



Our ref: CORP F2022/000376  
Receipt No: 16695779

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04 November 2022

The Hon Heidi Girolamo MLC  
Member of the Legislative Council  
Parliament House  
ADELAIDE SA 5000

Dear Ms Girolamo

**Determination under the *Freedom of Information Act 1991***

I refer to your application made under the *Freedom of Information Act 1991* which was received by the Department of Primary Industries and Regions (PIRSA) on 4 October 2022, seeking access to the following:

*"Copies of all Audit Management Letters and their corresponding audit reports from the 30 June 2022 Auditor-General's Department Audit period."*

On 14 October 2022, PIRSA's Senior Freedom of Information Advisor contacted your office seeking clarification of your application.

On 17 October 2022, your application was clarified as follows:

- The "Audit Management Letters" are those forwarded to the Chief Executive PIRSA from the Auditor-General
- The "corresponding audit reports" are the responses to the letters from the Auditor-General from the Chief Executive PIRSA
- The date range of "the 30 June 2022 Auditor-General's Department Audit period" is essentially the financial year 2021/22 and "for which ever time period the Auditor-General was corresponding with the CE of PIRSA".

Your application was placed on hold for a period of three days while negotiations on revising the scope were being undertaken. Accordingly, the new determination due date is 7 November 2022.

The following determination has been finalised.

I have located fourteen documents that are captured within the scope of your request.

### **Determination 1**

I have determined that access to the following documents is **granted in full**:

<b>Doc No.</b>	<b>Description of document</b>	<b>No. of Pages</b>
3	Letter from Auditor-General to Chief Executive, PIRSA dated 4/8/2022 re Extended audit review: grant management at the Department of Primary Industries and Regions (2021-22)	13
5	Letter from Auditor-General to Chief Executive, PIRSA dated 2/8/2022 re Extended audit review: Procurement and Contract Management at the Department of Primary Industries and Regions (2021-22)	15
7	Letter from Auditor-General to Chief Executive, PIRSA dated 22/7/2022 re Extended audit review: SA Public Sector Workforce Rejuvenation Scheme at the Department of Primary Industries and Regions (2021-22)	6
9	Letter from Auditor-General to Chief Executive, PIRSA dated 31/5/2022 re Interim audit of the Department of Primary Industries and Regions for 2021-22	25

### **Determination 2**

I have determined that access to the following documents is **granted in part**:

<b>Doc No.</b>	<b>Description of document</b>	<b>No. of Pages</b>
4	Letter from Chief Executive, PIRSA to Auditor-General dated 16/8/2022 re Extended audit review: Grants Management at the Department of Primary Industries and Regions (2021-22)	8
6	Letter from Chief Executive, PIRSA to Auditor-General dated 12/8/2022 re Extended audit review: Procurement and Contract Management at the Department of Primary Industries and Regions (2021-22)	6
8	Letter from Chief Executive, PIRSA to Auditor-General dated 10/8/2022 re Extended audit review: SA Public Sector Workforce Rejuvenation Scheme at the Department of Primary Industries and Regions (2021-22)	2
10	Letter from Chief Executive, PIRSA to Auditor-General dated 27/6/2022 re Interim audit of the Department of Primary Industries and Regions for 2021-22	10

The information removed from the above documents is pursuant to Clause 6(1) of Schedule 1 of the Freedom of Information Act which states:

***“6 - Documents affecting personal affairs***

***(1) A document is an exempt document if it contains matter the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead).”***



The information removed consists of a private mobile telephone number belonging to a PIRSA staff member.

Accordingly, it is considered that disclosure of this information would be an unreasonable intrusion into the privacy rights of the individual concerned.

### **Determination 3**

I have determined that access to the following documents is **refused**:

<b>Doc No.</b>	<b>Description of document</b>	<b>No. of Pages</b>
1	Letter from Auditor-General's Department to Chief Executive, PIRSA dated 11/3/2022	16
2	Letter from Chief Executive, PIRSA to Auditor-General's Department dated 29/3/2022	1
13	Letter from Assistant Auditor-General (Specialist Reviews and Analytics) to Acting Chief Executive, PIRSA dated 9/2/2022	2
14	Letter from Auditor-General's Department to Acting Chief Executive, PIRSA dated 27/1/2022	2

Access to the above documents is refused pursuant to Clause 9(1) and Clause 16(1)(a)(i) of Schedule 1 of the Freedom of Information Act.

