Audit Office
of South Australia

Auditor-General's Report 8 of 2025

Annual report
for the year ended 30 June 2025

Part A: Executive summary

Government of
South Australia

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for the year ended 30 June 2025

Part A: Executive summary

*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.*

Audit Office
of South Australia

www.audit.sa.gov.au

Enquiries about this report should be directed to:

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

30 September 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 8 of 2025 *Annual report for the year ended 30 June 2025*

As required by the *Public Finance and Audit Act 1987* (PFAA), I present to you my 2025 annual report.

Content of this report

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

Part A: Executive summary contains this letter of transmittal, which provides the opinions I am required to give under section 36 of the PFAA and identifies any examinations I have performed under section 32. It also summarises the key matters that should, in my opinion, be brought to the attention of the Parliament and the SA Government from our 2024-25 audits of public sector agencies. This includes significant financial outcomes, events and control matters communicated to agencies.

Part B: Controls opinion reports the outcomes from our 2024-25 controls work and explains our approach to this work.

Part C: Agency audits – October 2025 is a summary of the 2024-25 audit outcomes for each agency included in this report. It has more detailed commentary on many of the matters in Parts A and B.

Audited financial statements of all public authorities

The PFAA requires me to publish on a website the audited financial statements of all public authorities. This is a significant accountability measure that ensures they will all be available centrally. The PFAA also allows me to publish other documents on that website, including the financial statements of agencies that are not public authorities.

Under section 36(1)(4) of the PFAA, I will publish the financial statements of the agencies listed in the Annexure to Part C of this report on the Audit Office of South Australia's website (www.audit.sa.gov.au) as their audits are completed.

Agency financial reports not included in this report

Not every public sector agency I am required to audit is included in this report. I reported on six agencies in Report 5 of 2025 *Agency audit reports* for more timely reporting on their activities. Some audits are ongoing at the time of preparing this report, and some I have used my discretion to exclude. I give priority to areas I assess as important enough to be published in this main report.

To maintain accountability for their activities, I prepare another report to Parliament annually that summarises the audit outcomes for the agencies not included in this annual report, with a particular focus on agencies with:

- a modified Independent Auditor's Report

- significant matters raised through the audit

- other matters that, in my opinion, need to be brought to the attention of the Parliament and the SA Government.

We expect to complete this update to the annual report early in 2026.

In addition, as noted above, all financial reports of the entities we audit are published on the Audit Office of South Australia's website.

Department for Environment and Water (DEW)

While DEW had provided us with its financial report for the year ended 30 June 2025 in a timely manner consistent with the requirements of the PFAA, at the time of this report our audit of DEW is not complete. The time we need to provide assurance over the accuracy of DEW's financial statements was beyond what we had available to finalise the audit for inclusion in this report.

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

Auditor-General's opinions

Section 36(1)(a) of the PFAA sets out three opinions I must state in my annual report. I deal with each of them in this section.

In my opinion, the Treasurer's statements reflect the financial transactions of the Treasurer as shown in the accounts and records of the Treasurer for the preceding financial year.

The Treasurer's statements for the year ended 30 June 2025 will be published on the Audit Office of South Australia's website after this report is tabled in Parliament.

In my opinion, the financial statements of each public authority reflect the financial position of the authority at the end of the preceding financial year and the results of its operations and cash flows for that financial year.

I give this opinion for each of the public sector agencies included in this report, subject to the following.

Last year there was a new disclosure requirement added to Treasurer's Instructions (Accounting Policy Statements) requiring Tier 1 agencies (agencies that apply the full disclosure requirements of Australian Accounting Standards) to report on the value of procurement with South Australian and non-South Australian businesses. In 2024-25 the following agencies did not have an effective process to meet this new disclosure requirement and I modified their audit opinions for this:

- Department for Health and Wellbeing (including the consolidated entity):
  — Barossa Hills Fleurieu Local Health Network Incorporated
  — Central Adelaide Local Health Network Incorporated
  — Eyre and Far North Local Health Network Incorporated
  — Flinders and Upper North Local Health Network Incorporated
  — Limestone Coast Local Health Network Incorporated
  — Northern Adelaide Local Health Network Incorporated
  — Riverland Mallee Coorong Local Health Network Incorporated
  — SA Ambulance Service Inc
  — Southern Adelaide Local Health Network Incorporated
  — Women's and Children's Health Network Incorporated
  — Yorke and Northern Local Health Network Incorporated
- South Australian Fire and Emergency Services Commission.

In addition, without modifying my opinion on the financial reports of the Lifetime Support Authority of South Australia and the Return to Work Corporation of South Australia, I drew attention to the inherent uncertainty in certain liabilities reported for those entities at 30 June 2025.

In all cases where a modified opinion is given, or I draw attention to something like an inherent uncertainty, the Independent Auditor's Report explains my reason(s). This is also explained in the commentary on each of those agencies in Part C of this report.

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 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.

Part B reports our approach to the controls opinion and the outcomes from this work. Part C explains any controls opinion findings made at individual agencies.

Section 32 examinations

Section 36(1)(ab) of the PFAA requires me to report on any section 32 examinations completed during the year and briefly describe the outcome. In 2024-25 we completed a review of contract management activities by the Light Regional Council and the City of Onkaparinga. We reported on it in Report 4 of 2025 *Contract management in local government* (published on 18 June 2025). I concluded that both councils had key areas in their contract management activities that were not operating effectively. This included evaluating contractor performance against agreed performance standards, and assessing and managing contract risks.

Acknowledgments

I greatly appreciate the dedication, energy, effort and professionalism of my executive and staff. This has been a challenging year and I acknowledge their hard work to complete our responsibilities in 2024-25. The high standard of their work and commitment is evidenced in the timely production and quality content of this annual report and our other reports this year.

I am grateful for the professional services provided by contractors who have assisted me with this year's audit program, and for the cooperation all public sector agencies gave to my staff. I also extend my thanks to the staff of Government Publishing SA for their part in producing this report.

Yours sincerely

Andrew Blaskett
Auditor-General

Contents

1   Introduction

This annual report presents the results from the main part of our 2024-25 audits. It meets the Auditor-General's annual reporting requirement in the *Public Finance and Audit Act 1987* (PFAA). Part A is the overview of our 2024-25 work and emerging issues of interest. It covers:

- the outcomes of our work on major government projects and assistance packages (Chapter 2)

- the key insights from our controls opinion and financial statement audit work and any modified audit opinions the Auditor-General issued (Chapter 3)

- an update on the status of a number of issues we raised last year (Chapter 4)

- areas of interest for our future audit programs (Chapter 5).

Part B reports on the approach and outcomes for our controls opinion work, and we report on individual agency audits in Part C.

2 Significant government programs and projects

2.1 Government assistance programs

2.1.1 Whyalla Steelworks

The Whyalla Steelworks plays an important role in Australia's industrial capability and South Australia's regional economy, providing critical infrastructure materials and supporting thousands of jobs. The plant produces 75% of Australia's structural steel needs.

OneSteel Manufacturing Pty Ltd (OneSteel), part of the GFG corporate group, owned and operated the Whyalla Steelworks and its associated mines since 2017, after the previous owners, Arrium, went into administration.

2.1.1.1 Administration and sale process

In response to growing concerns about the financial viability of the Whyalla Steelworks and associated operations, amendments to the *Whyalla Steelworks Act 1958* were passed by both houses of the South Australian Parliament in February 2025. The SA Government subsequently placed OneSteel into administration. The SA Government then appointed an administrator, KordaMentha, who took over the management of the Whyalla Steelworks and the associated mines owned by OneSteel and has been preparing them for sale.

The sale of the Whyalla Steelworks started in July 2025. It includes:

- the Whyalla Steelworks
- the associated mines in the Middleback Ranges, near Whyalla
- the Whyalla port facility.

As part of the Whyalla Steelworks assistance package discussed in section 2.1.1.2, the Commonwealth and SA Governments have committed $1.9 billion to work with the new owner to invest in upgrades and infrastructure, aiming to ensure the sustainable long-term future of the Whyalla Steelworks.

In August 2025 the SA Government reported that the expression of interest process had closed and the sale process would now move into a shortlisting phase. In September 2025 the Department of Treasury and Finance (DTF) advised that the administrators are working to conclude the sale as soon as possible and are currently targeting the first half of 2026. The administration period is likely to therefore extend beyond a year.

In February 2025 the SA Government, with Commonwealth Government support, committed an initial $384 million to stabilise the steelworks and fund its operation during the administration process. The 2025-26 State Budget provided a further $384 million for this purpose. The SA Government has also committed to programs and initiatives to support businesses and the regional community impacted by the steelworks and the administration process.

To coordinate the SA Government's response, the Whyalla Steelworks Industrial Transformation Unit was established in the Department for Energy and Mining (DEM) in 2024-25. This unit is responsible for engaging with the steelworks administrator, working with the Commonwealth Government on the design and delivery of funding programs, and ensuring the State's strategic interests are represented in the transition to new ownership.

2.1.1.2   2024-25 Whyalla Steelworks assistance package

In February 2025, the Commonwealth and SA Governments announced a joint $2.4 billion package to secure the long-term future of the Whyalla Steelworks and support the Whyalla community. The SA contribution to the funding package was partially offset by the suspension of, and reallocation of resources from, the Hydrogen Jobs Plan (discussed further in section 2.2.3). Figure 2.1 shows the composition of the Whyalla Steelworks assistance package.

Figure 2.1: Composition of the Whyalla Steelworks assistance package

$2.4 billion Sovereign Steel package		
$650 million SA Government contribution		
$384 million	**$1.9 billion**	**$99.2 million**
$192 million (SA Gov)	$395 million (SA Gov)	$63 million (SA Gov)
Stabilising the steelworks, funding its operation during administration	Long-term sustainability of the steelworks	Emergency response package

Emergency response package

The emergency response package of $99.2 million comprises programs to provide immediate support for the Whyalla community. The SA Government committed to funding $63 million of this package over three years, with the balance funded by the Commonwealth Government.

Most of the significant programs in the package are managed by the Department of State Development (DSD) and the Department for Infrastructure and Transport (DIT). They include:

- $50 million in 2024-25 for the SA Business Creditor Assistance Scheme, to provide grants of up to $5 million to support the continued operation of South Australian businesses directly impacted by the administration

- $30 million over two years towards the upgrade of the Whyalla Airport to ensure aviation services can continue, including strengthening the airport runway

- $7 million over two years for measures to support Whyalla's small local businesses, including $10,000 grants for eligible businesses.

The following amounts were spent on these programs in 2024-25:

- $26 million for the Whyalla airport upgrade paid by DIT

- $15.4 million for Whyalla creditor assistance payments paid by DSD. This reflects 65 payments from 117 applications, with remaining applications being assessed

- $670,000 for Whyalla small local business grants paid by DSD. This reflects 67 payments from 122 applications.

Assessing applications and making payments for the DSD support packages will continue in 2025-26.

We reviewed transactions relating to the emergency response package as part of our 2024-25 audit of DSD. More information on our DSD audit is provided in Part C of this report.

Stabilising the Steelworks package

The SA Government allocated $384 million in 2024-25 to cover the administrator's costs of stabilising and operating the steelworks. The Commonwealth and SA Governments initially committed to fund these costs jointly for the first six months of the arrangement.

A further $384 million was allocated in the 2025-26 State Budget for costs associated with the administration. This recognised the ongoing costs of the administration of the steelworks beyond the six months originally funded.

DTF recognised $317 million in payments to the Whyalla Steelworks administrators in 2024-25, with the Commonwealth contributing $162 million of this.

We reviewed transactions relating to the Stabilising the Steelworks package as part of our 2024-25 audit of DTF. More information on our DTF audit is provided in Part C of this report.

Investing in the steelworks future

$1.9 billion was budgeted as part of a Sovereign Steel Package to support the new steelworks owner's investment in necessary upgrades and new infrastructure to underpin sustainable long-term operations for the steelworks. No payments against this allocation are expected until a new owner has been identified and the sale completed.

2.1.2   Drought support measures

In response to ongoing drought conditions in 2024-25, the SA Government announced $73.4 million in funding for drought support measures, with an initial commitment of $18 million in November 2024 and a further commitment of $55.4 million over five years in the 2025-26 State Budget. Figure 2.2 shows the components of the package.

Figure 2.2: Composition of the drought support measures

<div>

$73.4 million

SA Government announced drought response measures
to be delivered over 5 years

$18 million
On-Farm Drought
Infrastructure Scheme

$6 million
Transporting donated
fodder

$23 million
Drought preparedness
and resilience programs

$9 million
Counselling, health and
wellbeing support

$17 million
Sport, community and
other programs

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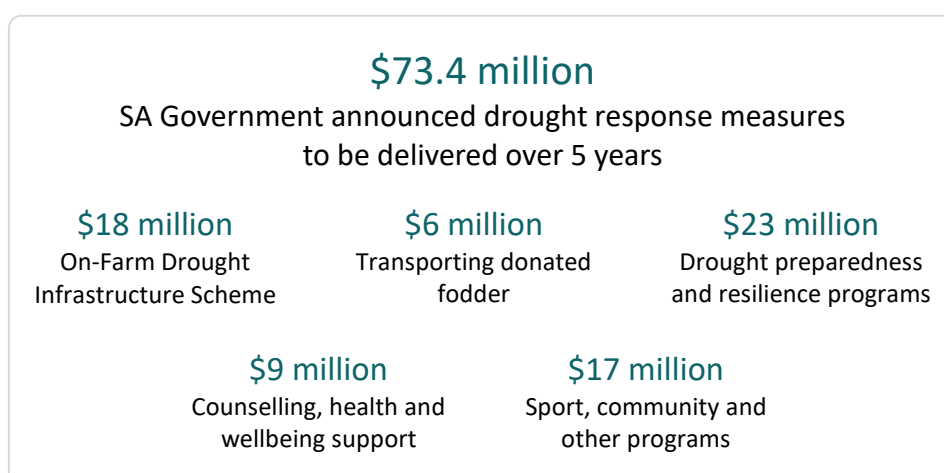
2.1.2.1   2024-25 drought support expenditure

The drought support measures include existing and new programs, and are managed by several agencies. The Department of Primary Industries and Regions (PIRSA) is the lead agency and has a key role in developing and delivering drought preparedness, responses and recovery programs. Most of the drought support programs fall under PIRSA's responsibility.

