly define their frameworks and expectations for contract management and invest in the staff skills and IT resources needed to effectively support them.

Outsourcing services does not eliminate the risks for public authorities and can sometimes create new ones. Inadequate contract management may expose the State to higher costs, financial loss or reduced services.

We also continue to find gaps in key controls for payroll and employment processes. These controls are fundamental to ensuring that the right people are hired and are paid the correct amount for the work they do.

Key findings

We found that:

- contract management processes need to improve to ensure contracts are managed effectively, risks are properly monitored and contract performance is properly assessed
- procurement processes need to improve, with instances of inadequate or missing documentation supporting key procurement decisions and processes
- large infrastructure agencies need to improve their asset management processes, including asset management planning and overseeing assets under contract arrangements
- the AGFMA is still not operating as intended and in line with the contract, with a significant number of ongoing issues in the current arrangements
- employment screening, monitoring and employment commencement processes need to improve in several agencies
- staff performance management processes and workforce plans need to be consolidated and improved
- key payroll processing controls continue to need improvement.

2 Outcomes of our controls testing in 2024-25

Forming the controls opinion involves us identifying the most significant areas of SA Government work, the agencies who are most involved in them and the controls they have implemented for them. We then perform audit work over the effectiveness of selected key controls at those agencies to conclude on whether they are working as intended or if there are gaps.

The main areas we considered in 2024-25 were controls over:

- revenue collection, including tax revenue, grant revenue and sales revenue
- expenditure, including spending on supplies and services, salaries and wages, interest, grants and maintenance
- assets, including the management of land, infrastructure and buildings (including asset management), heritage collections, investment funds, loans, inventories and capital projects
- liabilities, including borrowings, superannuation liabilities, outstanding insurance claim liabilities and employee benefits
- key aspects of the Treasurer's Statements, including receipts to and payments from the Consolidated Account and the management of deposit and special deposit accounts.

This chapter details the significant outcomes from our 2024-25 controls opinion work. Chapter 3 provides more information about the controls opinion requirement under the PFAA and what we consider at a high level in planning our work each year. Appendix 1 provides a breakdown of the specific areas we considered in 2024-25 and the agencies at which we performed the work.

The details of the significant audit findings and our commentary for individual agencies are provided in Part C of my annual report.

2.1 Contract management

2.1.1 Summary of findings and recommendations

What we found

We reviewed a sample of significant contracts and found that the agencies responsible for them need to improve their contract management practices. We found:

- instances where contract management plans were not in place, were outdated, did not address all key areas or were not approved before the contract began
- that contract management practices did not always meet key contract and legislative requirements, including approving contract variations and meeting insurance requirements

- that contract management processes did not always demonstrate a clear understanding of the risks to an agency, how they were managed and whether the risk responses were effective, documented and monitored
- that contract management practices did not always assess all aspects of the arrangements by appropriately measuring and reporting KPIs, managing complaints and reviewing practices annually
- an instance of an agency not implementing, enforcing or verifying its KPIs
- instances where contract meetings with suppliers were not held, were delayed or were held with no documented outcomes
- instances where the agency's application of contract management differed from Procurement SA's recommended or best practice approach
- that key documents required for contract management were not always promptly prepared and submitted to those charged with governance of the project
- that contract management reporting did not always provide enough evidence that the supplier had performed contract activities at the right times, or there were errors in the reporting
- that tracking and monitoring services ordered under contracts could be improved
- an instance of a contractor not performing its activities in line with contracted service levels
- that contract closure assessments, post-contract reviews, annual reviews and timely governance reporting on contract outcomes did not always occur
- instances where there was no evidence of contract managers completing mandatory contract management training, or being replaced when their employment terminated
- instances where agencies were not effectively monitoring or approving contract expenditure.

Some of these findings represent non-compliance with Treasurer's Instruction 18 *Procurement* (TI 18) and Procurement SA's policies and procedures.

What public authorities should do

Regardless of the nature of the contract, it is important for agencies to be proactive in improving their contract management practices by:

having comprehensive policies and procedures

that are communicated to staff, reflect contract management processes specific to the agency and consistent with the requirements of the procurement and contract management framework and other guidelines

implementing contract management plans

that accurately reflect the contract's requirements, are implemented before the contract starts and meet the SA Government's framework requirements and other rules and guidelines

incorporating contract management data security

into the contract in line with the South Australian Cyber Security Framework and documenting evidence of active monitoring to ensure ongoing compliance

identifying responsible contract managers

clearly setting expectations for their roles and providing support and training to them

actively managing contracts

to ensure deliverables occur as contracted and KPIs or targets are effectively monitored

having access to updated contract price schedules

so that staff who are responsible for approving charges under contract arrangements can verify that the agency is paying the correct amount

having evidence to support their contract management activities

such as minutes of meetings and copies of correspondence

having and maintaining contract registers

to understand all contracts they are party to

2.1.2 Background

Contracting by the SA Government has many forms. Contracts can relate to ongoing purchasing arrangements, outsourced service delivery, managing assets and ongoing maintenance arrangements (for assets, software, buildings or plant and equipment).

Agency contract management practices should reflect public sector rules such as those established by the PFAA, *Public Sector Act 2009*, Procurement SA and Treasurer's Instructions.

TI 18 applies specifically to procurement and contract management practices, with limited exceptions. It establishes a policy framework that includes policies for governance, procurement planning, sourcing, contract management and subordinate schedules. Public authorities are responsible for having systems, processes and procedures to comply with this framework.

Treasurer's Instruction 28 *Financial Management Compliance Program* also contains expectations that chief executives will ensure:

- that the agency regularly monitors and reviews contractor/supplier performance against orders, contracts, service level agreements (including outsourced services and public private partnership contracts) or equivalent to ensure services are received and payments are made in line with what was approved
- reductions in payments (abatements) are promptly applied in line with contract arrangements where a failure that attracts an abatement occurs.

Entering into significant outsourcing arrangements increases the need for public authorities to clearly set frameworks and expectations for effective contract management, and invest in the capability and capacity of their staff and IT resources to support it. Outsourcing services does

not remove the risks involved in providing them from the public authority. At times, it can increase the risks or introduce new ones. If the risks are not effectively managed through its contract management practices, it could result in increased costs to the State and loss of services.

Our contract management findings are discussed in more detail in the following sections.

2.1.3 Contract management plans were incomplete, not documented or not used for a number of significant contracts we reviewed

We reviewed what plans agencies had in place to effectively manage several significant contracts.

A contract management plan is an important tool in managing a significant contract. All contracts classified as either complex or strategic must have a contract management plan in place by no later than the contract start date. It should contain key information about how the contract will be managed over its term to ensure value for money is achieved. It can be supported by a range of other plans, such as risk management, transition and probity plans.

Where there is no structured and effective approach to managing, reviewing and monitoring contract obligations and risks, there is an increased risk that contractors will fail to deliver the contracted services in line with specifications, regulations and laws. If the contract relates to the maintenance of an asset, it may lead to the asset not meeting the desired level of service or its useful life being reduced.

We again found instances this year where contract management plans did not exist, were outdated, were not approved at the right time or did not address key areas of contract management.

2.1.4 Monitoring compliance and performance measures in contracts needs to improve

We examined how selected public authorities monitored compliance and performance in delivering contracted services. Monitoring contract deliverables and performance allows public authorities to identify and manage risks, assess whether performance aligns with expectations, and address disputes or issues as they occur. There is increased risk that contract objectives will not be met if they are not effectively monitored.

Common performance measures include targets, key milestones, service metrics and technical factors. They vary with different contract requirements and risks, and some may trigger financial penalties if they are not met.