Clause 9(1) states:

***"9 – Internal working documents***

- (1) *A document is an exempt document if it contains matter –*
- (a) *that relates to –*
    - (i) *any opinion, advice or recommendation that has been obtained, prepared or recorded; or*
    - (ii) *any consultation or deliberation that has taken place, in the course of, or for the purpose of, the decision-making functions of the Government, a Minister or an agency; and*
  - (b) *the disclosure of which would, on balance, be contrary to the public interest."*

Clause 16(1)(a)(i) states:

***"16 – Documents concerning operations of agencies***

- (1) *A document is an exempt document if it contains matter the disclosure of which –*
- (a) *could reasonably be expected -*
    - (i) *to prejudice the effectiveness of any method or procedure for the conduct of tests, examinations or audits by an agency; and*
  - (b) *would, on balance, be contrary to the public interest"*

The documents consist of audit working documentation of the Auditor-General and represents the body of information and documentation requested or gathered during the course of undertaking audits or examinations. As a result, the Auditor-General or his Department will review, consider and assess the documentation, which may give rise to audit findings that will be subject to natural justice.

In addressing the public interest requirement for the Clause 9 exemption, I have balanced the following factors:

*In favour of the public interest:*

- Meeting the objects of the Act favouring access to documents.
- Ensuring optimal use of public resources.
- High level of interest in the accountability of public office holders.
- The importance of transparency and openness and the interest that the public has in the decision-making processes of Government.

*Contrary to the public interest:*

- The documents consist of information that has been requested or gathered from PIRSA during the course of undertaking audits or examinations and are considered as internal working documents.
- The release of this information could compromise the open and frank nature of the process of gathering evidence from agencies by the Auditor-General.
- Disclosure of these documents will compromise the way in which information is gathered from public sector agencies to the detriment of accountability.

In addressing the public interest requirement for the Clause 16 exemption, I have balanced the following factors:

*In favour of the public interest:*

- Meeting the objects of the Act favouring access to documents.
- Ensuring optimal use of public resources.
- High level of interest in the accountability of public office holders.
- The importance of transparency and openness and the interest that the public has in the decision-making processes of Government.

*Contrary to the public interest:*

- Such audit working documentation of the Auditor-General is considered exempt based on the exempt status of the Auditor-General under the Freedom of Information Act.
- Disclosure of this information would be detrimental to the independence, integrity and effectiveness of the statutory audit and reporting responsibilities of the Auditor-General under the *Public Finance and Audit Act 1987*.
- It could be expected that the disclosure of such information could prejudice the effectiveness of future audit processes within government.



Having considered the various factors weighing for and against disclosure, I have determined that disclosure of these documents would, on balance, be contrary to the public interest.

#### **Determination 4**

I have determined that access to the following documents is **refused**:

Doc No.	Description of document	No. of Pages
11	Letter from Auditor-General to Chief Executive, PIRSA dated 4/8/2022	10
12	Letter from Chief Executive, PIRSA to Auditor-General dated 24/8/2022	5

Access to the above documents is refused pursuant to Clause 16(1)(a)(iv) of Schedule 1 of the Freedom of Information Act which states:

***“16—Documents concerning operations of agencies***

- (1) A document is an exempt document if it contains matter the disclosure of which —*
- (a) could reasonably be expected —*
  - (iv) to have a substantial adverse effect on the effective performance by an agency of the agency's functions; and*
  - (b) would, on balance, be contrary to the public interest.”*

The documents refer to ICT matters considered by the Auditor-General's Department.

In addressing the public interest requirement for the Clause 16 exemption, I have balanced the following factors:

*In favour of the public interest:*

- Meeting the objects of the Act favouring access to documents.
- Ensuring optimal use of public resources.
- High level of interest in the accountability of public office holders.
- The importance of transparency and openness and the interest that the public has in the decision-making processes of Government.

*Contrary to the public interest:*

- Disclosure of this information has potential security implications for PIRSA's ICT systems.
- It is expected that the release of this information would have a substantial adverse effect on the agency's functions if its ICT security measures were compromised.
- If the security of PIRSA's ICT systems were jeopardised, there would be serious data breach implications to the agency, stakeholders and its customers.