PIRSA spent $23 million on the drought support measures in 2024-25, including paying $21 million in grants. A significant portion of this spend ($17.3 million) was for the On-Farm Drought Infrastructure rebate scheme. This scheme offers rebates to help primary producers implement infrastructure projects to manage current drought conditions and strengthen their preparedness for future droughts. It started in November 2024 and closes in January 2026. PIRSA advised us that it had received 2,832 applications and processed 2,694 of them by July 2025.

PIRSA spent another $2.3 million in 2024-25 to fund the transportation of donated fodder and $1 million for family and financial counselling support.

We reviewed transactions relating to the drought support measures as part of our audit of PIRSA. We comment on PIRSA's financial report in Part C of this report.

Other agencies administering drought support measures include SA Health, DSD, the Department for Environment and Water and the Office for Recreation, Sport and Racing. Measures include small business support, health and wellbeing support, upgrades to pipes and reservoirs, and community and sporting grants. Additional rebates for Emergency Services levies and motor vehicle registration fees are also being offered to eligible farmers.

2.2　　Major projects

2.2.1　　North–South Corridor River Torrens to Darlington

Figure 2.3: Key statistics for the Torrens to Darlington project[1]

> ## Total budget $15.4 billion
> from Commonwealth and SA Governments (split equally)
> to deliver the River Torrens to Darlington project by 2031
>
> **78 km motorway**
> between Gawler and
> Old Noarlunga
>
> **5 tunnel
> boring machines**
> three primary machines
> two smaller machines for cross
> passages
>
> **10.5 km**
> of motorway and
> tunnels
>
> **$2.5 billion**
> total project
> expenditure
> to 30 June 2025
>
> **519 of 524 properties**
> were acquired by 30 June 2025
>
> **364 properties**
> were demolished by
> 30 June 2025

In December 2022, the SA Government approved DIT commencing the procurement process for the full corridor scope of the North–South Corridor River Torrens to Darlington project (T2D project).

The T2D project is the final 10.5 km section of the North–South Corridor, and will complete the 78 km of non-stop, traffic light-free motorway between Gawler and Old Noarlunga. The T2D project involves constructing two separate main tunnel sections – the southern and northern tunnels. They will be connected by an open motorway, all with three lanes operating in each direction over the combined 10.5 km, and will bypass 21 sets of existing traffic lights. Included in the total T2D project budget of $15.4 billion is an allocation of $125 million for related works to provide green spaces and community infrastructure in the local communities adjacent to the T2D corridor.

An additional $850 million upgrade of the broader road network is also being managed separately by DIT. These works are for additional network upgrades along and around the T2D works and aim to ensure the motorway and broader network function effectively during construction and on completion.

Before tunnelling works can begin, DIT will need to acquire underground land rights. In July 2020 the *Lands Acquisition Act 1969* was amended to allow for this to occur. Rights from 10 metres (or three storeys) beneath a property will be acquired to ensure the new tunnels are legally safeguarded. This process is underway and expected to be completed in June 2026.

DIT spent $1.1 billion on the T2D project in 2024-25, including land acquisitions and incidental costs of $106 million. Total expenditure on the project to 30 June 2025 is $2.5 billion.

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[1]　The online version has been amended to correct a minor error in the printed edition.

2.2.1.1   Main works procurement process

I previously reported that the budget for the T2D project is $15.4 billion. This funding is split equally between the Commonwealth and SA Governments.

In April 2023, the SA Government approved an acquisition plan to start a three-stage procurement process for the main works of the project (southern and northern tunnel packages):

- Registration of interest – to identify and register interested parties from the market with suitable experience, capacity and capability to deliver the project.

- Expression of interest – to shortlist the two best and most qualified parties to proceed to the next phase.

- Request for proposal – to invite the two shortlisted proponents to submit their proposals.

In July 2024 the SA Government approved the awarding of the contract for the project main works to a consortium comprising John Holland Pty Ltd, Bouygues Construction Australia Pty Ltd, Arcadis Australia Pacific Pty Ltd, Jacobs Group (Australia) Pty Ltd and Ventia Australia Pty Ltd. The contract with the consortium (the Project Alliance Agreement) was executed in September 2024.

The contract included a value for money option to use three primary tunnel boring machines operating continuously, progressing 8 to 10 metres a day, while two smaller tunnel boring machines excavate the cross passages for emergency and safety access between the main tunnels.

The SA Government approved the T2D project being exempted from any future regulatory or legislated environmental changes that add further project costs throughout its life.

Figure 2.4: T2D Project timeline

Late-2024 – early works

Site establishment and continue early works

2025 – construction

Main construction works

Second half of 2026 – construction

Tunnel boring machine works for the northern and southern tunnels

2031 – open to traffic

Entire T2D project opens to traffic
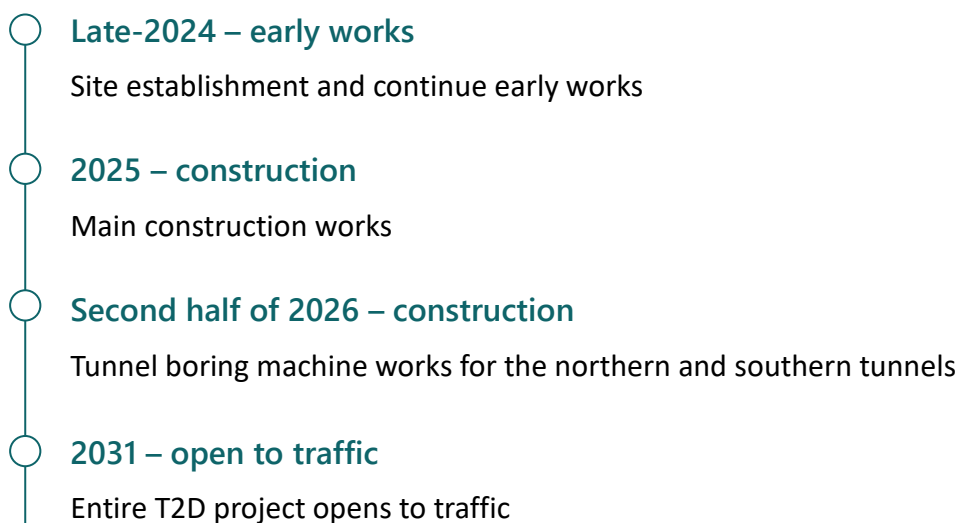
2.2.1.2 Our reviews of the project in 2024-25

In 2024-25 we reviewed the following aspects of the T2D project:

- understanding the works performed to date and their timing to inform our current and future audit work programs

- understanding and documenting the governance arrangements for the project

- aspects of the main works contractor procurement.

Our two main findings from this work relate to documenting how mandatory procurement criteria were met and clarifying whether an advance payment made to the consortium constructing T2D from the Highways Fund was consistent with certain legal requirements. We detail these findings in Part C of this report under 'Department for Infrastructure and Transport'.

Given its scale, we have also commenced performance audit work on the T2D project. Our objective is to assess whether DIT has effective arrangements for managing its risks and the issues related to delivering the project main works under the Project Alliance Agreement – see section 5.5.

The T2D project is required to comply with Infrastructure SA's (ISA's) assurance framework and Treasurer's Instruction 17 *Public Sector Initiatives*. The project assurance activities in ISA's assurance framework include:

- gateway reviews – conducted at set milestones in a project's lifecycle
- health checks – held where time between gateway reviews is excessive
- deep dive reviews – undertaken where a specific problem has arisen.

A number of these reviews have occurred for the T2D project so far, at the times and in line with the requirements specified by ISA's Assurance Review Guide.

The T2D project is currently South Australia's largest and most complex infrastructure project and we will continue to review it as it progresses.

2.2.2 Women's and Children's Hospital

2.2.2.1 Background to the project

The new Women's and Children's Hospital (nWCH) is a significant construction project for the State with an approved budget of $3.2 billion. It is located at the former Thebarton Police Barracks site and has an expected completion date of 2031.

The Master Plan, released in May 2023, states that the nWCH will include 414 beds (56 more overnight beds than the current Women's and Children's Hospital), capacity for a further 20 beds in the future, critical care services all on one floor (including birthing theatres, paediatric ICU and neonatal ICU), a helipad and an integrated four-bed ICU to enable women requiring critical care to remain at the nWCH.
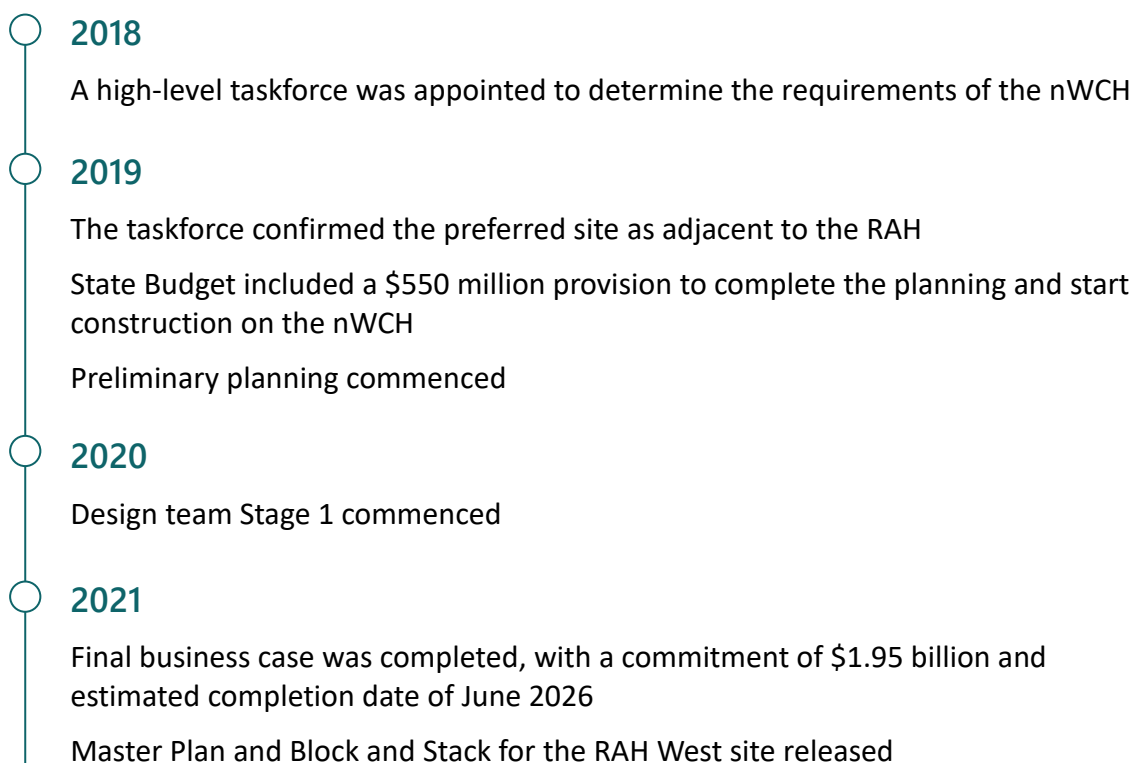
A project team within the Department for Health and Wellbeing (DHW) manages the nWCH project. This differs from the normal government practice of DIT leading the delivery of significant construction projects. In this case, DHW are managing the project, with support from some staff from DIT who have been seconded to assist the project and in a broader consultation role. Where projects are managed outside of the normal processes in the SA Government, there can be different risks which require active management.

The same SA Government frameworks (such as Premier and Cabinet Circulars and Treasurer's Instructions) apply to the nWCH project, regardless of the agency leading it. The Women's and Children's Health Network Incorporated (WCHN) also has a key role, with representatives on the project governance committees.

In 2018, the then SA Government announced a taskforce to determine the requirements of the nWCH. In 2021, the nWCH was expected to be completed by June 2026. Since then, there has been a change in government and the nWCH site moved from being immediately adjacent to the Royal Adelaide Hospital to its current location on the former Thebarton Police Barracks site. These changes pushed the expected completion date to 2031 – 13 years after the taskforce was established.

Figure 2.5 provides a high-level timeline of key events over the life of the project.

Figure 2.5: Timeline of key events in the nWCH project

2018

A high-level taskforce was appointed to determine the requirements of the nWCH

2019

The taskforce confirmed the preferred site as adjacent to the RAH

State Budget included a $550 million provision to complete the planning and start construction on the nWCH

Preliminary planning commenced

2020

Design team Stage 1 commenced

2021

Final business case was completed, with a commitment of $1.95 billion and estimated completion date of June 2026

Master Plan and Block and Stack for the RAH West site released

2022

Early contractor involvement arrangement commenced

Change in SA Government

State Budget included an estimated total project cost of $2.05 billion, including 50 additional beds. Estimated completion date of September 2027

A change in location to the former Thebarton Police Barracks site was announced

2023

New Women's and Children's Hospital Act 2022 proclaimed

Master Plan and Block and Stack for former Thebarton Police Barracks site released

State Budget included an estimated total project cost of $3.2 billion and estimated completion June 2031

$306 million early works package recommended by Public Works Committee

Early works commenced, including demolition of the former Thebarton Police Barracks

2024

Updated Block and Stack for former Thebarton Police Barracks site released

$427 million Stage 2 early works package recommended by Public Works Committee

Early works continued including the demolition of the former Thebarton Police Barracks and other ground works preparing the site

Construction of the Carpark and Central energy plant commenced

2025 (at 30 June)

Design team for Stage 2 commenced

Early works continued including ground works preparing the site

Construction of the Carpark continued

Construction of the Central energy plant on hold until design concept finalised

2.2.2.2   Status of the project in 2024-25

The nWCH project remains in the design phase, with the design concept for the main hospital expected to be finalised later in 2025. Construction activity for the main hospital has been confined to early works to prepare the site for construction.