Contracts often require contractors to report on their own performance, but this alone is not enough. Public authorities must review these reports for accuracy, evidence and validity. The SA Government procurement framework requires any information used to assess a supplier's performance to be accurate, fair and verifiable, especially if it affects payments or penalties. Independent assessments or evaluations may be needed for complex contracts to confirm compliance with performance measures.

Some contracts relate to maintaining public authority-owned assets. Not actively monitoring these services may result in safety risks to agency staff and the users of the assets, as well as the inefficient and/or ineffective use of public money.

In a sample of contracts we reviewed, we again found instances where monitoring contract performance needed to improve, including:

- opportunities to strengthen documentation of processes for recording, monitoring and reporting on contract obligations and performance
- regular reporting on contract plans, progress, reviews and performance that was not provided, not followed up, not adequate or not verified by the agency
- instances where agencies only relied on information provided by the supplier to support the achievement of KPIs and other delivery plans, with no process to validate the claims or ability to assess the adequacy of this information
- instances where contract obligations were not performed, monitored or enforced.

2.2 Procurement

2.2.1 Summary of findings and recommendations

What we found

Our audit of a sample of goods, services and asset procurements found that, while public authorities were progressively improving their management of procurement planning and evaluation processes, it needs further improvement. We found instances where:

- a contract was signed after the services started
- agencies did not comply with the key reporting and review requirements of Treasurer's Instructions, Procurement SA and Tenders SA
- the required forward plan for commissioning activity was not prepared
- key records were missing, incomplete or inadequate, including complexity assessments, risk assessments and documenting mandatory criteria being met
- key procurement documents (conflict of interest policies and procedures, documents and confidentiality agreements) were not promptly approved, were non-compliant, could not be located or were not completed. Post-sourcing reviews were not promptly performed.

Some of these findings represented non-compliance with TI 18 and Procurement SA's policies and procedures.

What public authorities should do

To comply with frameworks and maintain sound procurement practices, agencies should:

document and communicate policies and procedures

to ensure their policies and procedures for procuring supplies, services and assets are clearly documented, approved by senior management and communicated to staff, and that staff adhere to them

identify and respond to procurement risks

and ensure adequate recordkeeping so that evidence of risks, such as conflicts of interest, key decisions and approvals are documented and retained

document key procurement decisions

including key plans, reports and changes in approach, so that these decisions are adequately supported

obtain approvals during the procurement process

at the relevant stage by the right people, in line with the framework requirements or agency's policies and procedures

provide training to procurement staff

to increase their capability through adequate training on framework requirements and risk management principles

2.2.2 Background

Each year public authorities procure billions of dollars' worth of goods, services and assets. Their procurement practices should reflect public sector rules such as those established by the PFAA, *Public Sector Act 2009*, Procurement SA and Treasurer's Instructions, with TI 18 being the primary source of procurement rules. Public authorities must follow the key procurement principles in these frameworks or risk services they procure being costly, ineffective or failing to deliver intended outcomes, which can undermine public trust in the process.

2.3 Asset management – infrastructure, buildings and improvements and heritage assets

2.3.1 Summary of findings and recommendations

What we found

Our audit of asset management at agencies that manage significant infrastructure portfolios and heritage assets found areas that needed to improve, including:

- continued opportunities to improve asset management policies, plans and frameworks
- asset data not being updated or maintained in an appropriate system

- opportunities to improve measuring, monitoring and reporting of service levels and performance measures for assets, particularly when they are managed under a contract
- the relative importance of assets (how critical they are) was not consistently assessed, and the methodology behind this was not documented
- instances where asset condition assessments were overdue, incomplete or not recorded in the asset system
- reporting to governance was inconsistent with the approved plan or not performed
- missing key asset management controls, including reconciliations and system user access controls
- strengthening the evidence to support the adequacy of maintenance works performed under contract arrangements.

Our audit of asset management over infrastructure, buildings and improvements for agencies who participate in the AGFMA focused on the AGFMA arrangements (see section 2.4.1).

What public authorities should do

Large infrastructure agencies and significant asset management entities should:

review and update their asset management policies, plans and frameworks

for procuring supplies, services and assets to clearly document and communicate them to staff and ensure that staff adhere to them

clearly communicate roles and responsibilities

for asset management to staff and provide them with adequate training to build their asset management capability

monitor controls

for assets managed under contractual and non-contractual arrangements

regularly report on risks

to ensure risks are identified, appropriately managed and regularly reported to governance

identify, measure and report service levels and performance measures for assets

that are agreed to and reported against to ensure contractors deliver on service expectations

Agencies who participate in the AGFMA should:

develop asset management policies, plans, procedures and frameworks based on reliable data

to ensure they are adequate for the size, complexity and nature of the assets they own. Plans should be based on reliable and updated data that is regularly reviewed

liaise with Ventia and the Department for Infrastructure and Transport (DIT)

to clarify the roles and responsibilities of all parties in the AGFMA

clearly communicate roles and responsibilities

for asset management to staff and provide them with adequate training to build their asset management capability

2.3.2 Background

The agencies we audit are responsible for over \$77.4 billion in infrastructure, buildings and improvements. Asset management continues to be a key focus of our controls opinion audit program. Asset management is the systematic and coordinated actions taken by an agency to maximise the value derived from its assets. It involves managing assets, including their acquisition, maintenance, upgrade and disposal, to support service delivery. It requires assessing costs, opportunities and risks to achieve optimal asset performance while considering different time frames and stakeholder expectations.

Unlike some other Australian jurisdictions, there is currently no mandatory asset management framework for assets owned by the SA Government. Therefore we evaluated agency asset management practices using DIT's strategic asset management framework (SAMF) (developed to support the AGFMA) as a guide. It is aligned to the recognised best practice approach – ISO 55000. The SAMF is based on building assets, it does not cover other types of assets and compliance with it is not mandatory.

We also used the Institute of Public Works Australasia *International Infrastructure Management Manual* as a guide for the application of ISO 55000. We considered each agency's size, operations and complexity when reviewing their practices against these guidelines.

Our review covered agencies that manage their own asset maintenance and have extensive infrastructure portfolios, such as the South Australian Water Corporation (SA Water), DIT, the South Australian Housing Trust (SAHT), the Urban Renewal Authority and three South Australian public universities. We also reviewed the Art Gallery Board because it manages \$825 million of heritage assets, which is a significant value in the context of the whole of government.

We reviewed asset management activities at agencies that participate in the AGFMA, including the Department for Education, SA Health, TAFE SA, the Department for Correctional Services and the Office for Recreation, Sport and Racing (see section 2.4.1).

We also noted matters relating to significant infrastructure assets maintained under contract arrangements, such as jetties, heavy and light rail and some buildings. Some of these issues relate to contract management.

2.3.3 Governance arrangements still need to improve

Documented asset management policies and plans are critical to agencies aligning their asset management activities and the outputs from their assets with their objectives. Agencies need to clearly set their asset management objectives to make properly informed strategic decisions about acquiring, operating, maintaining and disposing of their assets. Not having documented policies and plans increases the risk that agencies fail to cost-effectively manage their assets or fail to deliver planned services. These policies and plans are described in DIT's SAMF guidance on the expected level of asset management planning. The intention is that these policies and plans address:

- the principles the agency intends to apply to asset management to achieve its organisational objectives (asset management policy)
- the agency's asset management objectives, practices and action plans for asset management improvement (asset management strategy)
- the agency's approach to implementing its asset management strategies (asset management plan).

In prior years we identified opportunities for large infrastructure agencies to improve their documented asset management policies, plans and frameworks. This year we continued to find opportunities for individual agencies to improve them, including finalising asset management policies and plans and improving key information about risk management, condition monitoring, levels of service, maintenance, compliance with contract requirements and performance for some asset types.

