

Auditor-General's Report 10 of 2025

# **Update to the annual report**

for the year ended 30 June 2025

Department for Environment and Water



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Department for Environment and Water

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Tabled in the House of Assembly and ordered to be published, 26 November 2025

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First Session, Fifty-Fifth Parliament

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

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2025

*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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ISSN 0815-9157



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25 November 2025

President  
Legislative Council  
Parliament House  
ADELAIDE SA 5000

Speaker  
House of Assembly  
Parliament House  
ADELAIDE SA 5000

Dear President and Speaker

**Report of the Auditor-General:  
Report 10 of 2025 *Update to the annual report for the year ended 30 June 2025*  
– *Department for Environment and Water***

Under the *Public Finance and Audit Act 1987*, I present this report to you.

**Content of the report**

On 30 September 2025 I delivered my annual report for the year ended 30 June 2025 to you. In it, I advised that we had not completed the 2024-25 audit of the Department for Environment and Water (DEW). I also advised that our commentary on DEW's audited financial report for the year ended 30 June 2025 would be provided in a separate report to Parliament once the audit was completed.

The DEW audit is now complete and this report provides that commentary.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Andrew Blaskett".

Andrew Blaskett  
**Auditor-General**





# Department for Environment and Water (DEW)

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## Financial report opinion


## Unmodified


### Audit findings

- Problems with DEW's bank reconciliation process are unresolved.
  - User access reviews covering banking systems need to improve.
  - Accounts receivable subsidiary system reconciliation processes need to improve.
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## Financial statistics


### Controlled


 **\$440 million**  
Total income

 **\$408 million**  
Total expenditure

 **1,297**  
FTEs

### Administered

 **\$132 million**  
Total income

 **\$134 million**  
Total expenditure

## Significant events and transactions

- Significant asset classes were revalued upwards in 2024-25, resulting in an overall upward revaluation of \$115 million.
  - The SA Government's interest in the Murray-Darling Basin Authority increased by \$134 million to \$1.2 billion in 2024-25.
  - The Adelaide Beach Management Program expenditure increased to \$26 million this financial year.
  - Significant increases in Commonwealth Government funding occurred in 2024-25, with an additional \$38.6 million received for new and ongoing programs.
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## Delay in the completion of the DEW audit

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My annual report for the year ended 30 June 2025 noted that the audit of DEW was not complete at the time of publication.

We have, for a number of years, raised concerns about the effectiveness of DEW's bank reconciliation processes and the need to improve controls over them. DEW's bank reconciliation includes 16 separate entities, as it also includes a number of portfolio agencies to which DEW provides support and services. The number of entities involved, and the complexity of the range of systems that DEW requires to support its operations, mean that the process of managing DEW's cash is more complex than for some other agencies.

This complexity is one of the reasons why DEW has had issues in this area for a number of years and why those matters have yet to be satisfactorily fully resolved.

Before concluding on any audit, the auditor needs to be satisfied they have sufficient assurance that the financial statements are materially correct. In 2024-25, extra time was required for the audit team to work through aspects of the cash and receivables balances to obtain that level of assurance.

In 2024-25 we performed more detailed work to assess DEW's approach to resolving historic reconciling items identified as part of the bank reconciliation.

For context, DEW's bank reconciliation for 30 June 2025 identified around 65,000 records that were recorded in DEW's systems but were not reflected in bank records, along with around 8,500 items that were included in bank records but not yet matched to DEW's systems. This is a significant volume of reconciling items, particularly when more than half of the recorded amounts (by value) in DEW's systems have been unmatched for over a year.

Our audit work this year considered the approach DEW had taken to resolving some of the older reconciling items, with the testing concluding that generally the approach taken was reasonable. There were a small number of items we selected for review for which DEW could not provide prompt support, as a result of the age of the items.

The volume and nature of the reconciling items, including that many are older items where records are less readily accessible, resulted in this process taking additional time this year.