- It would be expected that implications as above would prejudice the future supply of information to Government, as the level of trust in handling such information would be substantially diminished, to the detriment of the betterment for South Australia.

Having considered the various factors weighing for and against disclosure, I have determined that disclosure of these documents would, on balance, be contrary to the public interest.

If you are dissatisfied with this determination, you are entitled to exercise your right of review and appeal as outlined in the attached documentation <https://archives.sa.gov.au/finding-information/information-held-sa-government/making-freedom-information-application#Review>, by completing the "FOI Application Form for Internal Review of a Determination" and returning the completed form to:

Freedom of Information Principal Officer  
Department of Primary Industries and Regions  
GPO Box 1671  
ADELAIDE SA 5001

or via email [PIRSA.FOI@sa.gov.au](mailto:PIRSA.FOI@sa.gov.au)

In accordance with the requirements of Premier and Cabinet Circular PC045, details of your application, and the documents to which you are given access, will be published in PIRSA's disclosure log. A copy of PC045 can be found at [http://dpc.sa.gov.au/data/assets/pdf\\_file/0019/20818/PC045-Disclosure-Log-Policy.pdf](http://dpc.sa.gov.au/data/assets/pdf_file/0019/20818/PC045-Disclosure-Log-Policy.pdf)

If you disagree with publication, please advise the undersigned in writing within fourteen calendar days from the date of this determination.

Should you require further information or clarification with respect to this matter, please contact Ms Lisa Farley, Senior Freedom of Information Advisor on 8429 0422 or email [PIRSA.FOI@sa.gov.au](mailto:PIRSA.FOI@sa.gov.au).

Yours sincerely



Michelle Griffiths  
**Accredited Freedom of Information Officer**  
**DEPARTMENT OF PRIMARY INDUSTRIES AND REGIONS**

OFFICIAL



**Government of South Australia**  
Auditor-General's Department

Our ref: A22/013

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4 August 2022

Professor M Doroudi  
Chief Executive  
Department of Primary Industries and Regions  
email: mehdi.doroudi@sa.gov.au

Dear Professor Doroudi

**Extended audit review: grant management at the Department of Primary Industries and Regions (2021-22)**

In our letter dated 31 May 2022, we wrote to you with our findings from our interim audit of the Department of Primary Industries and Regions (PIRSA). We also advised that some elements of our interim audit remained in progress.

We have now completed our extended audit review of grant management at PIRSA. This management letter outlines our findings and requests your comments on any matters requiring action.

I would appreciate receiving your comments by 18 August 2022. Please also confirm the responsible officer for addressing each issue, and your proposed time frame for resolution.

**1 Background**

In 2021-22, we have conducted a review of grant management at PIRSA. This has included elements of testing specific to PIRSA and testing as part of an across-government review conducted across various SA Government agencies.

Grant expenses are a significant component of PIRSA's expenditure, with \$98.7 million included in the 2021-22 State Budget. PIRSA's largest grant program is the Regional Growth Fund (RGF), which we have raised issues about in previous years.

## **2 Scope**

Our grant management review had the following objectives:

- a grant management framework is in place
- guidelines detailing the grant program objectives, eligibility, assessment and approval process have been established
- assessment of grant applications has been completed in line with the assessment plan with adequate supporting documentation
- grants are approved in line with delegations
- a reporting process is in place for grant recipients on progress/outcomes, which is appropriately monitored
- an evaluation process has been implemented at the end of a grant program/cycle to assess whether the program has met its intended purpose.

Our review tested various elements of the above objectives across the following grant programs:

- RGF (competitive, strategic, and opening our great outdoors rounds)
- horticultural netting infrastructure program
- viticulture and horticulture recovery and response grant program
- storm recovery grant program.

We also followed up on prior year findings relating to grant management.

## **3 Summary of findings**

The review identified areas where the agency could improve its grant management. The main findings are set out here, with full details in the attachment.

### **No planned program evaluation for the Regional Growth Fund**

We were advised that PIRSA currently does not have a plan for an evaluation of the RGF grant program. The RGF provides \$160 million of funding available over 10 years, commencing in 2018-19. There have been various competitive, strategic, and special rounds of grants over the past four years.