2.3.4 Opportunities to continue to improve identifying, measuring and reporting service levels and performance measures

Defining, establishing and measuring service levels and performance measures is important for asset management planning, prioritising resources and decision-making. This information should provide an understanding of:

- the levels of service customers require and what they are willing to pay
- the technical levels of service required
- actual asset performance and capability to deliver those levels of service.

Deficiencies in the process for defining desired service levels, and monitoring actual asset performance against targets may result in the planned/actual services delivered by a public authority not meeting key stakeholder expectations. An agency's ability to effectively allocate resources to prioritise asset maintenance and renewal is negatively impacted by the absence of performance measure reporting.

We found opportunities to improve the management of service levels and performance measures at agencies that manage large infrastructure assets. For some asset classes, agencies need to ensure that asset management plans define all desired levels of service, and that actual performance is monitored and reported on regularly to appropriate governance.

2.3.5 Condition assessments were not performed or were performed but not recorded in asset systems

Regularly assessing the condition of an agency's assets is critical to properly informing its future maintenance and infrastructure costs and future asset management plans. Without these assessments there is an increased risk that assets are not in the condition expected by the agency and decisions about asset management planning and resource allocation are based on incorrect or inadequate information.

Not knowing the condition of an asset and then not properly responding through adequate maintenance and renewal activities may increase the safety risk to users, decrease the life of the asset and increase maintenance costs.

We found opportunities to improve the asset condition monitoring at agencies with large infrastructure asset portfolios. These opportunities included:

- ensuring the relative importance (criticality) and condition of assets under contract arrangements are assessed, documented and reported
- ensuring condition assessments have occurred, are updated and are based on complete asset information
- ensuring results of visual inspections and condition assessments are recorded in asset data systems.

2.4 Across Government Facilities Management Arrangements

2.4.1 Summary of findings and recommendations

What we found

Our overall assessment for 2024-25 is that the AGFMA continues to not operate as intended and in line with the contract and that contract objectives are not being achieved, resulting in increased risks to quality of services, value for money and ensuring asset risks are appropriately managed.

In 2024-25 we found that DIT continued to work extensively with the SA Government's facilities management service provider, Ventia Australia Pty Ltd (Ventia) to improve the performance of the arrangements.

Although DIT has performed significant work, we continued to identify areas of significant risk where it could improve its internal controls, including:

- a lack of evidence of Ventia's compliance with specific cyber security aspects of the South Australian Cyber Security Framework
- gaps in DIT's risk management processes for the AGFMA, with the risk register not being reviewed quarterly and not including or having outdated information for risks in areas such as cyber security, trade ceiling rates and data management
- that DIT did not have evidence that Ventia's software contains the minimum data sets required by Premier and Cabinet Circular PC 114 *Government Real Property Management*
- significant issues in Ventia's preventative maintenance for emergency and high-risk assets and systems identified by an external review
- DIT does not have assurance that user access controls implemented by Ventia are effective
- Ventia was not procuring trade-based services in line with the SA Government's procurement policies, as confirmed by external audit engagements
- that KPIs reported in 2024-25 were not verified by DIT, as there was disagreement with Ventia about calculation requirements
- findings reported from external reviews were not reported to the contract governance group.

We also identified several areas where Ventia was not operating in line with the contract, including:

- evidence that subcontractors engaged by Ventia were charging for some work at rates higher than the maximum trade rates set through the arrangements
- annual inspections and data audit plans were not in place with no evidence provided to DIT of inspections occurring
- no evidence of Ventia completing the data validation process to ensure that complete and accurate data is recorded for assets being managed
- KPI credits applied to participating agencies were incorrectly calculated
- preventative maintenance and maintenance required by legislation were not completed within agreed time frames
- breakdown maintenance response and resolution times set out in the contract were not met
- Ventia's AGFMA business continuity plan was not finalised or reviewed
- instances where subcontractors used by Ventia did not hold all required qualifications, licences or certificates for the work performed.

For agencies who participate in the AGFMA, we found that:

- asset management plans, policies and frameworks needed to effectively manage buildings and improvements did not exist, were still being developed, were incomplete or not implemented
- annual site inspections, asset data verification and condition assessments were not complete or maintained
- annual service delivery plans for planned maintenance with Ventia were not based on asset data, approval was delayed or was not approved
- service delivery plans were not prepared
- some services procured through the AGFMA were not in line with SA Government procurement policies
- risk management processes could be improved in one instance
- there was no performance management or monitoring of issues and risks for the AGFMA, including specific performance measures and service levels
- an asset information strategy or standards guide was not developed
- there were opportunities to improve the alignment of financial authorisations in the AGFMA maintenance system with agency-approved financial authorisations and Treasurer's Instruction 8 *Financial Authorisations* (TI 8) requirements
- user access to Ventia systems needed to be reviewed more frequently and include role-based access controls.

What public authorities should do

The success of the AGFMA depends on all stakeholders clearly understanding their responsibilities, establishing and following processes to fulfil these obligations, proactively overseeing the services delivered by Ventia and ensuring asset information remains accessible, secure and up-to-date. DIT is the lead agency for managing the AGFMA in conjunction with participating agencies. DIT has proposed actions in response to our findings, which are detailed in Part C of this report under 'Department for Infrastructure and Transport'.

Agencies participating in the AGFMA should continue to:

revisit/improve their asset management controls

to ensure the facilities management services they receive are effective for their assets

clearly communicate roles and responsibilities

to their staff and provide adequate training to support this

actively work with DIT and Ventia

to ensure they are clear about their roles and responsibilities

2.4.2 Background

The AGFMA is an integral part of the SA Government's approach to maintaining, managing and improving building assets (including building fabric, plant and equipment). It is designed to enable the SA Government to identify the building work required, negotiated at a fair price, manage any risks while also maintaining public records of work performed. Currently, close to 50 agencies participate in the AGFMA.

We include the AGFMA in our controls opinion audit program due to its significance in the context of the large maintenance expenditure incurred by agencies, the value and coverage of the assets maintained and the number of participating agencies.

In June 2020 the SA Government approved the approach to establish a fully outsourced service delivery model for the AGFMA. The contract was awarded to Ventia in July 2021 and services started in December 2021, with transition arrangements in place from July to November 2021. Both DIT, which administers the AGFMA model, and participating agencies continue to play an active role under these arrangements.

2.5 Salaries and wages expenditure

2.5.1 Summary of findings and recommendations

What we found

Our audits of controls over salaries and wages expenditure at agencies identified opportunities to improve:

- employment screening practices, with instances of agency staff not holding valid clearances, such as working with children and aged care clearances, but were working with, or potentially working with, these vulnerable groups
- hiring processes, including instances of new staff starting work with no employment contract in place
- inconsistent application of a policy to ensure funding was in place for new positions
- compliance with immunisation policy requirements, as staff continued to work without evidence of the required immunisations
- performance management processes, with a large number of outstanding reviews
- workforce planning and strategy, with differing maturity levels continuing to exist across multiple agencies
- inconsistent rostering practices are being applied to medical staff
- mandatory training is not being undertaken by all required staff
- the recording and management of leave
- an agency's process of following up long-outstanding payroll overpayments
- key payroll processing controls.