Overall, our work for cash concluded that while DEW has continued to improve its approach to this area over time, there was a need for:

- DEW to apply additional resourcing to ensure historic reconciling items are resolved
- further improvement in the interfaces between a number of subsidiary systems and the general ledger to avoid creating further reconciling issues in the future.

These matters are discussed further under 'Audit findings'.

In addition to the matters for cash, we also needed to perform detailed work for DEW's accounts receivable balances. DEW maintains, for itself and its portfolio agencies, an aged list of outstanding receivables. This provides the primary support for the amounts that are recognised in DEW's financial statements as being receivable.

There are a number of general ledger object codes that make up the outstanding receivables balance. The balance of each of these object codes differs between the general ledger records, used for the financial statements, and the aged trial balance of outstanding amounts.

The reasons for the adjustments between various elements differ, but relate to some of the same system issues that impact the complexity of the cash balance, as well as reflecting some historical issues from past machinery of government changes and other system configuration issues.

We considered the reasons for these variances and the nature of them as part of the 2024-25 audit process.

Ultimately, we concluded that there was no material error in the amounts recognised in DEW's receivables, but that there were some errors which DEW should address. We also noted that enhancements to the accounts receivable reconciliation would assist in clarifying the nature of the adjustments made and would provide additional support to the financial statement preparation and audit process.

As discussed further below, we have made recommendations to DEW to assist in addressing these issues in 2025-26 and prior to the implementation of the replacement of the Masterpiece General Ledger with Oracle, as part of the whole-of-government Finance Reform Program.

## Audit findings

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

### Cash

For several years we have raised concerns around DEW's monthly bank reconciliation process and the timely clearing of reconciling items. For the current year we continued to identify that old, outstanding items are not being cleared promptly and effort is being directed to clearing new material unmatched amounts.

Given the large volume of transactions generated by DEW's business systems, the design of the current reconciliation process and the extent of manual processes required to substantiate reconciling items, extensive work was required to gain a sufficient understanding about the impact of these outstanding reconciling items.

#### Effectiveness of the DEW bank reconciliation

Review of DEW's bank reconciliation found there continue to be significant numbers of reconciling items recorded on monthly reconciliations requiring investigation and resolution. We found that the design of the reconciliation did not facilitate easy categorisation of reconciling items as:

- timing differences, where the cause and required corrective action were known
- unreconciled balances, where further investigation was required to identify the cause and action needed.



We found DEW's processes to identify and resolve these unmatched transactions continue to mature. Newer processes to identify failed batches have enabled DEW to promptly identify and resolve new unmatched transactions.

The matching of old, long-standing items continues to be time-consuming as DEW manually investigates these transactions to determine their cause and the appropriate resolution.

We noted a number of issues that reduce the effectiveness of DEW's bank reconciliation processes, including:

- reconciling items not being classified between known and unknown causes
- old reconciling items continuing to be recorded on monthly reconciliations, with some items dating back to July 2020
- unexplained historical variances relating to a system error continue to be reported without any further explanation provided.

DEW advised us that it implemented multiple improvements to understand and rectify reconciling items promptly, as evidenced by the reduced number of transactions outstanding for 2024-25. DEW is continuing to look for further improvements to processes and has implemented several changes to identify and rectify new unmatched transactions.

#### Clearing of unmatched items in the DEW bank reconciliation

Since 2018 we have raised concerns about the volume and value of reconciling items in DEW's bank reconciliation.

Our review of DEW's bank reconciliation for May 2025 identified a significant net variance of \$2.4 million between DEW's operating bank account and the general ledger. This net variance comprises a large number of unmatched/unresolved reconciling items and includes:

- 102,526 transactions totalling \$5.8 million recorded in the general ledger but not reflected in the bank statement. The largest category related to unmatched accounts receivable batches totalling \$5.4 million
- 10,607 transactions totalling \$8.3 million recorded in the bank statement but not yet posted to the general ledger. Significant unmatched categories related to DEW retail touch (\$5.7 million) and DEW debtors (\$1.5 million).