PIRSA's Grant Management Framework suggests periodic as well as post-completion performance evaluations for grant programs. It notes that evaluations are an important part of achieving best practice, as they contribute to informing future decisions on how grants should be used to promote the policy objectives and strategic intent.

We recommend that PIRSA consider a periodic evaluation of the RGF to identify if grant outcomes are being realised and identify improvement opportunities, to reduce the risk that program objectives are not being realised.



### **Recommendations and approvals for the Regional Growth Fund need clarifying**

We reviewed a sample of RGF applications and assessments. In one example we identified the assessment completed for this application, and the subsequent minute to the Minister, did not include a clear recommendation from PIRSA's grant assessor.

This is inconsistent with the RGF Guidelines which state that PIRSA will assess the application and provide direct advice to the Minister, and the Grant Management Procedure which makes it clear that the grant manager is to make a recommendation to the Minister.

We also identified one instance where the Minister approved RGF grant funding that did not meet the minimum co-contribution funding. This was clearly highlighted by PIRSA to the Minister. We considered that the Minister applied their discretion in approving this grant. In 2019-20 we recommended that PIRSA update the publicly available RGF Guidelines to provide information to applicants that reflects the approval process undertaken, including that the Minister may discretionally approve applications. We note that the RGF Guidelines were updated for the competitive pool, but not the strategic pool.

We recommend that PIRSA provide clear recommendations to the Minister from assessments performed and clarify in the RGF Guidelines applicable to the strategic pool that the Minister holds the ultimate discretion in how to apply the fund. This may reduce the risk of reputational damage to PIRSA as it performs the application assessment against published criteria.

### **Information provided to the public can be improved**

The \$10 million RGF strategic pool is available year-round, however, we found that the current version of the RGF Guidelines was not available on PIRSA's website at the time of our audit. This may prevent prospective applicants from accessing the fundamental information for RGF strategic pool to submit an application.

The RGF Guidelines 2020-21 state that applicants can seek grants from \$50,000 to \$2 million. We were advised that this limit was intended for the competitive pool, and that strategic pool applicants could seek up to the maximum of \$10 million annual funding allocated. We recommend clarifying this in the RGF Guidelines for applicants to be aware of the potential funding available to them. This improves transparency as some applicants have received more than \$2 million.

We discussed the audit findings with the General Manager, Regions, and Regional Coordinator – Outer Adelaide, Regions on 3 August 2022, and the Director, Recovery on 26 July 2022 and have reflected that feedback in this letter where appropriate.

If your staff have any questions, please contact my Principal Audit Manager, Amy Jeffreys, on 0408 798 357.

OFFICIAL

I would like to thank the staff and management of your agency for their assistance during the audit.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson  
**Auditor-General**

enc

cc: Ms M Griffiths, Executive Director, Corporate Services, [michelle.griffiths@sa.gov.au](mailto:michelle.griffiths@sa.gov.au)  
Mr P Appleford, Executive Director, Industry and Regional Development, [Peter.Appleford@sa.gov.au](mailto:Peter.Appleford@sa.gov.au)  
Mr B Bartel, Director, Recovery, [brett.bartel@sa.gov.au](mailto:brett.bartel@sa.gov.au)  
Ms P Crewe, General Manager, Regions, Industry and Regional Development, [peta.crewe@sa.gov.au](mailto:peta.crewe@sa.gov.au)

## Attachment

### Contents

	Page	Rating			
		E	H	M	L
1	Regional Growth Fund .....				
1.1	No planned program evaluation for the RGF .....			x	
1.2	Strategic project assessment conclusion/recommendation not clearly documented .....			x	
1.3	Ministerial discretion in approving RGF projects should be clearer in the strategic pool guidelines.....			x	
1.4	RGF guidelines not available to public.....				x
1.5	Strategic projects Assessment and Evaluation Plan inconsistent with current practice.....				x
1.6	Clarity needed for maximum strategic project grant funding in the RGF Guidelines.....				x
2	Viticulture rebuild and recovery grant program .....				
2.1	Grant approval non-compliant with delegations.....				x

#### Rating key:<sup>1</sup>

E Extreme  
H High  
M Medium  
L Low

<sup>1</sup> Refer appendix for explanation of risk ratings



## Attachment

### 1 Regional Growth Fund

#### 1.1 No planned program evaluation for the RGF

##### Rating: Medium

The Regional Growth Fund (RGF) is a \$160 million program over 10 years to support regional Australia. Its purpose is to unlock new economic activity in regional South Australia, deliver critical economic infrastructure to create direct benefit across regional industries and strengthen regional communities. The program commenced in 2018-19.