What public authorities should do

Agencies should:

clearly monitor employment screening checks and controls

by clearly documenting which positions require employment screening checks (such as working with children and aged care clearances) and implementing effective monitoring controls to ensure these staff hold valid and up-to-date checks

improve their performance management systems

to ensure staff are trained, they understand their roles and responsibilities and whether they are meeting them, and to manage staff who need to improve their performance

identify key risks in their payroll processing environment

over the validity, accuracy and completeness of payments and ensure they implement effectively designed controls to mitigate them

implement controls to record leave taken and approved

in the system they use and make sure any excessive or negative leave balances are effectively managed

improve documentation

to monitor compliance with required immunisation policy requirements

improve hiring processes

to ensure contracts are in place before employment starts

improve controls over the creation of new positions

update policy and procedures to require a financial delegate to approve funding before a new position is created and ensure controls are in place for officers with delegated authority to approve these positions

monitor compliance with mandatory training requirements

review and improve processes in place to ensure staff are performing mandatory training as identified by policy

implement or monitor workforce plans

appropriate to the complexity, scope and nature of their operations and ensure they align with the agency's objectives

2.5.2 Background

Salaries and wages is the largest type of expenditure incurred by the agencies we audit. Collectively the SA Government employs around 123,000 staff and pay over \$11.7 billion in salaries and wages every year.

Effective financial management of salaries and wages expenditure begins with strategic workforce planning, followed by recruitment, remuneration and ongoing personnel administration throughout the employment lifecycle. Numerous transactions occur during this process, and it is essential to comply with various legislative requirements, government frameworks and enterprise agreements.

Our salaries and wages findings are discussed in more detail in the following sections.

2.5.3 Employment screening practices and ongoing monitoring require significant improvement

We focused on the identification and management of positions in agencies that require clearance checks, such as working with children and aged care clearances. These checks are fundamental to ensuring that an agency meets community expectations in the hiring and ongoing employment of staff in line with applicable legislative requirements. This is particularly important when staff are working with vulnerable members of the public.

Some workers, such as those in health care, also have job-related immunisation requirements. We considered these requirements when reviewing compliance with ongoing employment screening and monitoring.

We continue to find that agencies need to improve their employment screening and monitoring practices. We found:

- instances where staff without current working with children and aged care clearances were working with children or the elderly
- instances where compliance monitoring for vaccination requirements had not been completed.

2.5.4 Elements of performance management continue to need improvement

Performance management is fundamental to ensuring an agency meets community expectations and delivers services effectively and efficiently. Effective performance management systems ensure that staff understand their individual roles and responsibilities, and how they will achieve them. If an agency is paying staff for work that is not being performed or not being performed to the expected level, it is not properly managing its salaries and wages expenditure.

The importance of performance management is recognised in various requirements that reinforce the need for agencies to establish and administer effective performance management and development systems. These include:

- the *Public Sector Act 2009*
- Direction of the Premier: *Performance Management and Development*
- Commissioner for Public Sector Employment guidelines.

We began auditing performance management reviews in 2018-19. We continue to find not only overdue performance reviews in most of the agencies we review, but some roles continue to not have a current job plan outlining their role and expectations. In 2024-25 there was an improvement in the number of overdue performance reviews in some agencies, while others were still working to increase their compliance with the applicable frameworks.

2.5.5 Differing levels of workforce planning and strategy maturity

Workforce plans and strategy help to ensure that there is an appropriate workforce to deliver an agency's outcomes. Without the right workforce, an agency might need to hire temporary resources, at a premium cost, to deliver against its objectives. This may compromise the effective delivery of outcomes if resources cannot be found in a short time and place heavy reliance on current resources to deliver these outcomes at a premium cost (overtime), potentially resulting in staff burnout and a continually fatigued workforce. The effectiveness of an agency's future business planning also depends on having a clear understanding of its workforce needs and costs, given the significance of its workforce input to achieving its objectives.

In 2024-25 we continued to find that there were differing levels of workforce planning maturity across the agencies we reviewed. One agency was still working towards consolidating their workforce plans for finalisation while another was still developing its workforce planning strategy.

2.5.6 Some key payroll processing controls need to improve

Common payroll processing environments include input checks (such as approval of timesheets, rosters and supporting documents) and output checks (such as bona fide reviews and payroll exception reports) to ensure salaries and wages expenditure paid to employees and recorded in financial systems is valid, accurate and complete. The appropriate design and implementation of these controls is fundamental to ensuring that effective financial management of salaries and wages expenditure is occurring.

We have for a number of years reported instances in agencies where these checks were not occurring as designed or where their implementation did not meet management's expectations. In 2024-25 we reviewed key controls in the payroll processing environments of selected agencies and again found instances where:

- timesheets were not properly approved
- no evidence of independent reviews of key payroll documents or master file changes
- key payroll reports (bona fides and annual leave returns) were not reviewed or the review was not adequate or promptly performed
- rostering practices were inconsistent
- annual leave monitoring and recording needed to improve
- adequate supporting documents could not be provided for some transactions.

Shared Services SA (SSSA) advised us that it is actively managing \$10.9 million in outstanding overpayments on behalf of agencies that has resulted from agencies providing information to SSSA too late to be included in the next pay run. The correct application of salaries and wages controls, such as reviewing bona fide and leave return reports, can help prevent or minimise these issues.

2.6 Accounts payable and approvals

2.6.1 Summary of findings and recommendations

What we found

Our audits of controls over accounts payable and approvals found:

- one agency's review of its electronic delegations system was not completed and not in line with the requirements of TI 8 and the agency's governing policy for the process
- user access to an expenditure system not being reviewed at the frequency outlined in an agency's policy
- payments continue to be made before they are properly reviewed
- an instance of an agreement being incomplete more than a month after the service had ended
- expenditure payment reports were not certified even though payments were disbursed
- overtime payments made by an agency as part of a panel deed for temporary staff were paid at incorrect rates
- instances where an agency was not properly approving maintenance expenditure.

What public authorities should do

Agencies should:

perform frequent system user access reviews

for key expenditure systems with any remediation items identified and actioned

ensure staff comply with policies and procedures**perform comprehensive checks when processing invoices to source documents**

within appropriate time frames

reinforce the importance of financial authorisation controls

to ensure agency-approved financial authorisations agree to online financial authorisation limits set in its financial systems and TI 8

perform comprehensive checks on transactions

and manual payments processed outside of normal financial authorisation limits, such as super/special delegate capacity and manual payments, are completed

2.6.2 Background

Each year millions of invoices are processed by and for public authorities. SSSA alone processed 3.1 million payments in 2024-25. Having a high number of suppliers inherently increases the risk of fraud. To minimise this risk, public authorities need to assess their processing environments, including those at SSSA where applicable, and ensure they have appropriate controls in place. This is a requirement of the Treasurer's Instructions.

These invoices amount to billions of dollars of public money spent by public sector staff who have been given delegated authority to approve transactions on behalf of a public authority. Financial authorisations provide a structured framework for approving payments and should reflect public sector rules that govern this activity, including the PFAA, the *Public Sector Act 2009* and Treasurer's Instructions. There are potentially severe consequences for individuals who deliberately misapply delegated authorities.

Another key step in the accounts payable process is reconciling invoices to purchase orders and ensuring that goods and services are received as requested before invoices are paid. It may be difficult for an agency to manage its ongoing commitments if purchase orders are not raised when required. If the invoice is not agreed back to the purchase order and goods and services are not confirmed as received, a public authority may be paying for goods and services that are not required or not received.

All agencies in some form will regularly deal with suppliers for day-to-day goods and services. Establishing contracts for significant or regular spending is an effective way of ensuring certainty of arrangement conditions and price. It may lead to better pricing (for volume) and service provision (economies of scale). This enables agencies to understand their costs with more certainty and make appropriate financial decisions based on this. This helps suppliers understand the level of goods and services required and ensure they are available to meet this demand. Establishing contracts also provides a basis for measuring performance while enabling agencies to have certainty over what they receive.