DEW responded that there was a focus on clearing more material and historic bank reconciliation items. As a result DEW was able to reduce the overall variance of unreconciled amounts to \$722,481 at 30 June 2025.

Our financial statement audit work confirmed that DEW needs to perform more work to resolve issues with subsidiary system journal coding and reduce the volume of reconciling items. There is also a need for DEW to continue to apply additional resources to resolve historical reconciling items. DEW indicated that it will consider these matters further in 2025-26.

## Accounts receivable

Accounts receivable reconciliations are not performed promptly and contain unreconciled balances

Treasurer's Instruction 2 *Financial Management* requires chief executives to ensure that reconciliations between the general and subsidiary ledgers are performed regularly.

DEW's financial reconciliation procedure requires monthly accounts receivable reconciliations to be prepared to identify variations between the general ledger, bank accounts and accounts receivable subsidiary systems. This reconciliation is designed to provide DEW with assurance that the debtors balance in the general ledger is complete and accurate.

In August 2025 DEW provided us with copies of the accounts receivable reconciliations for May and June 2025. DEW is responsible for preparing these reconciliations, which should be completed by the tenth working day of the next month.

We found that both the May and June reconciliations were prepared and reviewed on 8 August 2025, outside the time frame established by DEW's procedure. We also found that they both contained unreconciled balances that DEW was unable to provide specific evidence for.

DEW agreed that accounts receivables reconciliations need to be promptly prepared and in line with DEW's financial reconciliation procedure.

## Weaknesses in user access reviews over banking systems

We found a lack of sufficient evidence that DEW is performing a regular and comprehensive review of user access to the banking system. Although onboarding and offboarding procedures are in place, there is no evidence that user roles and permissions are being regularly assessed for appropriateness.

Our review of user roles and permissions in March 2025 identified:

- one user had a transaction limit of \$4 million, even though DEW advised us that transaction limits should be set at \$2 million
- one user had no defined transaction limits for BPAY, international payments and domestic OSKO payments, when another user with the same banking profile had a payment limit of \$25,000 for the same functions.

DEW responded that an online banking procedure was approved in July 2025 and transactional access to bank accounts is restricted to the finance branch, with dual authorisation being required to increase transaction limits, perform transactions and add or remove users.

DEW also stated that it will regularly review user access covering banking access levels and daily transaction limits, in line with the online banking procedure.

## Information Technology General Controls review: mywater system

The mywater system is the water licensing system used by DEW.

In 2024-25 we reviewed the IT general controls applied to mywater. This included:

- password management
- privileged user access management
- user on boarding and off boarding
- reviews of user access
- audit logging
- change management
- patch management
- backup management
- disaster recovery management
- job scheduling and monitoring.

Our review identified some controls that can be improved, including user access management, patch management and disaster recovery.

Failure to address these control risks increases the potential for unauthorised access or system changes. The mywater system may also be unrecoverable within expected recovery times in the event of a disaster or system failure.

DEW responded to the issues stating that it accepted all findings and recommendations. DEW advised us that responsibilities for addressing the findings and recommendations would be assigned to relevant officers and that it expects all remediation activities to be completed in 12 months.

## Interpretation and analysis of the financial report

### Highlights of the financial report – controlled items

	2025 \$million	2024 \$million
<b>Income</b>		
Appropriation	215	165
Sales of goods and services	59	55
Grants and subsidies	95	59
Intra-government transfers	1	4
Fees and charges	40	39
Resources received free of charge	10	7
Other income	20	17
<b>Total income</b>	<b>440</b>	<b>346</b>
<b>Expenses</b>		
Employee related expenses	158	147
Supplies and services	138	110
Grants and subsidies	48	45
Depreciation and amortisation expense	41	33
Assets transferred for no cost	18	8
Other expenses	5	5
<b>Total expenses</b>	<b>408</b>	<b>348</b>
<b>Net result</b>	<b>32</b>	<b>(2)</b>