Significant events in 2024-25 include:

- the $427 million Stage 2 early works package being referred to and recommended by the Public Works Committee

- the appointment of the Stage 2 design team that will deliver the main hospital building and remaining precinct works. The Stage 1 design team will continue to deliver the carpark, Port Road works and initial precinct works

- continuing construction of the 1,300-space car park, which is expected to be completed in 2027

- continuing ongoing early works including telecommunications, utilities and preparatory groundwork in readiness for the hospital

- construction of the central energy plant being put on hold awaiting finalisation of the design concept

- finalisation of the demolition of the former Thebarton Police Barracks and transfer of the land to SA Health

- changes to leadership within the project team.

The 2025-26 State Budget forecasts expenditure of more than $400 million for the project in 2025-26 alone. It is expected that the concept design will be finalised and construction of the main hospital will commence. Given these significant events and increased expenditure, we plan to review aspects of the nWCH project in 2025-26.

2.2.2.3   Costs recognised at 30 June 2025

The amount capitalised for the nWCH project is reported in WCHN's financial report, and consolidated into the SA Health financial report at 30 June 2025.

The nWCH is located on the former Thebarton Police Barracks site with an area of 5.697 hectares. At 30 June 2025, WCHN recognised this land at a fair value of $25.5 million.

WCHN has also recognised $250 million of capital works in progress for the nWCH project, including around $125 million of additions in 2024-25. The $250 million mainly comprises around $110 million in early works costs (including the construction of the car park), around $70 million in professional services costs and around $17 million in utility infrastructure costs. Other costs relate to the management of the project, other contractual arrangements and relocation fees.

We reviewed transactions associated with the project as part of our 2024-25 audits of SA Health and WCHN. Commentary on their financial reports is provided in Part C of this report.

These are not all of the costs of the project. In 2022-23, $46 million for the design on the site immediately adjacent the Royal Adelaide Hospital was written off due to the change in location and the associated revisiting of the design.

2.2.3 Hydrogen Jobs Plan

2.2.3.1 Background to the project

The Hydrogen Jobs Plan was originally announced in the 2022-23 State Budget, with the SA Government committing $593 million over four years to build a hydrogen power plant, electrolyser and storage facility near Whyalla. The estimated completion date for the project was originally December 2025.

In May 2022 the Office of Hydrogen Power SA (OHPSA) was established as an attached office of the Department for Energy and Mining (DEM). OHPSA's role was to oversee the design and construction of the hydrogen production, generation and storage facilities to be delivered under the Hydrogen Jobs Plan. It also supported the State's broader hydrogen ambitions, including facilitating the Port Bonython Hydrogen Hub project.

OHPSA entered into several arrangements with third parties to support its delivery of the Hydrogen Jobs Plan. Some of the more significant arrangements were:

- early contractor involvement agreements for design and delivery
- the purchase of four 50-megawatt hydrogen-capable gas turbines
- underwriting of additional accommodation in Whyalla
- construction of additional electricity infrastructure to support the plant and storage facility and provide for future growth options.

Following the SA Government's Whyalla Steelworks announcement (see section 2.1.1.2), the Hydrogen Jobs Plan was deferred in February 2025. OHPSA was abolished on 7 May 2025 and its remaining operations, including responsibility for the facilitation of the Port Bonython Hydrogen Hub, transferred to DEM, along with $366.3 million in net assets that included $250.4 million in cash and $123.5 million of capital works in progress.

The most significant assets acquired as part of the Hydrogen Jobs Plan were four 50-megawatt turbines. As the Hydrogen Jobs Plan has been deferred, DEM is now conducting an open market process to sell the turbines. DEM advised us that the stated objectives of the sale are to recoup the original purchase price and ensure the turbines are installed in South Australia to provide additional generation capacity. DEM also advised us that the sale process is currently active, with a request for proposal released to market in early-August 2025, closing in mid-September 2025.

2.2.3.2 Costs for the project

OHPSA's spending, including on the Hydrogen Jobs Plan and the Port Bonython Hydrogen Hub, totalled $285.2 million at 30 June 2025. This includes all expenditure reported in OHPSA's financial reports from its inception in 2022 to its abolition in May 2025, and subsequent expenditure by DEM up to 30 June 2025. The costs are shown in figure 2.6.

Figure 2.6: OHPSA-related expenditure from 2022 to 2025

> ## $285.2 million
> spent to 30 June 2025
>
> | **$136 million** | **$85.7 million** | **$12.8 million** | **$50.7 million** |
> |---|---|---|---|
> | Land, property, plant and equipment | Impairment expense | Employee expenses | Other expenses |

Following the SA Government's announcement to defer the Hydrogen Jobs Plan, OHPSA impaired $85.7 million in costs that provide no immediate future economic benefit. They mainly related to the early contractor involvement for work on designing and costing the hydrogen production, generation and storage facilities.

At 30 June 2025, DEM reported contractual commitments of $125 million relating to ongoing obligations arising from the Hydrogen Jobs Plan and the Port Bonython Hydrogen Hub. It also disclosed a contingent liability, estimated at $87.4 million, reflecting arrangements for the construction of electricity infrastructure that would have been required for the Hydrogen Jobs Plan and future growth options. Construction of this infrastructure is contracted to conclude by the end of 2025. The amount payable by the SA Government is contingent on the final costs of construction and the extent of any future third-party use of the assets, which would reduce any future SA Government spending.

We reviewed transactions associated with the project as part of our 2024-25 audits of DEM and OHPSA. Commentary on DEM's financial report is provided in Part C of this report. OHPSA's financial report commentary will be provided in an update to the Auditor-General's annual report.

2.2.4   Northern Water Delivery Project

2.2.4.1   Background to the project

The Northern Water Delivery Project involves the construction of a desalination plant on the Eyre Peninsula and a water transfer pipeline to the North of the State, along with supporting infrastructure (such as pumping stations, control stations and utilities). The aim is to provide a sustainable water source to mining and industrial users in the North and Far North of the State.

In 2022, the Commonwealth and SA Governments announced joint funding for a business case to deliver a northern water supply project. A summary of the business case was released to the public in February 2024. The SA Government then announced the start of a pre-construction phase for the project. This phase would inform a final investment decision about the feasibility of the project and whether it should proceed to a design and construction phase. At the time of releasing the business case, the final investment decision was expected in 2026. The continuation of the project beyond this point depends on the outcome of this decision and whether the SA Government and its partners choose to proceed.

The pre-construction phase has a budget of $220.3 million, funded by the Commonwealth and SA Governments and private entities. The funding arrangements with the Commonwealth and private entities are defined in agreements, with the timing of payments dependent on the project meeting key milestones.

ISA was responsible for managing the project until 30 June 2024. Responsibility for the project then changed several times in 2024-25 (see section 2.2.4.3). From 7 May 2025, DEM is responsible for delivering the commercial activities associated with the project and DIT is responsible for pre-delivery and procurement activities.

2.2.4.2   Status of the project in 2024-25

The project is still in the pre-construction phase. Activities in this phase include:

- finalising commercial terms with water users
- geotechnical site investigations
- initial design and costings for the desalination plant and transfer pipeline
- regulatory approvals
- land access agreements
- a completed construction tender process.

At 30 June 2025 key decisions, including the location and capacity of the desalination plant, had not been finalised and announced by the SA Government. Decisions on these elements will have a significant impact on the project and are critical to the project progressing to a final investment decision.
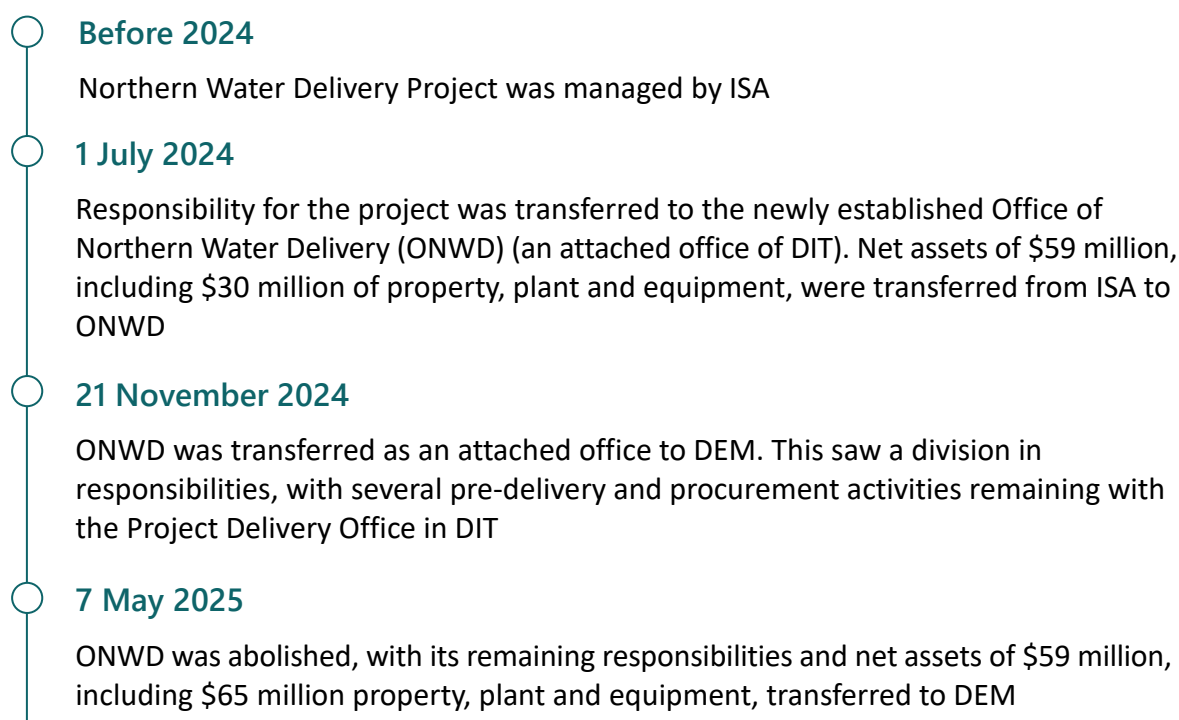
Significant events in 2024-25 were:

- the shortlisting of two proponents in a multi-stage procurement process to engage contractors to build, design, operate and maintain the desalination plant and transfer pipeline. These proponents will progress to the request for proposal stage of the procurement. We plan to review this procurement process in 2025-26

- the lapse of an option deed to purchase land located at Cape Hardy, entered into by ISA in April 2024.

2.2.4.3   Changes in responsibility for the project

Responsibility for delivering the project changed several times in 2024-25. Figure 2.7 provides a timeline of these changes and the net assets that transferred with them.

Figure 2.7: Timeline of project responsibility changes

Before 2024

Northern Water Delivery Project was managed by ISA

1 July 2024

Responsibility for the project was transferred to the newly established Office of Northern Water Delivery (ONWD) (an attached office of DIT). Net assets of $59 million, including $30 million of property, plant and equipment, were transferred from ISA to ONWD

21 November 2024

ONWD was transferred as an attached office to DEM. This saw a division in responsibilities, with several pre-delivery and procurement activities remaining with the Project Delivery Office in DIT

7 May 2025

ONWD was abolished, with its remaining responsibilities and net assets of $59 million, including $65 million property, plant and equipment, transferred to DEM

These changes led to a change in project leadership and the establishment of new governance arrangements between agencies, and across the project. New policies and procedures reflecting these changes were progressed in 2024-25. We plan to review the updated arrangements in 2025-26.

The responsibilities of DEM and the project delivery office within DIT are defined in a memorandum of administrative arrangements. DEM is responsible for securing funding and financing for the project, including the finalisation of commercial terms with water users. DIT is responsible for procuring major contracts, the engineering design of the desalination plant and transfer pipeline, and several other pre-delivery activities. The overall project budget is reported within DEM, with DEM transferring funding to DIT for pre-delivery and procurement activities undertaken by its project delivery office.

2.2.4.4 Costs recognised at 30 June 2025

DEM recognised $81 million of capitalised costs for the project at 30 June 2025, including for costs incurred by the project delivery office within DIT and ISA. These costs relate to pre-construction activities including enabling and integration works, engineering and design management, and project management costs.

We reviewed transactions associated with the project as part of our 2024-25 audits of DEM, DIT and ONWD. We comment on DEM's and DIT's financial reports in Part C of this report. ONWD's financial report commentary will be provided in an update to the Auditor-General's annual report.

At 30 June 2025 the State had received around $36 million in funding for the project from the Commonwealth and private entities, not including funding it received for the initial business case. The SA Government has funded the remaining costs. The timing of future

revenue from the Commonwealth and private entities will depend on the project meeting key milestones defined in the individual funding arrangements.

2.2.5 Housing projects

2.2.5.1 A restructured housing portfolio

From 1 July 2024 the SA Government renamed the Department for Trade and Investment to the Department for Housing and Urban Development (DHUD) and established a new housing portfolio to cover all aspects of housing, housing infrastructure, urban development and planning. This included assigning ministerial responsibilities for overseeing the South Australian Water Corporation (SA Water).

The new housing portfolio is shown in figure 2.8.