The findings in section 2.6.1 are specific instances where agencies could improve their accounts payable processes. Findings relating to financial limits established in systems where expenditure is incurred highlight the importance of ensuring those limits not only reflect chief executive approved authorisation limits and also comply with TI 8, to ensure that only appropriate expenditure is incurred by the agency.

2.7 Capital projects – project delivery and management of construction projects

Each year, agencies we audit undertake significant construction projects. Most are performed by agencies for which this is a core activity. The SA Government's infrastructure agency, DIT, is responsible for managing construction projects in the civil and building (commercial) construction sectors. SA Water, SAHT and the Urban Renewal Authority are the primary infrastructure agencies, as they have the specialised expertise to deliver significant construction projects.

In 2024-25, construction projects should comply with public sector rules such as those established by the PFAA, Procurement SA, Premier and Cabinet Circulars and Treasurer's Instructions. In 2021, Infrastructure SA reviewed and reissued its independent assurance framework, with the aim to improve the planning, prioritisation, operation and implementation of major SA Government infrastructure projects. Under Premier and Cabinet Circular PC 049 *Infrastructure SA Major Project Assurance Process* and Treasurer's Instruction 17 *Public Sector Initiatives*, Infrastructure SA is required to be consulted by SA Government agencies before any Cabinet submission for infrastructure expenditure of \$50 million or more.

In 2024-25 we reviewed specific controls over aspects of infrastructure planning and investment, project delivery and management. We identified instances where agencies could improve their controls, including:

- key documents outlining who is responsible and accountable and the level of consultation required at key steps in the project lifecycle are prepared and approved in a timely manner
- one agency's policy on probity planning for a project could be improved
- clarifying if specific payments for a project complied with legal requirements
- an instance where there was incomplete risk management documentation for a project.

We also noted matters relating to procurement and contract management for some aspects of the projects we reviewed. Procurement management issues are discussed in section 2.2.1 and contract management issues are discussed in section 2.1.1.

2.8 Revenue

The agencies we audit receive around \$37.2 billion of revenue annually, with a significant proportion of this is from Commonwealth Government grants. The types of revenue include taxation, grants and revenue from selling goods and services.

Effective financial management of revenue includes raising revenue under legislation, grant programs or through the provision of goods or services. The revenue process has many steps, including identifying the revenue to be raised, entering and managing agreements, billing the customer, debt management and receipting the revenue. We considered a range of criteria when performing our audits, including the applicable legislative framework supporting the revenue, Treasurer's Instructions and agency financial policies and procedures.

The revenue processes we reviewed were generally operating effectively. However, we did identify opportunities to improve the management of revenue in some agencies, including:

- performing checks against all eligibility criteria and evidencing this check, to ensure adjustments to revenue raised are appropriate and allocated correctly
- ensure that a completeness check is performed on Valuer-General market rent data uploaded into core revenue systems
- opportunities to strengthen governance over audit plans performed on revenue collected.

2.9 Financial assets

2.9.1 Special deposit, deposit and cash accounts

Special deposit and deposit accounts are established under the PFAA. They are ledger accounts, not bank accounts. The Treasurer approves the establishment and purpose of each account. The use of these accounts should reflect the approved purpose (for special deposit accounts) and the requirements of the Treasurer's Instructions. We reviewed the legal compliance for the operation of a number of these accounts as part of our work.

We also reviewed selected controls around agency bank accounts, whether general accounts or those with a specific purpose. This year we included specific work around the South Australian Schools Investment Fund accounts used by public schools to invest surplus funds.

Overall, the controls over the operation of these accounts were generally satisfactory. However, we found some instances where agencies could improve their management of accounts, including:

- ineffective bank reconciliation being performed by an agency
- a significant number of long-outstanding reconciling items continue to impact an agency's cash at bank balance
- some deposit and special deposit accounts were not managed effectively to ensure they were not overdrawn
- weaknesses in the current policy around the operation of some accounts, including a lack of definitions
- monitoring of the balances and proposed use of some accounts is not clearly documented
- some reconciliations were not always promptly prepared and/or reviewed
- no documented approval of the daily transaction limit in the banking system.

2.9.2 Investments and advances

The agencies we audit hold around \$60.8 billion of investments and advances. We found opportunities to improve the management of these investments and advances, including:

- unable to validate IT controls for a decommissioned lending system
- a core procedure manual that included how investments are managed by an agency had not been reviewed since 2022.

3 Background

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–
 - (iii) the controls exercised by the Treasurer and public authorities in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Treasurer and public authorities have been conducted properly and in accordance with law

Each year I am required to issue an opinion on whether the controls exercised by the Treasurer and public authorities in relation to a range of financial transactions are sufficient to provide reasonable assurance that those transactions have been conducted properly and in accordance with law. This is a key responsibility of the Auditor-General under section 36 of the PFAA.

The PFAA empowers the Auditor-General to decide how to carry out functions and exercise powers under the PFAA, and the priority given to any matter in doing so. In 2024-25 I continue to find significant gaps in the whole-of-government control environment, particularly for asset management, contract management, procurement and payroll.

Through our controls opinion audit program, financial statement audits, extended reviews and some performance audits, we have comprehensively reviewed individual agency controls.

In this chapter I explain my controls opinion responsibilities under the PFAA and our approach for 2024-25. Chapter 2 contains the summary of significant control matters we identified this year. Appendix 1 explains our controls opinion audit coverage.

We prepare our reports for the Parliament of South Australia. We tailor our reports to give all public sector agencies the opportunity to review them and consider our findings and recommendations, so that agencies can make changes to their own control environments where required. Our goal is for our work to result in financial transactions being processed with a greater level of accountability and integrity across the public sector.

3.1 Overview

3.1.1 Controls are important

Each year billions of dollars are collected, spent and managed by the Treasurer and public authorities to deliver core services to South Australians. The public expects the financial management of these funds to be performed legally and properly.

Public sector managers are responsible for effectively managing costs and controlling financial resources, operations and risk exposures within their agencies and for complying with applicable laws, regulations and instructions. The ability of an agency to operate properly and to report reliable, accurate and timely information is underpinned by having an effective control framework.

If controls exercised by the Treasurer and public authorities are inadequate, agencies are exposed to increased risk in financial probity, propriety and not delivering cost-effective services to the public.

3.1.2 Auditor-General must express an opinion on controls

Each year the Auditor-General has a statutory responsibility to express an opinion on whether controls are sufficient to reasonably assure that financial transactions of the Treasurer and public authorities were conducted properly and in accordance with law.

We define 'properly' as conforming to established standards of financial management practice. We define 'in accordance with law' as complying with relevant Acts, regulations and Treasurer's Instructions.

When performing our audit work for this opinion, we use relevant criteria to assess whether controls are consistent with established standards of financial management practice and behaviour. The main sources for these criteria are laws, regulations, instructions (such as Treasurer's Instructions) and agency policies. Where these sources are absent, we consider generally accepted standards of financial management practice and behaviour, especially where other Australian jurisdictions have issued authoritative guidance.

Assessing what is reasonable is a matter of judgement and circumstance that considers facts, evolving practices, expectations and behaviours. Fundamental principles that underpin our audits of controls include public accountability, integrity, financial probity and propriety, discharging responsibilities within the letter and spirit of the law, and value for money. They are inherent values and these rarely change over time. However, there is a considerable degree of judgement required, and auditors and management will sometimes disagree.

A key outcome of our audits is to communicate significant audit findings to those charged with governance. This may be a board chair or chief executive or the Parliament. This is a key outcome of the audit, an obligation under the PFAA and a professional responsibility under Australian Auditing Standards.

3.1.3 What does the opinion mean

The controls opinion is an independent opinion on whether the public can be reasonably assured that the government of the day is operating in their best interests when conducting financial transactions. This involves much more than getting the financial reporting right.