	2025 \$million	2024 \$million
<b>Other comprehensive income</b>		
Changes in property, plant and equipment asset revaluation surplus	115	95
Impairment loss on property, plant and equipment	-	(1)
<b>Total other comprehensive income</b>	115	94
<b>Total comprehensive income</b>	147	92
<b>Assets</b>		
Current assets	283	247
Non-current assets	1,095	987
<b>Total assets</b>	1,378	1,234
<b>Liabilities</b>		
Current liabilities	57	58
Non-current liabilities	40	42
<b>Total liabilities</b>	97	100
<b>Total equity</b>	1,281	1,134

## Statement of Comprehensive Income

### Income

### Appropriation

Appropriation income from the SA Government increased by \$50 million (30%) to \$215 million in 2024-25. This is partly due to several specifically funded projects, and includes additional funding for the following:

- \$14 million for the initial implementation of the Adelaide Beach Management Review
- \$13 million for the Lower Murray Reclaimed Irrigation Area Remediation and Betterment Program
- \$5 million to support the activities of the Royal Society for the Prevention of Cruelty to Animals
- \$4 million to acquire Nilpena Station to expand the Nilpena Ediacara National Park.

### Grants and subsidies

Grants and subsidies revenue increased by \$36 million to \$95 million this financial year. A significant increase in funding was received from the Commonwealth Government for both ongoing grants and new agreements, including:

- \$14 million under the River Murray in South Australia Constraints Measure – Stage 2 agreement where a total amount of \$90.8 million is expected over the life of the agreement
- \$12 million under the long-standing South Australian Riverland Floodplain Integrated Infrastructure Program agreement
- \$5 million under the long-standing Coorong, Lower Lakes and Murray Mouth Recovery Program. This agreement started in 2013 and funding of \$191 million is expected over its duration
- \$5.5 million under the Resilient Rivers Water Infrastructure Program. This is a new agreement for 2024-25 with an expected total of \$20.9 million in Commonwealth Government funding.



## Expenditure

### Supplies and services

Supplies and services expenditure increased from \$110 million to \$138 million in 2024-25, mainly due to:

- \$14 million for the Adelaide Beach Management Program
- \$9 million in repairs and maintenance expenses, mainly for remediation activities to repair levees after the 2022 River Murray flood.

## Statement of Financial Position

### Assets

#### Property, plant and equipment

Property, plant and equipment assets have increased in value by \$111 million in 2024-25. This is mainly due to the following asset classes being revalued up:

- roads, tracks and trails by \$19 million
- salinity disposal schemes by \$13 million
- regulators and embankments by \$75 million.

## Administered items

DEW's administered activities include:

- Crown lands
- Minister's other payments
- Landscape Administration Fund
- Landscape Priorities Fund
- Pastoral Board
- the State's joint interest in the Murray-Darling Basin Authority (MDBA).

### Crown lands

DEW administers Crown land on behalf of the Minister. All transactions associated with Crown land are recorded in the administered financial statements. Crown land increased by \$6 million to \$617 million in 2024-25.

### Minister's other payments

DEW received \$19.2 million (\$18.2 million) in revenue from the SA Government to distribute to other agencies through grants and subsidies and intra-government transfers approved by the Minister. DEW administers the receipt and distribution of this money.

## Landscape Administration Fund

The Landscape Administration Fund was established under the *Landscape South Australia Act 2019* (Landscape Act) to receive and disburse fees, land levies, water levies and other money authorised by the Landscape Act.

\$81 million (\$78 million) in fees and levies was raised on behalf of Landscape Boards in 2024-25. The Fund also received \$12 million (\$3 million) in appropriation from the SA Government to transfer to the Landscape Boards. Payments to Landscape Boards totalled \$92.4 million (\$79.5 million). Payments are made to Landscape Boards in line with the Landscape Act.

## Landscape Priorities Fund

The Landscape Priorities Fund was established under the Landscape Act and receives annual revenue from the Green Adelaide Board. This revenue is determined under the Landscape Act and is a gazetted percentage of the total land and water levies received by the Green Adelaide Board every year.