Figure 2.8: New housing portfolio
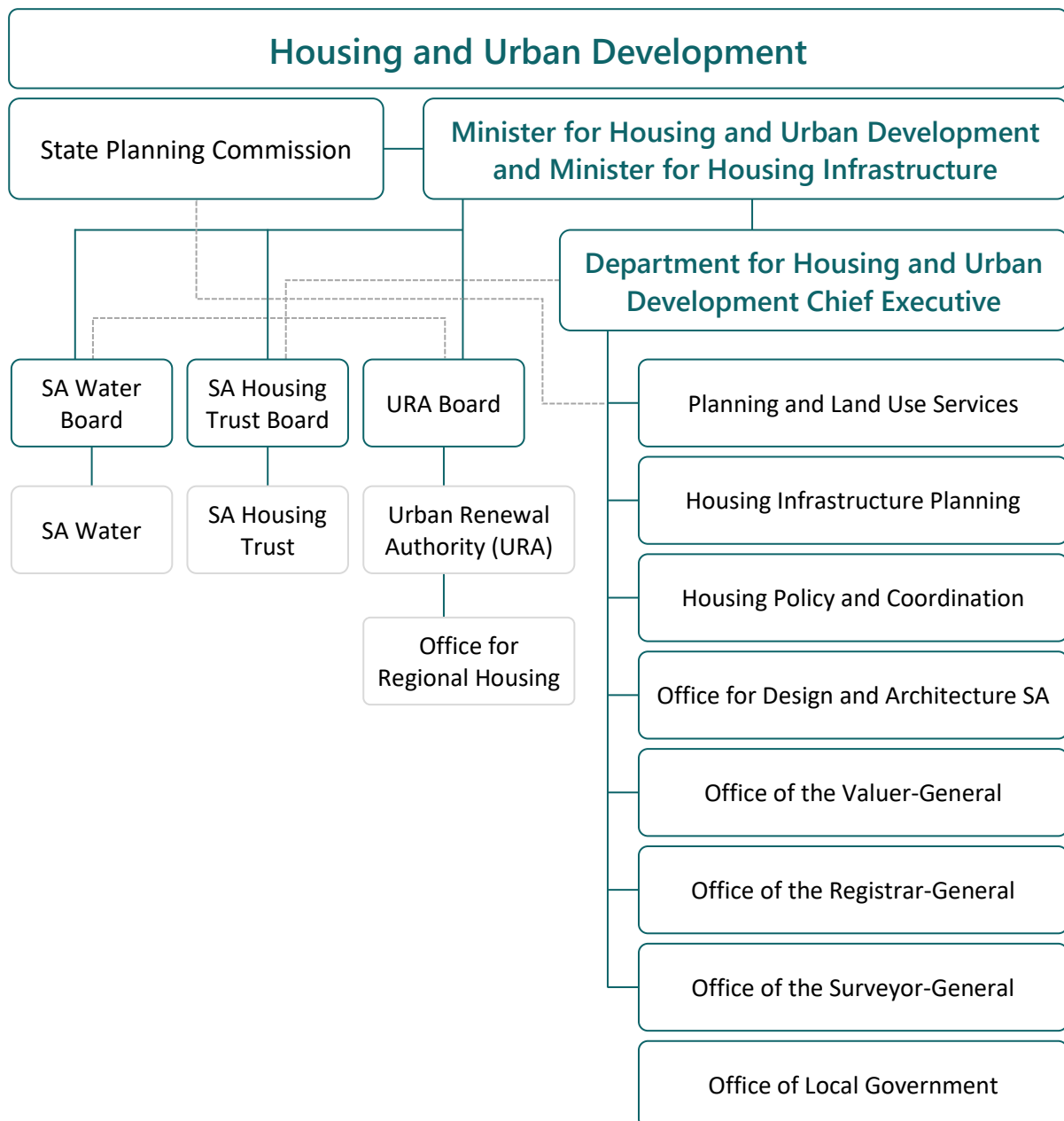
Working across government and with industry, DHUD's primary role is to coordinate and accelerate the delivery of housing outcomes.

2.2.5.2　Housing supply

In June 2024 the SA Government released the 'More Homes for South Australians Housing Roadmap' (Housing Roadmap) that outlines its plans to supply close to 40,000 new residential homes through the supply of land and a pipeline of code amendments (residential rezonings) that need to occur before building can start.
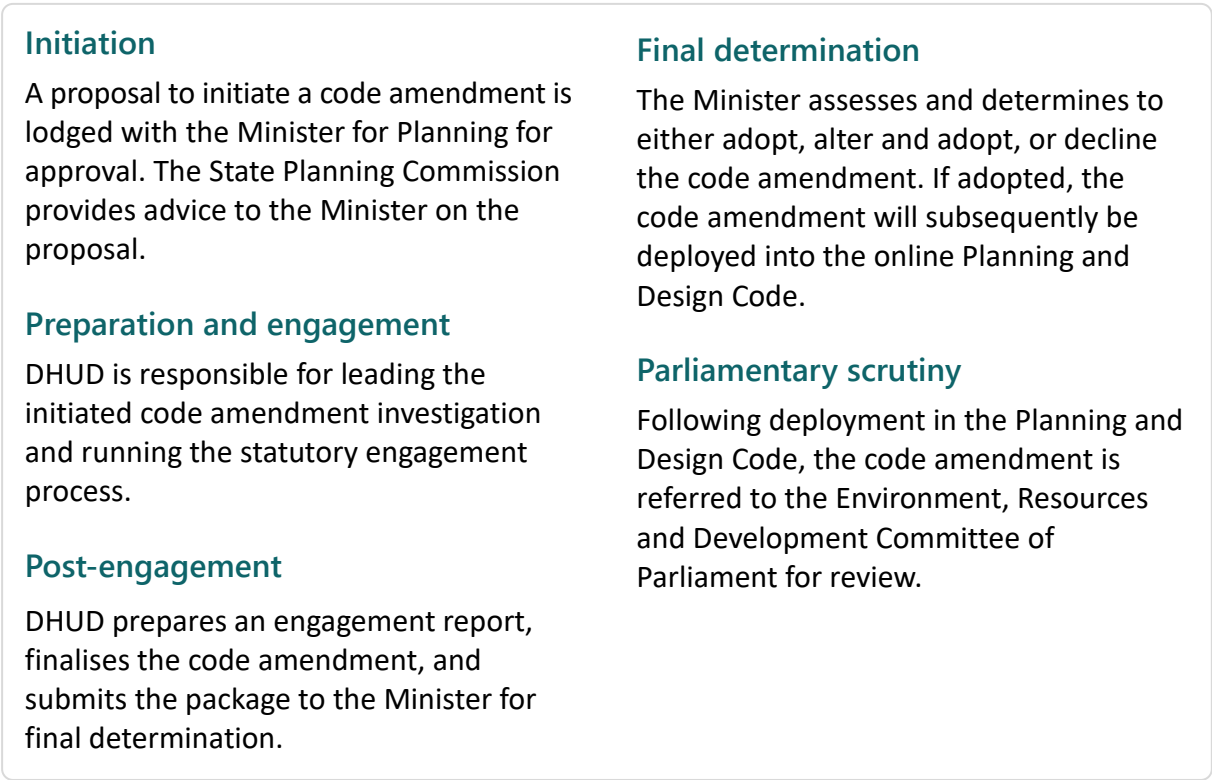
The supply of land includes a proposed 23,700 new homes from the following land releases initially announced in the 'A Better Housing Future' plan (BHF plan) in February 2023:

- 2,000 homes at Onkaparinga Heights
- 10,000 homes at Concordia
- 1,700 homes at Sellicks Beach
- 10,000 homes at Dry Creek.

Onkaparinga Heights was rezoned for housing in February 2023, while Concordia, Sellicks Beach and Dry Creek are in the code amendment process. The Concordia code amendment was initiated in April 2023, with consultation completed in July 2025. The code amendment for Sellicks Beach was initiated in July 2023, with a revised proposal initiated in August 2025. A code amendment to rezone the land at Dry Creek for housing was initiated in November 2024.

A code amendment generally follows the five-stage assessment process shown in figure 2.9.

Figure 2.9: Five-stage code amendment assessment process

Initiation

A proposal to initiate a code amendment is lodged with the Minister for Planning for approval. The State Planning Commission provides advice to the Minister on the proposal.

Preparation and engagement

DHUD is responsible for leading the initiated code amendment investigation and running the statutory engagement process.

Post-engagement

DHUD prepares an engagement report, finalises the code amendment, and submits the package to the Minister for final determination.

Final determination

The Minister assesses and determines to either adopt, alter and adopt, or decline the code amendment. If adopted, the code amendment will subsequently be deployed into the online Planning and Design Code.

Parliamentary scrutiny

Following deployment in the Planning and Design Code, the code amendment is referred to the Environment, Resources and Development Committee of Parliament for review.

The pipeline of residential code amendments identified in the Housing Roadmap supports over 16,000 potential new housing allotments. At 30 June 2025, 65% of these planned code amendments were completed, supporting 7,400 potential new residential homes.

2.2.5.3   SA Government housing projects

The Housing Roadmap identifies 12 SA Government-led housing projects, each designed to deliver a minimum of 300 homes. They include developments for the major land releases at Onkaparinga Heights, Concordia, Sellicks Beach and Dry Creek already discussed.

The Housing Roadmap reported that the first of these projects is anticipated to be ready for construction in February 2026, with another six projects ready for construction by 31 December 2026.

The Housing Roadmap also identifies housing projects initiated under the BHF plan and led by the URA, and housing projects and initiatives led by the South Australian Housing Trust (SAHT). It states that these projects will deliver 5,780 homes in addition to the 40,000 homes discussed in section 2.2.5.2. The Housing Roadmap notes that this is not an exhaustive list of projects and initiatives for these entities.

The URA-led housing projects plan to facilitate the delivery of 3,114 homes. At June 2025 the URA had spent $106.8 million of the $554.2 million capital budget for these projects. They are in the early stages of development, with the URA advising us that four of the 119 homes planned for completion under this section of the Housing Roadmap were delivered by 30 June 2025.

The SAHT-led housing initiatives initially planned to deliver 2,666 homes, but this changed to 2,504 homes after the following adjustments to the Housing Roadmap (as advised to us by the SAHT):

- 256 homes were redirected and delivery brought forward from the SAHT's programs in the Housing Roadmap to Round 2 of the Housing Australia Future Fund, and are planned for delivery from 2026-27

- 65 additional homes are now included in the Renewal Project for delivery after 2025

- an additional 29 homes are included in the remaining projects included in the Housing Roadmap for delivery after 2025.

At the time it was published, the SAHT had delivered 343 homes for the projects in the Housing Roadmap. The SAHT advised us that it had delivered 1,068 homes for these projects as at 30 June 2025, ahead of the anticipated 972 homes scheduled in the Housing Roadmap.

Our work involved reviewing the controls exercised by both the URA and the SAHT in procuring and managing contractors to deliver housing, and overseeing their respective housing programs. We also tested a sample to transactions to ensure they were correctly recognised in the financial statements for both agencies.

2.2.5.4   Housing infrastructure

The SA Government must invest in water and wastewater infrastructure to meet the planned delivery of new homes identified in the Housing Roadmap. In June 2024 the Minister for Housing Infrastructure issued a direction to SA Water under the *Public Corporations Act 1993*. Among other things, this directed SA Water to fund up to $1.2 billion of capital expenditure to meet water and wastewater infrastructure requirements in metropolitan Adelaide, together with associated operating costs not exceeding $621,300.

SA Water has started work on a Metropolitan Growth Program to meet the requirements of the direction, advising us that it had spent $173.8 million on the Program to 30 June 2025.

In July 2024, the Essential Services Commission of South Australia (ESCOSA) released its final regulatory determination to apply to SA Water for the period 1 July 2024 to 30 June 2028 (RD24). This established the total revenue that SA Water can recover in this four-year period for providing drinking water retail services. ESCOSA noted that its revenue caps for RD24 incorporate the recovery of capital expenditure that the SA Government requires SA Water to spend to deliver specific programs during the period, including the $1.2 billion for the Metropolitan Growth Program. The determination noted that this amount will not be recovered entirely within the four-year regulatory period but will instead be recovered over the life of the assets constructed under the program.

SA Water has an established project management framework to govern its management of the Metropolitan Growth Program, and our work included testing the procurement of a major pipeline partner in delivering the program.

3 Issues identified in our 2024-25 audits

3.1 Controls opinion findings

Part B of this report provides further detail about the control issues we have found this year, with further details on control issues at individual agencies provided in Part C. This section discusses the significant themes from these findings in 2024-25.

3.1.1 Expenditure and procurements

Each year public authorities procure billions of dollars' worth of goods, services and assets. This year the agencies we audit spent around $38.5 billion, with Shared Services SA (SSSA) processing 3.1 million invoices on behalf of many of these agencies. Procurement in the public sector should, at a minimum, be conducted in line with the established rules set out in the PFAA, the *Public Sector Act 2009*, Procurement SA policies and Treasurer's Instructions. TI 18 is the primary source of procurement rules. Applying these principles should help to achieve value for money and the best possible outcome when spending public funds. When procuring, we recommended that agencies:

- document and communicate their policies and procedures
- provide training to staff involved in procurement
- actively identify and respond to procurement risks
- obtain proper approvals during the procurement process
- have adequate documents to support key procurement decisions.

The issues we found were largely repeat findings, with 71% of them raised in prior years.

We make specific observations about applying TI 8 in section 4.2, which relates to ineffective procurement controls.

3.1.2 Asset management

The agencies we audit are responsible for over $76.5 billion in infrastructure, buildings and improvements. In 2024-25 we again identified opportunities to improve the way these assets are managed.

Asset management is usually performed by agencies or through the Across Government Facilities Management Arrangements (AGFMA). We found:

- opportunities to improve policies and procedures for managing assets and associated risks

- the need to continually assess the relative importance (criticality) of assets and the methodology used to do this

- instances where asset condition information was not current or complete

- a range of matters related to the operation of the AGFMA, both for the arrangements as a whole and at agencies.