Consequently, our controls work focuses on the propriety of transactions – that they lawfully occurred and were properly administered to an appropriate standard for the transaction type, scale and effect.

Our audits conclude with a procedural fairness process where the audit issues we identified are subject to agency scrutiny to ensure they are factually correct, logically sound and presented fairly. This also gives us an opportunity to discuss the effect and practicality of our recommendations and any other issues with the agency. We consider the agency’s feedback and, where appropriate, reflect it in our final audit management letters and reports.

Our procedural fairness process results in auditors and management agreeing on most of our audit findings and recommendations. It is then up to agencies to determine whether to adopt our recommendations, based on their views of the risks, costs and benefits involved. Occasionally, they will put forward reasons for not accepting our recommendations. The main differences in our views arise where agencies decide that their existing practices sufficiently address the risks involved.

We review agency responses to current year issues in the next audit. If disagreement remains, we raise the issue again for further review.

3.2 Our approach

3.2.1 The 2024-25 controls opinion approach

Our 2024-25 approach to forming the controls opinion is based on a whole-of-government perspective. The population we use to form our opinion consists of the agencies we are required to audit, which includes the general government sector, public financial and non-financial corporations and universities.

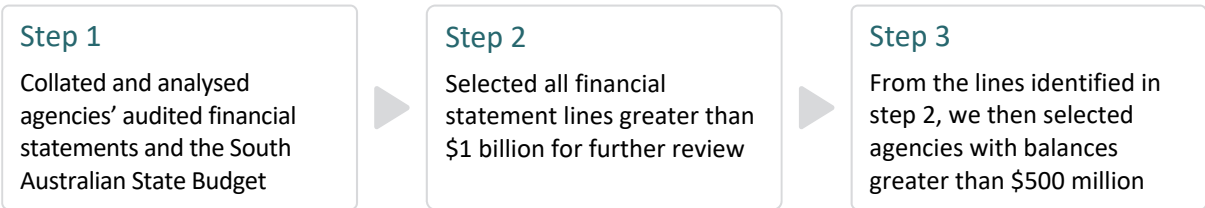
To compile our 2024-25 controls opinion audit program, we consider both key quantitative and qualitative factors as shown in the following figure.

Figure 3.1: Developing our controls opinion audit program



When determining what was quantitatively significant we performed the following steps:

Figure 3.2: Determining quantitative significance



We then considered qualitative factors to identify any further areas that were not quantitatively material but still warranted review for other reasons. These qualitative factors were based on our agency audit experience combined with economic and social factors, and including:

- public sector governance practices
- new developments
- matters of public interest
- expectations of Parliament
- significant new systems/initiatives
- past significant audit findings.

The agencies and areas we identified formed the 2024-25 controls opinion audit program. The significant findings from our audit work are discussed in chapter 2.

3.2.2 We no longer intend to include the South Australian public universities in the whole-of-government controls opinion approach from 2025-26

Since 2018-19, our approach to the controls opinion has included all of the public authorities we are required to audit, including the South Australian public universities. Reflecting on the whole-of-government nature of the opinion I am required to provide, I have reconsidered this approach, coinciding with the changes to the South Australian public university sector with the creation of Adelaide University.

Public universities are statutory corporations that are created by Acts which define their legal status, governance structures and powers. Their legal capacity and decision-making authority are derived from this legislation. The public universities operate independently in many respects and are not required to comply with the Treasurer's Instructions, unlike other public authorities.

On this basis, I have determined that we will no longer include the public universities in the collective controls opinion from 2025-26. This change does not mean that we will not review financial controls in the public universities – we will continue to do that in their individual audits. This change only means that we will not include the outcomes from our public university audits in forming the collective controls opinion. We will continue to report control matters that arise from the audits of the public universities to the Parliament where we find that controls do not meet expected or required standards in the circumstances of each university.

3.2.3 What controls to audit

We aim to audit the controls exercised by the Treasurer and public authorities that most directly influence whether a financial transaction is conducted properly and lawfully. Financial transactions usually go through many steps. Each has a purpose that can range from planning for a transaction (such as preparing a business case) through to executing the transaction (such as confirming receipt of goods and approving the expenditure). These steps are commonly described as the financial systems that transactions go through. Not all steps have the same importance in ensuring a transaction is conducted properly and lawfully.

To ensure we achieve the best coverage from our resources, we prioritise our work based on the risk assessments we perform. Part of our strategy for reviewing controls is to cycle through systems as our risk assessments change each year. An area we focus on in one year may not have the same focus in the next. We might review specific areas of planning for transactions in some years, where in others we might review the process for performing certain types of transactions.

Further detail about the approach we have taken to planning our audit work in 2024-25 and where that work was performed is included in the Appendix 1.

Appendix 1 – Controls opinion coverage

This Appendix explains our areas of focus for the 2024-25 controls opinion. It outlines the agencies we audited, the types of transactions we focused on and the key areas we reviewed.

Not all agencies we audit are included in our controls opinion work, but this does not mean that we have not reviewed their control environments. Australian Auditing Standards require us to gain an understanding of each agency’s control environment and, where appropriate, to test controls as part of our financial audits. The more significant findings we identify through these financial audits are discussed in Part C for the agencies included in this annual report, and in a separate report we will release later for the agencies that are not in this report.

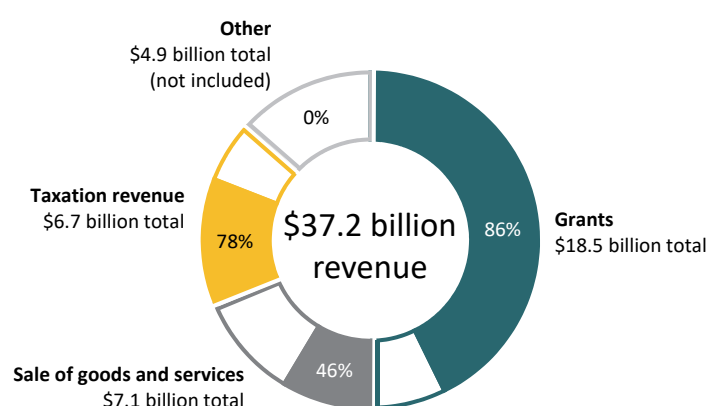
In any year we might also conduct extended reviews that inform the whole-of-government controls opinion. We also conduct several performance audits a year, which sometimes involve reviewing controls. We report the outcomes of our performance audits in individual reports to Parliament.

Revenue coverage

The agencies we audit received around \$37.2 billion in 2024-25. Effective financial management and legal compliance in receiving this money are essential for these agencies to achieve their objectives.

We reviewed revenue across these agencies and applied our quantitative and qualitative factors to identify where we would focus our 2024-25 controls opinion work. Overall, we reviewed selected controls for \$23.7 billion of revenue transactions. Figure A1.1 shows our coverage across the different types of revenue.

Figure A1.1: Revenue covered by our controls opinion audit in 2024-25



In addition to these areas, we reviewed selected controls over receipts to the Consolidated Account, special deposit accounts and deposit accounts (see ‘Treasurer’s statements’).

Key areas of coverage

Grant revenue: \$15.9 billion reviewed

We reviewed selected controls relating to Commonwealth Government grant revenue including GST receipts and Commonwealth specific purpose payments. This revenue is received by the Department of Treasury and Finance (DTF) and the Department for Health and Wellbeing (DHW).

Taxation revenue: \$4.5 billion reviewed

We reviewed selected controls over payroll tax, stamp duties on conveyances and motor vehicle registration transactions. This revenue is raised and collected by DTF and DIT.