Under the Landscape Act, the Minister may apply any part of the Landscape Priorities Fund to:

- address any priority for managing, improving or enhancing the South Australian landscape or natural resources in sub-regional, regional, cross-regional or statewide areas
- make other payments as needed or authorised by or under the Landscape Act or other law.

In 2024-25, \$5.1 million (\$4.9 million) was paid into the Landscape Priorities Fund by the Green Adelaide Board, with \$6 million (\$3 million) paid from the Fund to Landscape Boards in line with the Landscape Act.

## Pastoral Board

The Pastoral Board is responsible for administering the *Pastoral Land Management and Conservation Act 1989*. It provides advice to the Minister for Climate, Environment and Water on the policies that should govern the administration of pastoral land. The value of pastoral land at 30 June 2025 was \$69.2 million.

## Murray-Darling Basin Authority

The MDBA is established under the *Water Act 2007* (Cth). DEW recognises the SA Government's joint interest in the MDBA infrastructure assets and water rights as an interest in a joint operation in the administered financial statements. The SA Government's interest in the arrangement is 26.67%.

The recognition of the MDBA infrastructure assets and water rights is in line with the following agreements signed by the Commonwealth, New South Wales, Victorian, South Australian and Australian Capital Territory governments and the MDBA in June 2009:

- asset agreement for River Murray Operations assets
- agreement on addressing water over-allocation and achieving environmental objectives in the Murray-Darling Basin – control and management of Living Murray assets.

The SA Government's interest in the arrangement was valued at \$1.2 billion at 30 June 2025, an increase of \$134 million from last year.

The SA Government's shared management of the Murray-Darling Basin is a continuation of arrangements first established many years ago. Funding arrangements for the now defunct Murray-Darling Basin Commission were established as far back as 1992. The MDBA assumed the functions of the Commission in 2008. It conducts activities that support sustainable and integrated management of the water resources in the Basin, as outlined in the Murray-Darling Basin Agreement.

The assets are held by two separate reporting entities (joint operations) – the River Murray Operations for all physical assets and the Living Murray Initiative for intangibles and water licenses. The participating jurisdictions each hold a proportional interest in the net assets of each joint operation.

While the infrastructure assets used to support the MDBA's activities are jointly owned and controlled by the asset-controlling governments, the MDBA is responsible for the ongoing operation and maintenance of the assets.

Under the River Murray Operations and Living Murray Initiative asset agreements, each asset-controlling government is obliged to provide funding to the MDBA for managing the assets. DEW paid \$25.8 million to the MDBA in 2024-25.

## Functional responsibility

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

The functions of DEW include helping South Australians conserve, sustain and prosper. Its management of natural resources and places, water and heritage assets is vital for the future social, environmental and economic prosperity and wellbeing of all South Australians. In partnership with a diverse cohort of boards, councils, stakeholders and volunteers, DEW delivers and implements fit-for-purpose policies and programs through three complementary goals:

- A healthy, resilient environment – South Australia's biodiversity, ecosystems and wildlife are conserved, restored and resilient to climate change. A world-class system of national parks and botanic gardens protects our iconic places and recognises the intrinsic value of nature.
- Improved liveability and wellbeing – natural resources and cultural heritage provide for the needs of our communities and are used to deliver enhanced lifestyle and cultural values for all peoples.
- A prosperous South Australia for current and future generations – sustainably managed natural resources underpin the growth of a climate-resilient economy through increased productivity, competitiveness, innovation and private investment.

## Scope of the audit

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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:

- fees and charges revenue
- sale of goods and services
- water licence and service revenue
- grant revenue
- accounts payable
- grants and subsidies expenditure
- payroll
- cash
- fixed assets
- general ledger.

We reviewed controls over cash and assets as part of our overall controls opinion, which is discussed in Part B of my annual report for the year ended 30 June 2025.