The asset management issues we found that were not related to the AGFMA were largely repeat findings, with 76% of them raised in prior years.

In the AGFMA findings, 40% of the agency issues were repeat findings from prior years. 70% of the issues raised with DIT as the contract manager in relation to the AGFMA were repeat findings.

There is further comment on the AGFMA in section 3.3.

3.1.3   Contract management

The SA Government has many outsourced arrangements with the private sector. The scale of these arrangements varies from small, contained contracts to large, ongoing contract arrangements. Contract management is an important area for government and one where we continually identify the need to improve.

In 2024-25 we again found a number of contract management issues. Some agencies still need to strengthen their contract management practices to demonstrate that they have the required proficiency to manage public expenditure and that their practices are consistently applied. Regardless of the contract involved, it is crucial that agencies:

• have comprehensive policies and procedures for contract management
• assign responsibility for contract management to trained staff
• have access to up-to-date contract pricing schedules
• implement contract management plans
• actively manage their contracts
• maintain contract registers
• maintain contract management data security
• have evidence to support their contract management activities.

43% of the issues we raised were repeat issues. While they relate to specific contracts we reviewed, the principles behind them apply to all such arrangements.

Our performance audit team reviewed contract management in local government and reported similar findings to the councils involved. This report is discussed further in section 3.7.

3.1.4   Workforce management

The public sector spends around $11.7 billion annually on payments to employees. Data from the Office of the Commissioner for Public Sector Employment indicates that this is for around 123,000 staff spread across a wide range of government agencies.

Since 2018-19, our approach to reviewing controls over public sector workforce expenditure has focused on workforce planning, performance management, hiring processes and screening checks. We also review payment processing for a number of agencies. This means that we cover the significant elements of the employment cycle.

In 2024-25 we continued to identify opportunities to improve workforce management controls. We recommended that agencies:

- clearly monitor their employment screening checks and controls
- improve their performance management systems
- identify key risks in their payroll processing environments
- implement controls to record leave approved and taken
- improve their documentation
- improve their controls over creating new positions
- improve their hiring processes
- monitor staff compliance with mandatory training requirements.

The issues we identified were largely repeat findings, with 76% of them raised in prior years. We talk more about payroll controls in section 3.4.

3.1.5 Internal audit role and reliance

Many of the agencies we audit have internal auditors, who may be employees, contractors, or a combination of both. Internal audit provides valuable assurance to agency management about their processes and controls. Internal audits are directed by an agency to areas it believes will benefit from independent review or where it wants specific assurance. By contrast, my Office conducts external audits, governed by the Australian Auditing Standards and my staff and I cannot be directed by agency management.

We generally do not rely directly on the work of agency internal auditors in conducting our work. This should not be taken to mean that we ignore the work that they perform. We regularly review their reports and use that information to inform our own risk assessments and understanding of the agencies we audit. However, agencies often direct internal audit effort to areas that are out of scope for our audits.

We do place specific reliance on the work performed by internal auditors if it is directly relevant to the work we need to perform. In doing this, we need to comply with Australian Auditing Standards, which require us to review the internal auditor's work (not just their reports) and perform testing to validate their findings. We work with the internal auditors to understand their scope, and review their work in detail to ensure that it meets the outcomes that we need for our work.

3.2 Modified financial report opinions

3.2.1 Procurement disclosures

3.2.1.1 Modified audit opinions for procurement reporting

Treasurer's Instructions (Accounting Policy Statements) require larger SA Government agencies to report on their spending split between South Australian and non-South Australian businesses. The Auditor-General modified the audit opinions for the following agencies for this disclosure in 2024-25:

- Barossa Hills Fleurieu Local Health Network Incorporated
- Central Adelaide Local Health Network Incorporated
- Eyre and Far North Local Health Network Incorporated
- Flinders and Upper North Local Health Network Incorporated
- Health and Wellbeing, Department for
- Limestone Coast Local Health Network Incorporated
- Northern Adelaide Local Health Network Incorporated
- Riverland Mallee Coorong Local Health Network Incorporated
- SA Ambulance Service Inc
- South Australian Fire and Emergency Services Commission
- Southern Adelaide Local Health Network Incorporated
- Women's and Children's Health Network Incorporated
- Yorke and Northern Local Heath Network Incorporated.

These agencies also received modified financial report opinions in 2023-24 relating to the procurement disclosure requirements.

The Department for Health and Wellbeing and its consolidated entities, including all of the local health networks, received qualified opinions on the basis that they did not report the procurement disclosure in their financial reports. This was because SA Health was not confident in the accuracy of the disclosure amounts produced by the methodology it applied in 2024-25. This methodology did not satisfy the detailed criteria contained in the Treasurer's Instructions (Accounting Policy Statements). Given this, while it means that SA Health has not met the requirement to report this information, I consider it prudent not to include a figure rather than report one that is known to be incorrect.

The South Australian Fire and Emergency Services Commission (SAFECOM) did include the procurement disclosure in its financial report. However, we issued a qualified opinion because we found gaps in the process SAFECOM used to produce the amounts it disclosed.

Although SA Health and SAFECOM had improved their approaches in 2024-25, we found that further improvement is needed to meet the requirements of the Treasurer's Instructions (Accounting Policy Statements).

3.2.1.2 Agencies no longer receiving modified audit opinions for procurement reporting

The following agencies received modified opinions in 2023-24 relating to the procurement reporting requirements, but revised their processes for producing this information in 2024-25. As a result, we issued them unmodified opinions in 2024-25:

- Adelaide Venue Management Corporation
- Correctional Services, Department for
- Lifetime Support Authority of South Australia
- South Australian Water Corporation.

3.2.1.3   Procurement reporting under the Treasurer's Instructions (Accounting Policy Statements)

Agencies classified as Tier 1 reporting entities under Australian Accounting Standards, which essentially captures the largest SA Government agencies, were required to provide procurement reporting information in a note disclosure in their financial reports for the first time in 2023-24.

This reporting requirement is unique to SA Government entities and is supported by rules established under the Treasurer's Instructions (Accounting Policy Statements) and TI 18.

Agencies need to work through the rules and make significant judgements to determine the amounts to report under these requirements. While 2024-25 was the second year of these requirements for Tier 1 agencies and lessons from the first year have helped, they continue to present challenges for agencies. There are no automated system solutions to determine the amounts to be reported, and so agencies continue to apply significant resources to meeting the requirements.

3.2.1.4   Future expansion of requirements

DTF has advised agencies that the procurement reporting requirements will be expanded to apply to Tier 2 agencies from 2026-27.

While Tier 2 agencies are smaller than Tier 1 and have less direct procurement activity, they will still be challenged by these requirements and it is important that they continue with specific efforts to prepare for them.

Although I have previously highlighted that more than 90% of the SA Government's expenditure is captured by the agencies already required to provide this disclosure, it remains the SA Government's policy position that the requirements will apply to remaining agencies in 2026-27.

3.3   Whole-of-government maintenance contract – Ventia

The AGFMA provides a whole-of-government maintenance contract for asset maintenance. Currently, Ventia Australia Pty Ltd (Ventia) provides these services to the SA Government. The arrangements cover billions of dollars' worth of SA Government assets, including schools, hospitals, TAFE SA sites, prisons and courts.

The AGFMA is an integral part of the SA Government's approach to maintaining, managing and improving assets. We continue to find a significant number of repeat issues across the range of agencies involved in the AGFMA.

Our overall assessment for 2024-25 is that the AGFMA is not operating as intended and in line with the contract, with contract objectives not being achieved. In 2024-25 DIT continued to work extensively with Ventia to improve the performance of arrangements and while there have been some improvements, significant work remains to fully meet the AGFMA's objectives.

The first term of the contract with Ventia ends on 1 July 2027, with additional extension options available. It is important that DIT and the SA Government evaluate whether the current AGFMA model remains the best option for managing significant government assets in terms of value, scale for the State, and operational and safety aspects.

There is further commentary on the AGFMA in Part B of this report, as well as specific agency commentary where relevant in Part C.

3.4 Payroll controls

3.4.1 The importance of key payroll controls and what they are for

For many years we have reported concerns about the review of bona fide and leave reports in agencies, key payroll controls.

The public sector spends around $12 billion each year on payments to employees. Parliament and the broader public expect public authorities to pay their employees at the correct rate for the time actually worked. Proper payroll processing controls are critical to this.

Payroll controls help to identify errors in payments, incorrect recording of leave and fraudulent activity. Without strong controls, agencies could suffer financial loss, either due to these errors or the cost of correcting them. Errors might start as small amounts, but if not corrected they can grow over time. If fraud is involved, it is common for offenders to start small and then increase the value over time if controls continue to fail and their confidence grows.

Poor controls can also impact amounts reported in financial reports, including employee benefit liabilities where the incomplete recording of leave taken leads to overstated liabilities.

In the private sector, budgetary controls are commonly used to closely monitor salaries and wages expenditure. Budget preparation tends to be very detailed and tightly monitored, making it easier to identify variances between actual expenditure and what was expected. This is done to manage profit margins, with the dollar threshold for variances needing explanation generally much lower. This detailed budgetary monitoring is not something we typically see in South Australian public sector entities, and certainly not at the level that would effectively identify small pay variations.

SSSA provides payroll processing for many public sector entities, and has very structured control processes. A key control is the review of pay-to-pay variation data – comparing the amount an employee was paid in one pay period to the amount paid in the next. This can identify unusual changes in individual employee pays but is generally undertaken by SSSA rather than by individual public sector agencies. SSSA also reviews changes to employee masterfile details to ensure they are appropriate.

SA Government agencies are responsible for ensuring their staff are paid properly, even when SSSA processes the agency's payroll. Agencies commonly use the following controls to monitor the accuracy of their payroll payments and leave processing:

- review of bona fide reports – these fortnightly reports list employees, their classification or pay rate, the hours they were paid and other pay information such as allowances they received
- review of leave reports – these reports list any leave taken by employees in the reporting period.

Managers are generally required by policy to review these reports for each pay period to identify any incorrect information and ask for it to be corrected.

In a large agency, these reports will be issued to different areas so that the review is performed by people who can identify any incorrect information. Most agencies monitor the review of these reports and ensure any identified issues are followed up. If these reviews are not performed promptly and issues identified are not corrected quickly, errors may continue and can become increasingly difficult to correct.

Controls over payroll processing, like those performed by SSSA, are generally designed to prevent issues occurring. Controls like the review of bona fide and leave reports are generally designed to detect and correct issues that have already occurred. Both types of controls are critical to ensuring the accuracy of payments to staff.

3.4.2   What we found

We have again, this year, seen evidence through our work outlined in Parts B and C of this report of the need for agencies to improve controls over this area. Common weaknesses include:

- reports not being reviewed or only being reviewed after long delays

- issues identified not being corrected quickly

- reports not being fit for purpose, with too many employees listed on the one report

- the process to monitor and follow up reviews not being performed effectively.

These weaknesses contribute to ongoing instances of employees being paid incorrectly or leave balances being incorrect. The likelihood of recovering any incorrect payments reduces the longer the issue continues.

While these controls may seem unimportant to some, we have seen over many years:

- instances where employees have been paid allowances for extended periods beyond which they should have been paid

- staff paid when they have left the employment of the agency

- staff paid at the incorrect rate for a period of time

- leave records needing to be corrected for staff after some time.

All of these issues have financial cost to agencies.

Many of the instances in more recent years are attributed to delays in submitting paperwork for processing. For example, if an employee commences leave without pay – that information needs to be submitted early enough that they are not paid for the first one or to pay periods they are not working.

There is a continuing need for agencies to work to reduce the causes of incorrect payments and to monitor payments made to ensure they are accurate.

3.5 Information technology general controls

3.5.1 What ITGC controls we reviewed

Information technology general controls (ITGCs) focus on the adequacy of policies, procedures and system settings that support the effective functioning of operating systems, databases and applications. They also help agencies maintain the confidentiality, integrity and availability of their data.

Each year we conduct ITGC testing on key agency financial systems. It takes into consideration the requirements of the South Australian Cyber Security Framework and agency IT security guidelines. We also assess the remediation of ITGC issues we raised in the previous year.

This section summarises the 2024-25 testing we conducted at seven agencies on 13 key agency financial systems. While we performed some ITGC testing at other agencies, the outcomes at these seven agencies are a good representation of the ITGC weaknesses we generally find when performing these audits.

3.5.2 What ITGC deficiencies we found

Most (75%) of the ITGC deficiencies we identified in 2024-25 relate to managing user access, passwords, audit logging and disaster recovery. Of the 63 findings we raised, three for user access management and three for patch management were rated as high. [2] A further 27 were rated as medium[3] and the rest were low.[4]

The rating we give an audit issue reflects our assessment of both the likelihood and consequence of the issue in terms of its impacts on:

- the effectiveness and efficiency of operations, including probity and compliance with applicable laws

- the reliability, accuracy and timeliness of financial reporting.

This rating helps agencies to prioritise any remedial action.

[2] High rated is a control weakness that could have or is having a major adverse effect on the ability to achieve process objectives.
[3] Medium rated is a control weakness that could have or is having a moderate adverse effect on the ability to achieve process objectives.
[4] Low rated is a minor control weakness with minimal but reportable impact on the ability to achieve process objectives.

Figure 3.1 summarises our key findings. Recurring ITGC deficiencies in our reviews remain a concern, especially in relation to user access management. We urge all agencies to strengthen their oversight of user access and proactively address any control gaps as part of their routine security management.