Sale of goods and services: \$3.3 billion reviewed

We reviewed selected controls over transactions for:

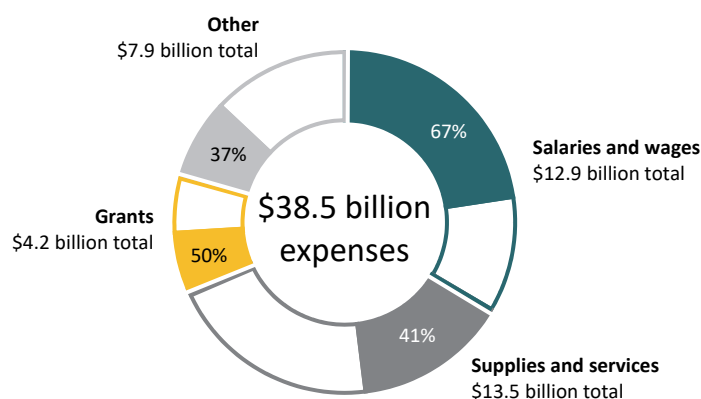
- water and sewerage rates at SA Water
- insurance premiums at the Return to Work Corporation of South Australia (RTWSA)
- rental income at SAHT
- ticket sales for the Lotteries Commission of South Australia.

Expenditure coverage

The agencies we audit spent around \$38.5 billion in 2024-25. Applying robust financial management for this expenditure and ensuring compliance with legal requirements are essential for agencies to effectively achieve their objectives.

We reviewed expenditure across these agencies and applied our quantitative and qualitative factors to identify where we would focus our 2024-25 controls opinion work. Overall, we reviewed selected controls for \$19.2 billion of expenditure transactions. Figure A1.2 shows our coverage across the different types of expenditure.

Figure A1.2: Expenditure covered by our controls opinion audit in 2024-25



In addition to these areas, we reviewed selected controls over payments from the Consolidated Account, special deposit accounts and deposit accounts (see 'Treasurer's Statements').

Key areas of coverage

Salaries and wages: \$8.7 billion reviewed

Over \$8.7 billion of salaries and wages were paid in 2024-25 across the agencies we audit, to over 123,000 staff. We reviewed selected controls over salaries and wages transactions at:

- South Australia Police
- Department for Education
- University of Adelaide
- SA Health – Central Adelaide Local Health Network Incorporated (CALHN), Southern Adelaide Local Health Network Incorporated (SALHN) and Northern Adelaide Local Health Network Incorporated (NALHN).

SSSA is responsible for processing salaries and wages transactions on behalf of a large number of agencies. Our audit scope included reviewing selected controls within SSSA's environment.

Our review focused on:

workforce planning – adequate planning assists agencies to achieve their objectives and prepare for future business needs. It helps minimise the additional premium costs of using temporary staffing solutions for staff shortfalls

performance management processes – effective performance management systems ensure employees are aware of their expected performance standards and whether they are on track to achieve them. Active management of performance helps agencies to achieve their objectives and further develop their staff

hiring processes including employment screening checks – adequate checks during the hiring process and subsequent monitoring ensure agencies comply with applicable legislation, reducing risks to both staff and the public

review of payroll reports – effective reviews of key payroll reports reduce the risk that payments are made at incorrect rates or for work not performed, and that leave is incorrectly or incompletely recorded, ultimately resulting in potential financial loss to the agency

Supplies and services: \$5.6 billion reviewed

We reviewed selected controls over supplies and services (also referred to as goods and services) expenditure transactions for:

- SA Health –DHW, CALHN, SALHN and NALHN
- Department for Education
- DIT
- Department for Child Protection
- whole-of-government procurements.

We also reviewed selected controls at SSSA over the processing of around 3.1 million invoices a year on behalf of many agencies.

Our review focused on:

delegations and approvals – ensuring expenditure is authorised in line with approved delegations reduces the risk of incurring expenditure that does not achieve value from spending public money

procurement and contract management – robust procurement and contract management practices are the foundation to good financial management. It reaffirms to the public that procurements and contract management were conducted ethically with an appropriate level of probity to achieve value for money

Interest expenses: \$2 billion reviewed

We reviewed selected controls over interest expense transactions processed by the South Australian Government Financing Authority (SAFA).

Grant expenses: \$1.9 billion reviewed

We reviewed selected controls over grant expenditure by the Department for Education (which is referred to as transfer payments).

Maintenance expenditure: \$527 million reviewed

We reviewed selected controls over maintenance spending incurred under the AGFMA, which is important due to the value of the assets and number of agencies included in this arrangement. The public authorities under this arrangement that we reviewed were:

- Department for Education
- DIT
- SA Health – CALHN, SALHN and NALHN
- TAFE SA
- Department for Correctional Services
- Office for Recreation, Sport and Racing.

We reviewed DIT's management of the AGFMA, including the arrangements with Ventia.

Other expenses: \$881 million reviewed

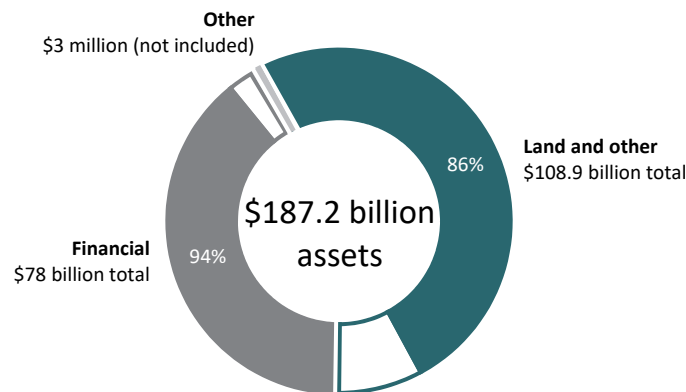
We reviewed selected controls over National Disability Insurance Scheme (NDIS) contributions made by the Department of Human Services.

Asset coverage

The agencies we audit have assets worth around \$187.2 billion. For agencies to deliver their objectives, they must have robust financial management practices around the investment of funds, acquisition and disposal of assets in place while also adhering to legal requirements.

We reviewed the asset balances held and applied our quantitative and qualitative factors to identify the agencies and balances we would audit for the 2024-25 controls opinion. Overall, we reviewed selected controls for \$167.7 billion of assets. Figure A1.3 shows our coverage across the different types of assets held.

Figure A1.3: Asset covered by our controls opinion audit in 2024-25



Key areas of coverage

Investments: \$57.1 billion reviewed

We reviewed selected controls over investments at:

- SAFA
- RTWSA
- University of Adelaide
- Superannuation Funds Management Corporation of South Australia (Funds SA), for investments managed on behalf of superannuation funds and other entities.

We focused on governance arrangements, appointing and managing external fund managers, approving new investments, managing settlements, monitoring and managing asset allocations and monitoring compliance with specific policies and procedures.

We also reviewed selected controls over \$1.3 billion of investments held in the Public Trustee's common funds. These are investments managed by the Public Trustee on behalf of members of the public and organisations. We have not listed the Public Trustee's investments in figure 3.3 as they are not considered to be assets of the Public Trustee. They are held in trust. We reviewed whether they are managed properly and in line with the law due to their quantitative significance, the purpose of this investment portfolio and the SA Government's responsibility as manager of assets in trust. Our review focus was similar to those for SAFA, Funds SA, RTWSA and the University of Adelaide.

Land: \$15.8 billion reviewed

We reviewed selected controls over land assets at:

- SAHT
- Department for Environment and Water
- Department for Education
- TAFE SA
- DIT.

Our review focused on asset management planning and approvals for the acquisition, use and disposal of land, as well as compliance with legislative requirements.

Loans and advances: \$4.4 billion reviewed

We reviewed selected controls at HomeStart Finance and the Local Government Finance Authority of South Australia over issuing and approving loans and advances in line with policies, procedures and legislative requirements.

Heritage assets: \$825 million reviewed

We reviewed selected controls over the acquisition, disposal and stocktake processes for the Art Gallery of South Australia's heritage assets.

Inventories: \$807 million of land inventory reviewed

We reviewed selected controls at the Urban Renewal Authority for transactions relating to the acquisition, holding, development and sale of land. Areas of review included planning and approval for acquisitions, holding, developing and disposing of land inventories, procurement, contract management and project management processes for the development of land and the associated compliance with legislative requirements.

South Australian Schools Investment Fund: \$564 million reviewed

The South Australian School Investment Fund accounts are held by schools, education units and preschools, with around 1,400 individual accounts.

We reviewed selected controls for the governance of these accounts, approvals for establishing new accounts and withdrawals, the completeness and accuracy of data and the adequacy of planning for the use of these funds.

Asset management

**Total infrastructure assets:
\$51.5 billion reviewed**

**Buildings and improvements:
\$25 billion reviewed**



The link between this work and the expenditure controls opinion program

We reviewed selected controls over maintenance planning and expenditure including expenditure under AGFMA arrangements for several agencies listed in this report.

Effective asset management is essential for South Australia's continued financial sustainability. Understanding asset types, performance, cost, and age helps in contributing to decisions being made to renew, maintain, and replace these assets, and ensuring government assets support public services and needs.

We reviewed asset management practices over infrastructure, buildings and improvement assets at the following public authorities:

- DIT
- Department for Education
- SA Health – DHW, CALHN and SALHN
- Department for Correctional Services
- SA Water
- SAHT
- Adelaide Venue Management Corporation
- TAFE SA
- University of Adelaide
- Flinders University
- University of South Australia
- Office for Recreation, Sport and Racing.

We evaluated agency asset management practices using the DIT-developed SAMF as a guide. It aligns with the international standard on asset management (ISO 55000), a recognised best practice approach.

Our controls work over asset management in 2024-25 focused on ensuring:

- governance arrangements were in place
- risk management practices were in place
- asset condition monitoring was occurring
- adequate asset data was captured and maintained
- maintenance and renewal programs were in place.

Capital projects (work in progress)

We reviewed a sample of significant capital projects at the following public authorities:

- DIT (in its own right and managing projects on behalf of other agencies)
- DHW
- Department for Education
- SALHN.

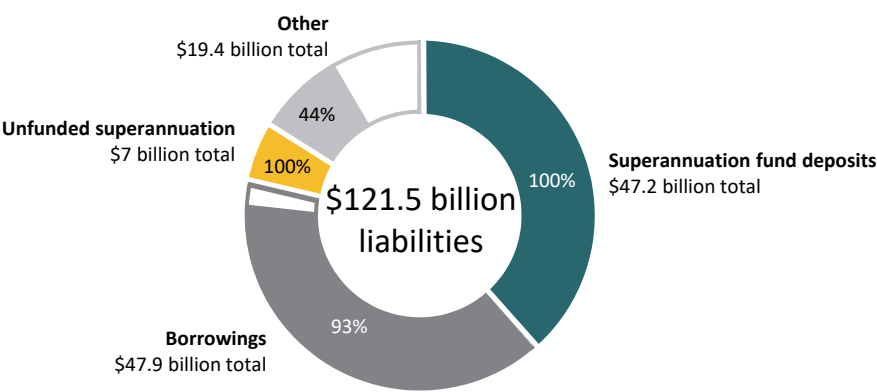
We focused on the business case, project delivery, procurement (including tender and contract management practices) and project completion, ensuring that appropriate approvals were obtained at key stages of the projects.

Liabilities coverage

The agencies we audit have around \$121.6 billion of liabilities. Applying sound practices to incurring and managing liabilities is critical to good financial management. The incurring of liabilities must also comply with the law.

We applied our quantitative and qualitative criteria to identify the agencies and balances we would audit for the 2024-25 controls opinion. Overall, we reviewed selected controls for \$108.5 billion of liabilities. Figure A1.4 shows our coverage across the different types of liabilities held.

Figure A1.4: Liabilities covered by our controls opinion audit in 2024-25



Key areas of coverage

Superannuation fund deposits: \$47.2 billion reviewed

We reviewed selected controls at Funds SA for investments held on behalf of superannuation and other funds.

Borrowings: \$45 billion reviewed

SAFA is the SA Government’s central borrowing authority. It manages most of the State’s debt and implements the SA Government’s debt management policy as determined by the Treasurer. We reviewed selected controls over SAFA’s borrowings, including ensuring that proper approvals are given for new borrowings and that monitoring and risk management processes are in place to ensure borrowings remain within approved limits.

We reviewed similar controls over borrowings at HomeStart Finance and SA Water. We also reviewed selected controls over financial lease payments at CALHN for the arrangements with Celsus for the Royal Adelaide Hospital.

Unfunded superannuation liability: \$7 billion reviewed

Unfunded superannuation is reported in the consolidated financial report. We reviewed selected controls to ensure the completeness and accuracy of data used in individual scheme valuations and that the actuaries' calculated valuations are reasonable.

Outstanding claims: \$4.7 billion reviewed

We reviewed the claims agent assurance program in place at RTWSA. This program ensures claim payments are properly approved and paid in line with legislative requirements.

We also reviewed selected controls at the Lifetime Support Authority of South Australia and SAFA over the acceptance and payment of claims, and the reinsurance arrangements for the Motor Accident Commission.

Employee benefit liabilities: \$933 million reviewed

We reviewed selected controls at the Department for Education over the management of leave, accuracy of leave recorded and valuation of leave liabilities.

Treasurer's statements

The Treasurer's statements are prepared annually as required by section 22 of the PFAA. They reflect the transactions of the Treasurer as shown in the Treasurer's accounts and records. The primary public accounts are the Consolidated Account, special deposit accounts and deposit accounts that are established under the PFAA.

We reviewed controls over key areas of these statements, including receipts to and payments from the Consolidated Account (Statement A), the indebtedness of the Treasurer (Statement I), special deposit accounts (Statement F) and deposit accounts (Statement G). Specific areas of coverage included access to key systems, approvals, compliance with key requirements of the PFAA and Treasurer's Instructions, and the accurate recording of transactions.

We reviewed several special deposit and deposit accounts at an agency level. We ensured agencies had controls to ensure these accounts operated only in line with approved purposes and that they complied with key requirements of the PFAA and Treasurer's Instructions (such as performing regular reconciliations).

Appendix 2 – Abbreviations used in this report

A number of acronyms and abbreviations are used throughout this report. Most are summarised here.

AGFMA	Across Government Facilities Management Arrangements
CALHN	Central Adelaide Local Health Network Incorporated
DHW	Department for Health and Wellbeing
DIT	Department for Infrastructure and Transport
DTF	Department of Treasury and Finance
Funds SA	Superannuation Funds Management Corporation of South Australia
KPI	Key performance indicator
NALHN	Northern Adelaide Local Health Network Incorporated
PFAA	<i>Public Finance and Audit Act 1987</i>
RTWSA	Return to Work Corporation of South Australia
SA Health	Department for Health and Wellbeing and associated local health networks
SA Water	South Australian Water Corporation
SAFA	South Australian Government Financing Authority
SAHT	South Australian Housing Trust
SALHN	Southern Adelaide Local Health Network Incorporated
SAMF	Strategic Asset Management Framework
SSSA	Shared Services SA
TI 18	Treasurer's Instruction 18 <i>Procurement</i>
TI 8	Treasurer's Instruction 8 <i>Financial Authorisations</i>
Ventia	Ventia Australia Pty Ltd