Figure 3.1: Summary of 2024-25 ITGC audit findings

7
agencies
reviewed
13
systems reviewed
63
issues identified
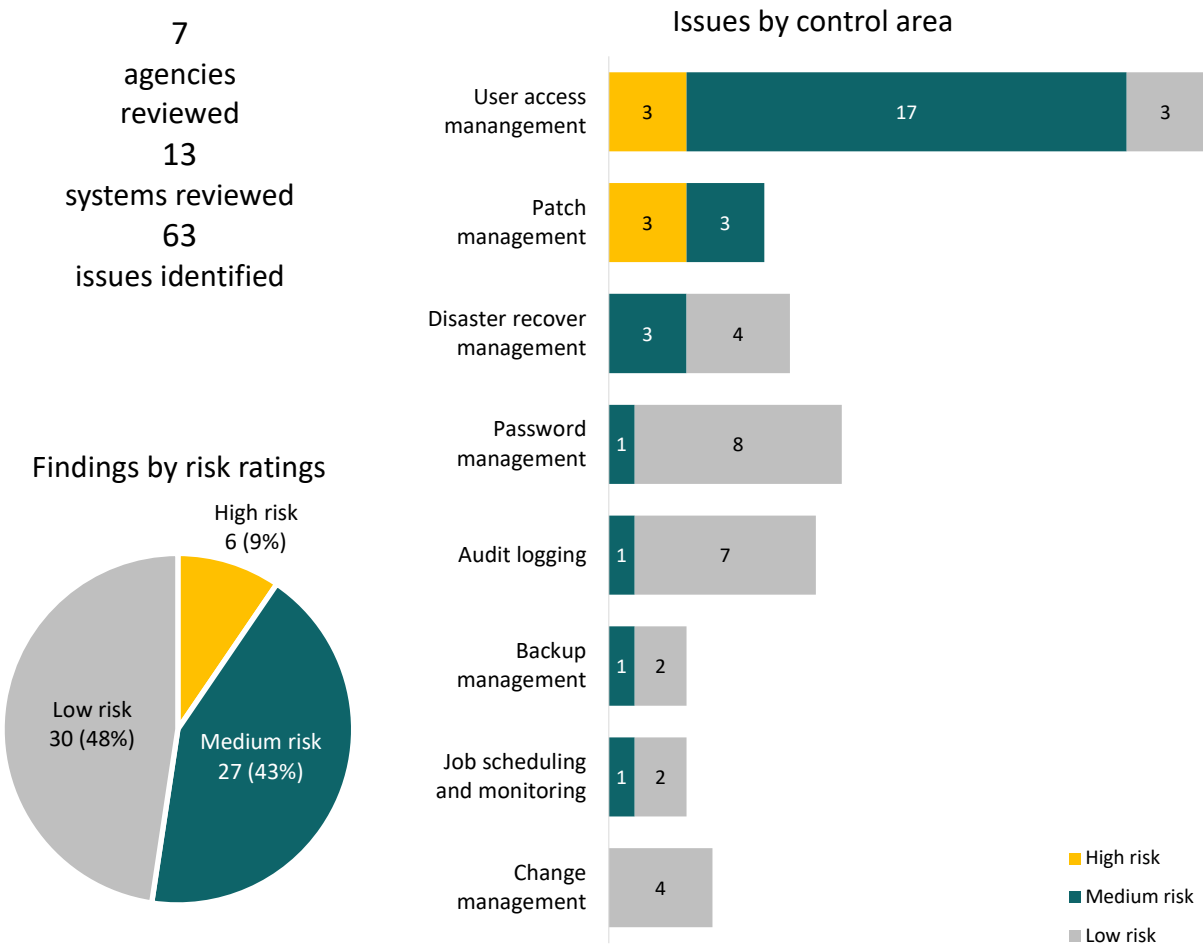
3.5.3 What ITGC improvements we recommended

Our recommendations to the agencies we reviewed included strengthening the following controls:

- **User access management –** promptly remove inappropriate user access, conduct regular access reviews, and maintain evidence of access changes.

- **Password management** – enhance password configuration settings, strengthen related policies and procedures, and conduct regular reviews of password management policies.

- **Patch management** – develop and improve policies and procedures to ensure patches are promptly applied.

- **Change management** – improve related policies and procedures, maintain documented evidence of change activities and post-implementation testing, and apply appropriate segregation of duties throughout the change management process.

- **Audit logging** – implement and regularly review audit logging, and improving policies and procedures.

- **Disaster recovery management** – develop and regularly review formal disaster recovery plans and procedures, and conduct regular disaster recovery tests.

- **Data backup and restoration** – implement and regularly update backup and restoration policies and procedures and conduct regular testing of backup and restoration practices.

- **Job scheduling and monitoring** – develop and maintain detailed job scheduling and monitoring procedures to support current operational processes.

Agencies generally responded positively to our findings with details of their remediation time frames.

3.6   Asset valuations using indices

Last year I commented in my annual report about the need for agencies to annually revisit the fair values of their assets to ensure they were still appropriate. This annual approach is required under Australian Accounting Standards and is generally a management process, separate from the Treasurer's Instructions (Accounting Policy Statements) requirement for agencies to obtain a valuation from a qualified valuer every six years.

This year, DTF worked with the Office of the Valuer-General and my Office on an approach to help agencies with this annual requirement.

The Office of the Valuer-General provided asset value indices for agencies to use from 2024-25. Agencies can apply an index to estimate the fair value of an asset and compare it to the asset's carrying amount in the agency's accounts. If the indexed and recorded values are reasonably close, it provides evidence that no revaluation adjustment is needed. If there's a significant gap, it signals the need for a more detailed review.

The use of these indices is not mandatory, but the aim is to provide another tool for agencies without having to engage a qualified valuer each year, or subscribe to valuation industry publications.

A number of agencies used the indices in 2024-25. In some cases, agency management chose to recognise the change in values as a result of applying the indices, while in others the indices confirmed that the values already used were materially accurate and no changes were needed.

We will continue to work with DTF, the Office of the Valuer-General, SSSA and agencies on applying indices to asset valuations in 2025-26.

3.7   Local government

Each year, we perform audit work on aspects of local government. The State's 68 councils or their related bodies appoint independent auditors for their financial statements under the *Local Government Act 1999*.

The PFAA provides for the Auditor-General to review the efficiency, economy and effectiveness of local government activities, projects and indemnity schemes. We select areas to review and report on from across the sector, based on criteria aimed at identifying matters of most relevance at a point in time. Our reviews usually focus on two selected councils for the identified areas of interest, with the findings reported to Parliament and shared with councils as a means of supporting improvement across the local government sector.

Our most recent report was Auditor-General's Report 4 of 2025 *Contract management in local government*. This review assessed whether two selected councils were effectively managing their contracts to ensure the requirements for delivering the contracted service or function were met. We focused on the following key contract management activities:

- managing contract and contract management risks
- managing contractor performance and key contractual requirements
- managing contract extensions and variations.

We concluded that for the contracts we reviewed, both councils had key areas in their contract management activities that were not operating effectively. This included evaluating contractor performance against agreed performance standards, and assessing and managing contract risks.

We also identified key insights that all councils should consider in managing their contracts, including:

- identifying, assessing and managing any risks associated with contract arrangements

- assigning responsibility to staff who have the skills and knowledge needed to manage contracts, as well as a sound understanding of the contract terms and conditions and the contracted service or function

- providing training and having policies and procedures that provide sufficient information to help staff manage contracts effectively

- regularly monitoring and evaluating contractor performance against agreed performance standards

- keeping adequate records to support and inform the ongoing management of the contract

- establishing a contract management plan to help staff manage, monitor and report on contract performance.

The insights from this review have broader application across the public sector and have been shared with audit and risk committee chairs and agency chief finance officers through the insights portal on our website [www.audit.sa.gov.au/reports-and-resources/insights].

4 Update on issues raised previously

4.1 Update on Australian Bragg Centre Proton Therapy Project

In June 2025 I reported to the Parliament on the progress of delivering the Australian Bragg Centre proton therapy project (proton therapy project).[5] The project is managed by the South Australian Health and Medical Research Institute (SAHMRI) to establish Australia's first proton therapy unit (PTU) in Adelaide for treating cancer. The project involves:

- developing a building that will house a proton therapy system, provide dry lab research and clinical trial facilities for SAHMRI and other commercial space for dry lab, clinical or office use

- purchasing a proton therapy system

- developing and operating a proton therapy unit.

We noted in our report that:

- a PTU has not been established, and that establishing and operating one in South Australia will require significant additional public (State and/or Commonwealth) funding

- the SA Government has ongoing risk exposures and financial commitments from the project, including:

  — funding a proportion of building development cost overruns
  — step-in obligations for certain arrangements if SAHMRI becomes insolvent
  — leasing five floors in the Australian Bragg Centre at commercial market rates.

We sought an update from DTF on the status of the project and it indicated that:

- the SA Government is still working to secure Commonwealth funding for an alternative national proton therapy project in the Australian Bragg Centre. The timing of a decision on providing Commonwealth funding is unclear

- the SA Government is in continuing negotiations with Dexus (the Australian Bragg Centre building owner) to restructure the building leases.

DTF also explained that in July 2025, the Treasurer approved a $10 million increase (to $22 million) in a loan facility for SAHMRI. The loan facility is to provide sufficient short-term cash flow for SAHMRI's operations and commitments. At the time of this report, SAHMRI had drawn down $9.2 million from the loan facility.

We will continue to monitor progress on the proton therapy project.

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[5] Auditor-General's Report 3 of 2025 *Proton therapy project: SA Government context and insights*.

4.2 Application of Treasurer's Instruction 8 *Financial Authorisations* to panel arrangements

In my last annual report[6] I wrote about the application of TI 8 thresholds to a panel arrangement established by the Department for Child Protection (DCP). I found that TI 8 could be strengthened to provide better financial accountability for similar situations in future.

In 2024-25, my auditors followed up this matter with DTF, which has policy responsibility for this area.

4.2.1 Background on the DCP panel arrangement

Our 2023-24 audit of DCP considered the management of the temporary staff panel arrangement that DCP established to access appropriately qualified staff to support its operations. The panel contract was originally for five years, starting in March 2020.

When DCP sought approval to establish the panel arrangement, it estimated that it would spend $43 million over the five-year term. We understand that the SA Government approved the panel arrangement as it was proposed.

DCP spent over $300 million under this contract between July 2021 and June 2024, with more than twice the estimated five-year contract value spent in both 2023 and 2024. Further spending occurred in 2024-25.

DCP advised us that it had not sought any further approvals for the panel arrangement because the arrangement itself did not specify a dollar amount and therefore did not need to be amended.

DTF agreed with DCP that there was no existing requirement for further approval in an arrangement of this nature.

In my view, this example identified an area where the TI 8 requirements could be strengthened to improve public sector financial management and accountability. DTF advised us in 2023-24 that it agreed there was value in change in this area, and that it would need to consider the appropriate mechanism for these additional controls.

I also expressed that in the interests of improved financial governance, expenditure control and contract management, consideration should be given to removing doubt and ensuring appropriate financial governance and monitoring is applied to panel arrangements.

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[6] Auditor-General's Report 9 of 2024 *Annual report for the year ended 30 June 2025, Part C*, p42.

4.2.2   DTF progress on this issue in 2024-25

DTF advised us that it considered the appropriate mechanism to address this issue effectively would be changes to the SA Government Procurement Framework. It is currently drafting updates to the Framework for the Treasurer's consideration.

Indicatively, DTF advised us that this approach would require agencies to have clear reporting and approval processes when expenditure exceeds the original contract estimate for a standing offer contract. DTF believes this gives agencies more flexibility to determine and tailor processes based on the materiality and risks of the contract, while also holding them accountable for what they have determined.

Procurement SA policies, guidelines and templates will need to be updated to support agencies with this new requirement.

DTF also intends to reinforce the need to reconsider whether arrangements continue to be fit for purpose and value for money, particularly where contract arrangements are used more than was expected at the time of the initial procurement.

DTF intends for these changes to be implemented by early-2026. It will consider the need for updates to Treasurer's Instructions in future if needed.

We will consider the impact of these changes once they are implemented.

4.3   Update on sustainability and climate-related reporting

4.3.1   Climate Ready Government initiative

In October 2023 we reported to Parliament on climate change risk management.[7] We concluded that:

- SA Government agencies were in the early stages of adopting climate change risk management practices
- effective central coordination and monitoring would be critical to establishing sound climate change risk management arrangements.

In November 2024 the SA Government released Premier and Cabinet Circular 007 *Climate Ready Government* (PC 007) which requires all SA Government agencies to establish and maintain governance, resources and processes to assess and manage climate-related risks and opportunities and reduce their operational greenhouse gas (GHG) emissions.

Mandatory application of PC 007 will see agencies:

- establish oversight and management of climate risks, opportunities and GHG emissions
- provide their staff with training on climate risk management and GHG emissions reduction

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[7]   Auditor-General's Report 9 of 2023 *Climate change risk management*.

- update policies and strategic plans to be climate ready

- assess climate-related risks and opportunities that could affect delivery of agency objectives

- develop, implement and monitor a carbon management plan

- report annually to the Department for Environment and Water on progress in achieving and maintaining the requirements of PC 007.

Climate reporting under PC 007 will not be part of agency's financial statements and is therefore not subject to my annual audit processes.

PC 007 has been rolled out to agencies in a comprehensive way, with the Department for Environment and Water providing access to training and other resources supporting agencies to implement climate risk management practices.

Effectively responding to existing and future climate impacts will be challenging, and central coordination and support for agencies will remain important as they implement PC 007. We will continue to monitor developments as agencies mature their climate change risk management arrangements.

4.3.2   Impacts of climate risk on the financial statements

As agencies implement PC 007, they are likely to identify climate-related risks and mitigation strategies. Their improved understanding of them has the potential to flow through to the measurement of key financial information and there are likely to be impacts that should be communicated to stakeholders. For example, useful lives of non-current assets in certain categories or locations may need to be reassessed where climate change will impact their longevity.

Agencies should reflect the effect of climate-related risks and mitigation strategies in their financial statements if warranted and ensure consistency with climate information they present elsewhere.

As the possible financial effects of climate-related risks are identified, my auditors will consider this as part of their work in providing an opinion on agency financial statements.

4.3.3   Mandatory sustainability reporting for SA Government entities

Mandatory sustainability reporting in Australia commenced on 1 January 2025 under the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024*. This legislation is phasing in sustainability reporting for entities who prepare financial reports under Chapter 2M of the *Corporations Act 2001*.

The Adelaide Oval Stadium Management Authority (AOSMA) is currently the only entity within my audit mandate captured by this legislation. Under the phased implementation approach, AOSMA will be required to include a sustainability report in its annual report for the year ending 30 October 2028.

AASB S2 *Climate-related Disclosures* issued by the Australian Accounting Standards Board establishes the reporting framework that AOSMA will need to apply for the mandatory disclosure of climate-related risks and opportunities that could reasonably be expected to affect cash flows, access to finance or cost of capital over the short, medium or long term.

AOSMA's sustainability report will need to be independently assured in line with the *Corporations Act 2001* and ASSA 5000 *General Requirements for Sustainability Assurance Engagements* issued by the Australian Auditing and Assurance Standards Board.

To prepare for any additional responsibility that my Office may have for providing assurance over sustainability reporting, a group of my senior staff have undertaken training and have been relating with Auditors-General from other states and territories across Australia.

4.4   Review of the PFAA

Amendments to the PFAA in November 2023 require the Treasurer to facilitate a review of the PFAA by November 2025. A report must be prepared for the Treasurer, and the Treasurer must table it in both Houses of Parliament within six sitting days of receiving it.

DTF has been progressing work on the review of the PFAA in 2024-25 and has consulted with my Office about the operation of parts of the PFAA for us to provide clarifying or factual information.

I was provided with the terms of reference for the review in June 2025 and we have been given the opportunity to review some of the information prepared under the terms of reference to provide comment and feedback.

We understand that DTF is on track to finalise the review by the date established in the PFAA.

5 Emerging issues and areas of future focus

5.1 Legacy system review

In 2019-20, we performed a multi-agency review of the extent and impact of legacy ICT systems within the SA Government. We communicated the outcomes in Report 12 of 2020 *Information and communications technology reviews*.

The review highlighted that the SA Government had experienced challenges in managing the large number of legacy systems being used by agencies. Agencies found it difficult to accurately assess the costs and benefits of upgrading or replacing their legacy systems.

We are currently conducting a follow-up review to determine the status of legacy systems operating in SA Government agencies and the associated challenges and risks. The results will be communicated in an upcoming report to Parliament.

5.2 State finances overview

The SA Government released its 2025-26 Budget in June 2025. The State Budget sets out the SA Government's fiscal strategy, actual and forecast financial position and new policy initiatives. It is also a key tool to manage and monitor government programs and performance.

The 2025-26 Budget provides details and reflects the impact of spending on government programs and significant infrastructure projects.

We review the State Budget every year and produce a report on our insights into key trends and risks for the State's public finances. I intend for this year's report to be available for tabling in October 2025.

5.3 Finance Reform Program

In my 2023-24 annual report, I reported on the Finance Reform Program (FRP) to replace Masterpiece, the core financial system used by many of the largest government agencies. In December 2022, the SA Government approved the FRP going ahead at an estimated cost of $99.9 million over five years from 2022-23.

The three main components of the FRP are the financial management system itself, an integration platform and a system integration partner (SIP). Oracle FMS was awarded the contract for the financial management system and Salesforce was awarded the contract for the Mulesoft integration platform in August 2023 and October 2023, respectively.

In November 2023, an acquisition plan was approved by the SA Government to commence an open market procurement for a SIP to the project. An open public invitation to supply was issued seeking submissions from suitably capable organisations to support the FRP in:

- configuring, testing, deploying and maintaining Oracle FMS

- developing integrations to interface data between Oracle Financial Management System (Oracle FMS) and agency-based systems, using the Mulesoft integration platform.

In 2024-25, KPMG was awarded a contract as SIP to support the implementation of Oracle FMS. Another SIP, Capgemini Australia Pty Ltd, was awarded the contract to support the implementation of the Mulesoft integrations to interface data between the new Oracle FMS and agency-based systems.

DTF spent $22.9 million on the FRP in 2024-25.

In 2024-25 we reviewed the following aspects of the FRP:

- any changes that had occurred to governance of the project

- the procurement of the two SIPs

- contract execution, administration and performance management in line with TI 18 requirements

- monitoring of project progress and developments.

We did not identify any significant issues in these areas.

Since KPMG started as the SIP to Oracle FMS, the validation phase of the project has concluded. This phase involved:

- developing the functional and technical design requirements for the Oracle FMS

- establishing an integrated project plan

- finalising other key deliverables such as the test strategy, environment management plan and data migration plan.

The next phase – construction – started in February 2025 and involves building and testing Oracle FMS in line with the functional and technical design. Testing of the system and system integrations has been completed, which involved demonstrating the various components to around 400 key stakeholders across the in-scope agencies. End-to-end testing had an expected completion date in mid-September 2025. The final part of the construction phase is the pilot implementation, due for completion by December 2025.

Pending the outcomes of the pilot implementation, the project will start quarterly deployments to in-scope agencies. A pilot deployment is planned for the Department for Correctional Services in December 2025, with the next deployment to DTF and related agencies in March 2026. Quarterly deployments will then continue until September 2027.

The time frame to deliver the FRP and close out of the program in full is by the end of 2027 and will result in the replacement of the core financial system that has been used for over 30 years, and has supported more than 50 agencies across four infrastructure platforms, is not without considerable risk to the State. These risks are being managed as the project progresses. Given the significance of this system to the financial operations of SA Government agencies, we plan to continue reviewing the FRP transition process and system controls in our 2025-26 audit program.

5.4 2025-26 audit review plans for major projects and programs

5.4.1 Major projects

We plan further work to review the major government projects discussed in this report. The scope of our work will depend on project progress, timing and milestones, with each project expecting to progress in 2025-26.

We also plan to review the arrangements to sell the turbines acquired for the Hydrogen Jobs Plan, and we will consider other transactions associated with these arrangements in our audit of DEM.

In addition, we plan to review the North Adelaide Golf Course project as the SA Government progresses the application of the *North Adelaide Public Golf Course Act 2025* and takes the next steps in the announced redevelopment of the course. Our preliminary understanding is that the SA Government has engaged firms following a direct negotiation approach and that preliminary costs associated with the project of around $1.3 million were incurred in 2024-25.

5.4.2 Assistance programs

We plan to perform further audit work on payments under the Whyalla Steelworks support package and drought assistance measures in 2025-26.

We also plan to perform audit work on:

- aspects of the Harmful Algal Bloom Support Package announced by the SA Government in July 2025. This package is funded by the Commonwealth and SA Governments and has a range of measures, including grants to impacted businesses and communities

- aspects of the assistance package announced by the SA Government in August 2025 for Nyrstar operations in Port Pirie. This is part of a joint $135 million package with the Commonwealth and Tasmanian Governments to support the Australian smelting industry. The SA Government will provide $55 million in funding to this package

- the $15 million support package for the Bedford Group, announced by the SA Government in July 2025.

We will scope our work on these programs in our detailed planning for 2025-26.

5.5　Future performance audits

Upcoming reports that we have started work on include:

- the North–South Corridor River Torrens to Darlington project (T2D) – We are reviewing whether DIT has effective arrangements for managing its risks and issues related to delivering the T2D project main works under the Project Alliance Agreement. The audit focuses on risks and issues in key areas such as project scope, scheduling, cost and quality

- management of food safety in council areas – We are covering two local government entities and the Department of Health and Wellbeing. We are reviewing whether the selected local government entities have effective regulatory and other activities to ensure food businesses provide safe and suitable food to the community. We are reviewing whether the Department for Health and Wellbeing has effective activities that support councils to manage food safety in their council areas.

We completed a number of reviews during the year, including:

- Report 7 of 2025 *Aboriginal Education Strategy 2019–2029*
- Report 4 of 2025 *Contract management in local government*
- Report 3 of 2025 *Proton therapy project: SA Government context and insights*
- Report 2 of 2025 *Regional bus service contracts – Phase 2*.

5.6　Using artificial intelligence

The last few years has seen the growth in awareness and use of artificial intelligence (AI) and large language model (LLM) tools, such as Open AI's ChatGPT and Microsoft Copilot. AI offers many benefits and efficiencies but also brings challenges and risks.

5.6.1　Risks

The integration of AI into government service delivery presents risks that must be carefully managed to uphold public trust. AI systems can inadvertently perpetuate bias and discrimination if applied to skewed or incomplete datasets, leading to unfair outcomes. The use of AI in decision-making raises concerns about privacy, with the potential for data to be shared outside of conventional government-controlled systems. Without transparent processes and appropriate oversight, governments risk undermining the principles of equity and accountability they are meant to uphold.

Operational risks also pose substantial challenges to the effective deployment of AI in public services. Governments often rely on legacy IT systems that are ill-equipped to support modern AI technologies, resulting in integration issues and inefficiencies. AI systems can suffer from automation bias, where human operators overly trust algorithmic outputs without critical evaluation, potentially leading to errors. Cyber security vulnerabilities further compound these risks, as AI systems can be targeted by attacks or data breaches, threatening service continuity.
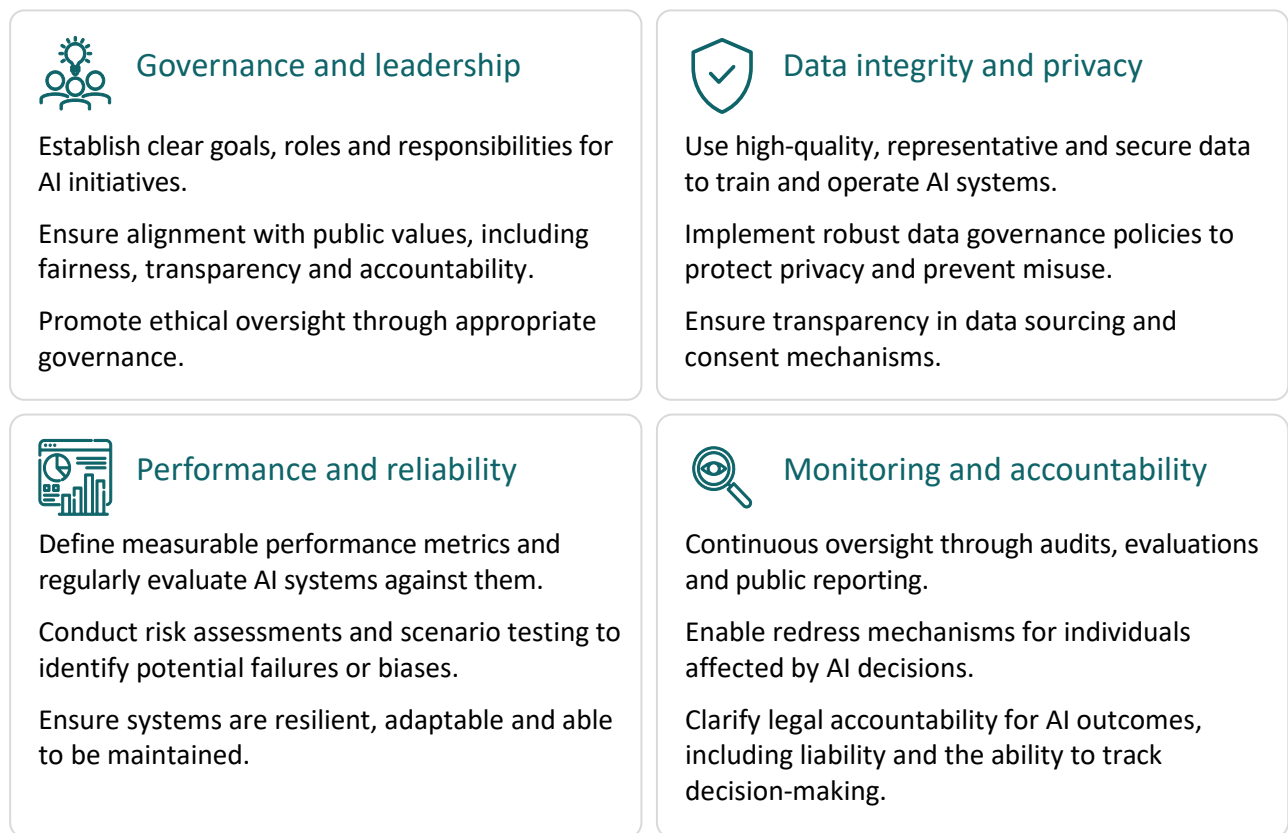
5.6.2   Importance of good governance

The adoption of AI technologies in government must be underpinned by robust governance to ensure that risks are appropriately understood and managed.

Our preliminary understanding from agencies has shown that central guidance to support the adoption of AI has been developed and agencies are aware of the importance of good governance.

Figure 5.1 shows the important elements of governance to support the use of AI technologies.

Figure 5.1: Elements of good governance for AI technologies

Governance and leadership

Establish clear goals, roles and responsibilities for AI initiatives.

Ensure alignment with public values, including fairness, transparency and accountability.

Promote ethical oversight through appropriate governance.

Data integrity and privacy

Use high-quality, representative and secure data to train and operate AI systems.

Implement robust data governance policies to protect privacy and prevent misuse.

Ensure transparency in data sourcing and consent mechanisms.

Performance and reliability

Define measurable performance metrics and regularly evaluate AI systems against them.

Conduct risk assessments and scenario testing to identify potential failures or biases.

Ensure systems are resilient, adaptable and able to be maintained.

Monitoring and accountability

Continuous oversight through audits, evaluations and public reporting.

Enable redress mechanisms for individuals affected by AI decisions.

Clarify legal accountability for AI outcomes, including liability and the ability to track decision-making.

5.6.3   Policy and governance

The Office of the Chief Information Officer (OCIO), part of DTF, has issued a 'Guideline for the use of Generative Artificial Intelligence and Large Language Model Tools'. It applies to all SA Government agencies, people and non-government suppliers accessing government resources.

The mandatory South Australian Cyber Security Framework also requires all agencies to have a suite of cyber security policies and procedures in place and approved by senior leadership. This includes a policy governing the safe selection and use of generative AI and LLM tools.

5.6.4　Overview of agency AI use

We recently requested information from 23 large government agencies to get an understanding of AI adoption across the South Australian public sector. Figure 5.2 summarises their responses.

Figure 5.2: Summary of agency responses

Current use

Most agencies are in the early or exploratory stages with AI.

AI use is generally limited to pilots, productivity tools or embedded features in commercial software.

Most agencies are involved in the whole-of-government Copilot trial.

Most agencies are not yet using AI for core decision-making. AI is generally used as a support tool, with final decisions made by staff.

Planned or experimental use

Many agencies are expanding their AI pilots or proof of concepts, especially for document analysis, chatbots and workflow automation.

Planned uses target efficiency, data insights and reduced administrative burden.

Some agencies are planning to delegate meaningful decision-making to AI in the near term.

Challenges and maturity

Agencies are keen to innovate but remain cautious about delegating critical decisions to AI.

AI is used as a support tool, with people still responsible for final decisions.

Agencies noted the fast pace of AI development and the need for ongoing review and adaptation. This includes the increased prevalence of AI features in standard software that requires vigilance and policy updates.

Governance and risk management

Many agencies have established or are forming AI governance committees or working groups. Agencies advised that they align with the OCIO AI guidelines, with their individual policies being developed or updated based on State and Commonwealth Government guidelines.

Their AI policies emphasise fairness, prevention of bias, privacy, and compliance with legal and ethical standards.

Staff training and stakeholder engagement are mandated to ensure responsible use.

Agencies require documentation, risk assessments and clear reporting when AI is used.

5.6.5　Digital Investment Fund – AI program

In addition to initiatives funded by individual agencies, the 2025-26 State Budget announced the expansion of the SA Government's Digital Investment Fund (DIF) to include an AI program. $28 million over four years has been allocated, with the aim of maximising the benefits of AI applications across the public sector. This includes prioritising AI in areas where it can reduce costs, enhance operational efficiency and ease administrative burden.

To date, DIF funding has been allocated to establish the Office for AI to help build central AI capabilities. This Office will oversee the allocation of AI Proof of Value Program funding.

The DIF website states that the first priorities under its program are transcription-related initiatives, which are now being developed with South Australia Police and SA Health. The aim is to deliver a scalable tool that improves efficiency and accessibility for use across government.

5.6.6   Copilot pilot program

Since November 2024, OCIO has been overseeing a Microsoft Copilot pilot with a number of SA Government agencies. The pilot aims to understand Copilot's capabilities, benefits and challenges, and determine the necessary steps for a broader controlled rollout across government.

As of July 2025, 846 Copilot licences have been provided to 23 participating agencies to conduct this trial. A recent survey by OCIO revealed:

- 73% of participants agree or strongly agree that they are more productive with Copilot

- 73% of participants agree that Copilot helps improve the quality of their work or output

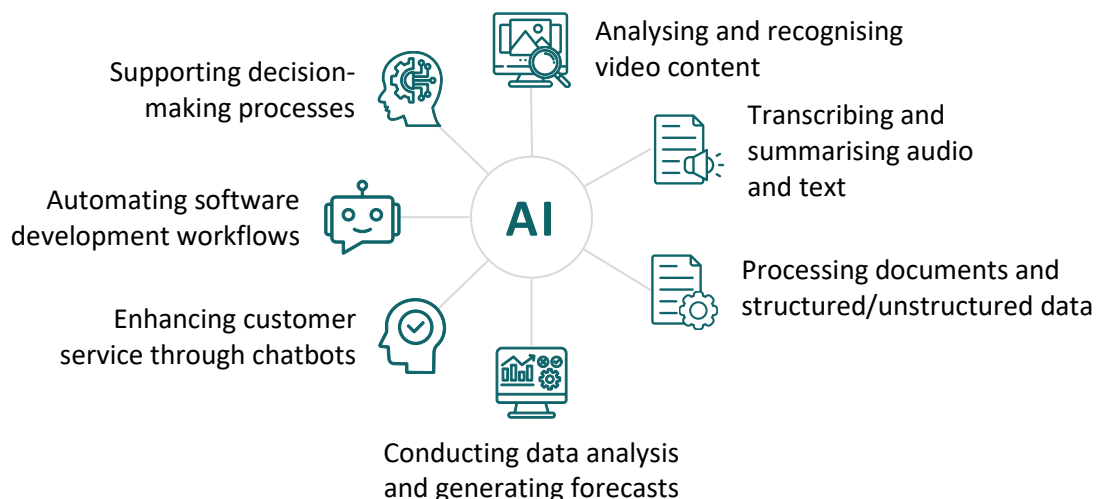- 72% of participants agree that Copilot helps them spend less mental effort on mundane or repetitive tasks.

Individual use cases revealed that Copilot added value for tasks such as research, searching and finding documents and data across multiple applications, transcribing meetings, drafting emails, brainstorming, summarising reference documents and cleaning large data sets.

Although this pilot has highlighted various benefits, some challenges have also emerged. They include difficulty integrating with non-Microsoft tools, needing to spend more time to verify output and finding the output unreliable at times.

5.6.7   AI use case examples in agencies

Agencies that responded to our questionnaire reported using, or planning to use, AI in the areas shown in figure 5.3.

Figure 5.3: Areas where agencies are using or planning to use AI

Supporting decision-making processes

Automating software development workflows

Enhancing customer service through chatbots

Analysing and recognising video content

Transcribing and summarising audio and text

Processing documents and structured/unstructured data

Conducting data analysis and generating forecasts

The following are examples of AI tools being used, or planned, in three SA Government agencies.

5.6.7.1   South Australian Water Corporation (SA Water)

SA Water reported that it currently employs a range of AI products and systems designed to support its business efficiency, safety and compliance, and improve outcomes. Examples include:

- reservoir compliance monitoring that uses image recognition AI to monitor nine reservoir sites to identify non-compliance, enhance public safety, and inform management actions

- a demand forecast tool that predicts water demand across geographic regions, supporting operational decisions in water treatment production and network management

- a Smart Water Network Management – Burst Detection tool that uses more than 600 sensors in Adelaide's CBD to detect pipe bursts by analysing flow, pressure and acoustic data, generating real-time alerts and optimising maintenance interventions. This system is still being trained to improve its accuracy before the alerts are automated.

5.6.7.2   South Australia Police (SAPOL)

Compared to most agencies that we engaged with, SAPOL has various AI-type tools that it is currently using to assist in decision making, to help predict and prevent crime and to improve efficiency and effectiveness. Some of these AI tools are being used for:

- facial recognition for intelligence purposes using SAPOL data (eg CCTV and custody photos) to help identify people of interest in investigations

- mobile phone detection cameras to help detect the use of mobile phones while driving

- social media monitoring for counter terrorism.

SAPOL also has plans to implement more AI tools over the next 12 months, including tools to streamline investigations by assisting with interview transcriptions and machine learning to identify potential threats, hidden connections and critical leads.

5.6.7.3   Department for Education

In early-2023, the Department for Education partnered with Microsoft to develop an AI chatbot called EdChat, specifically tailored for educational purposes. It is being used across curriculum areas and helps with tasks such as lesson planning and differentiating tasks for diverse learning needs. Applications have also been created within EdChat, such as CurriculumChat, CareerChat and FacilitiesChat.

The Department for education recently announced the expansion of student use of EdChat beyond the proof-of-concept stage, with EdChat to be available to public school secondary students from Term 4, 2025.

The Department for Education has also implemented an AI tool called Learning English: Achievement and Proficiency (LEAP). It helps teachers quickly assess a student's English language proficiency and level of understanding and plan targeted strategies to support their language development and progress. The Department advised us that the LEAP App can perform a manual process that takes a teacher 30 minutes on average, with a higher degree of accuracy, in 52 seconds.

5.6.8   What we are going to do

The careful adoption of AI tools within our own Office presents opportunities to improve our service delivery mechanisms.

The AI challenge for us is twofold: we must develop and acquire the expertise, understanding and systems required for the internal adoption of AI, while also building the capability to understand agency AI applications implemented across government to provide informed opinions on their controls and governance.

The complexity of AI service delivery solutions, large language models and machine learning represents a significant audit challenge. As AI use expands across the SA Government, we will be required to assess and provide guidance on the governance and appropriate use of these emerging technologies as part of our broader controls opinion remit.

Currently, we do not have the technical expertise needed to understand and harness AI systems, and we will need to acquire them.

5.6.9   Conclusion

The SA Government is encouraging agencies to use AI as a tool for efficiency, data insights and service improvement. Agency responses indicate that they are proceeding with caution, with due consideration of the risks.

In the next one to two years, we are likely to see:
- broader rollout of AI productivity tools like Copilot
- expansion of pilots into operational use, especially for document analysis, chatbots and predictive analytics
- continued development and refining of agency-specific and whole-of-government AI policies
- ongoing investment in staff training, risk management and stakeholder engagement.

AI is seen as a powerful enabler for public sector transformation, but SA Government agencies are right to proceed with caution, ensuring that innovation is balanced with accountability, transparency and public trust.

Given its importance, we intend to monitor the use of AI within government as it matures and is integrated into government service delivery. Our future work programs will consider AI-related risks.

5.7 Establishment of Adelaide University

The Adelaide University was established as a legal entity on 8 March 2024 under the *Adelaide University Act 2023*, with an operational date of 1 January 2026. The new university will combine the operations of the University of Adelaide and University of South Australia, both of which will then be disestablished as legal entities.

This is the most significant change to the public university sector in South Australia since the University of South Australia was established, and it is a large and complex undertaking.

Legislation establishing the State's public universities requires them to be audited by the Auditor-General each year. We therefore audit all four universities in 2024 and 2025: Adelaide University, the University of Adelaide, Flinders University and the University of South Australia. We reported on the outcomes of our 2024 university audits in Auditor-General's Report 5 of 2025. In auditing the University of Adelaide and the University of South Australia –the two 'foundation universities' for Adelaide University – we consider the arrangements between these universities and Adelaide University. Several key arrangements have been entered into so far:

- In March 2024, the foundation universities entered into an agreement to transition services, education and research activities to Adelaide University to support its operational date.

- In December 2024, the foundation universities entered into an agreement with Adelaide University about the services to be transferred once staff transfer.

In 2025 all foundation university staff transferred to Adelaide University, except for the co-Vice Chancellors. A service agreement between all three universities details the arrangements for Adelaide University to provide services back to the foundation universities to ensure the continuity of their operations until 1 January 2026, when Adelaide University will commence operations.

It is currently expected that the *University of South Australia Act 1990* and the *University of Adelaide Act 1971* will be repealed and the foundation universities will be disestablished as legal entities on 31 March 2026.

Our approach to the audits of the universities will continue to consider and respond to the risks that arise from the arrangements to establish Adelaide University.

Appendix 1 – Administrative restructures in 2024-25

There were a number of changes to agencies in 2024-25. The more significant restructures were as follows:

- The name of the Department for Industry, Innovation and Science changed to the Department of State Development. Invest SA, Skills SA, Brand SA, Population Strategy and other units transferred to it from the Department for Trade and Investment, Department for Education and the Department of the Premier and Cabinet, from 1 July 2024.

- The name of the Department for Trade and Investment changed to the Department for Housing and Urban Development. The Office for Local Government, South Australian Local Government Grants Commission and Outback Communities Authority transferred to it from the Department for Infrastructure and Transport, from 1 July 2024.

- The Office of the Commissioner for Public Sector Employment, formerly an attached office to the Attorney-General's Department, is now an attached office to the Department of the Premier and Cabinet.

- The Office of Northern Water Delivery was established as an attached office to the Department for Infrastructure and Transport and took over responsibility for the Northern Water Project from Infrastructure SA. It then transferred as an attached office to the Department for Energy and Mining in November 2024. The Office was abolished in May 2025, with responsibility for the project transferred to the Department for Energy and Mining, supported by a project office in the Department for Infrastructure and Transport.

- The Office of Hydrogen Power SA was abolished in May 2025, with responsibility for the remaining committed elements of the Hydrogen Jobs Plan and all the assets and liabilities transferring to the Department for Energy and Mining.

- The Office of the Chief Information Officer, Digital Programs and the Office for Data Analytics transferred from the Department of the Premier and Cabinet to the Department of Treasury and Finance from 1 July 2024.

Appendix 2 – Abbreviations used in this report

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

AASB	Australian Accounting Standards Board
AGFMA	Across Government Facilities Management Arrangements
DCP	Department for Child Protection
DHW	Department for Health and Wellbeing
DIT	Department for Infrastructure and Transport
DSD	Department of State Development
DTF	Department of Treasury and Finance
DEM	Department for Energy and Mining
ISA	Infrastructure SA
ITGC	Information technology general control
OneSteel	OneSteel Manufacturing Pty Ltd
PIRSA	Department of Primary Industries and Regions
PFAA	*Public Finance and Audit Act 1987*
SAHMRI	South Australian Health and Medical Research Institute
SSSA	Shared Services SA
T2D project	North–South Corridor River Torrens to Darlington project
TI 8	Treasurer's Instruction 8 *Financial Authorisations*
TI 17	Treasurer's Instruction 17 *Public Sector Initiatives*
TI 18	Treasurer's Instruction 18 *Procurement*
Ventia	Ventia Australia Pty Ltd