We enquired with PIRSA staff regarding whether an evaluation process has been performed to date for completed RGF grant cycles, or is planned to be performed at a later time. We were advised at the time of our audit that there was no evaluation planned.

The SA Government does not currently have a guideline for grant management. However, the Commonwealth Grant Rules and Guidelines (the Guidelines) issued by the Commonwealth Department of Finance provide an indicator for best practice. The Guidelines suggest that an evaluation of a grant opportunity (round) should be undertaken before initiating further grant opportunities to determine whether existing administration processes and requirements remain applicable. In addition, the evaluation should consider the extent to which government outcomes and entity strategic directions remain appropriate as a result of the impact of the grant activities.

PIRSA's Grant Management Framework (Framework), dated March 2020, includes information about evaluating grant programs as follows:

*Evaluating the overall performance of a grant program, and the performance of each individual grant agreement is considered the final stage in the end-to-end grants process. Data collected through performance reporting and engagement with key stakeholders over the duration of a grant activity allows for periodic, as well as post-completion performance evaluation. These evaluations are an important part of achieving best practice in grants outcomes and administration, as they contribute to informing future decisions on how grants should be used to promote the policy objectives and strategic intent.*

We believe it is important to consider a periodic evaluation of the RGF program now rather than at the completion of the program in several years' time. We consider that an evaluation process should include how effective the program has been in achieving its intended objectives.

### Risk exposure

Without a periodic evaluation, the RGF may not be achieving its objectives and PIRSA may not identify this to make improvements to the program. The potential impact of this may be significant given the long-term nature and total program value of the RGF.

## **Attachment**

### **Recommendation**

As the RGF is a 10 year program, consider a periodic evaluation to identify if grant outcomes are being realised and identify improvement opportunities.

#### **1.2 Strategic project assessment conclusion/recommendation not clearly documented**

##### **Rating: Medium**

The RGF 2020-21 Guidelines (applicable to the 2021-22 strategic pool) state which activities will not be funded, such as plans (including feasibility studies, business cases, reports and development plans) and various other costs. The RGF Guidelines also state that PIRSA will assess the application and provide direct advice to the Minister.

We reviewed an assessment of a 2021-22 strategic pool application and noted that the assessor commented that some expenses in the application may be ineligible. These comments are also reflected in SAFA's financial review. The Minute that went to the Minister for this application did not mention the ineligible costs, however we note that both the PIRSA assessment report and SAFA financial review were provided to the Minister as attachments.

The Minute from PIRSA provided two options to the Minister, to approve or reject the request for funding. PIRSA have performed the assessment but not made an actual recommendation to the Minister. This is inconsistent with the RGF Guidelines and PIRSA's Grant Management Procedure which makes it clear that the grant manager is to make a recommendation to the Minister.

The Strategic Projects Assessment Template includes a final summary with a suggested recommendation and possible deed conditions to be documented. While the completed template for this example provided possible deed conditions, it did not make a clear recommendation.

### **Risk exposure**

Without clear recommendations being presented by PIRSA based on their completed assessments, there may be reputational risk to the department if applications that do not meet the established criteria are approved by the Minister.

### **Recommendation**

PIRSA consider how advice is provided to the Minister based on conclusions drawn in the assessment process. The completed Strategic Projects Assessment should clearly document the recommendation by the assessor. Any significant deficiencies in the application, such as ineligible costs, should be clearly highlighted for the Minister's decision.

## Attachment

### **1.3 Ministerial discretion in approving RGF projects should be clearer in the strategic pool guidelines**

#### **Rating: Medium**

The RGF 2020-21 Guidelines applicable to the 2021-22 strategic pool outline the following:

- applicants are expected to contribute at least half of the total costs of the project, or make a strong case for why more public investment is required
- strategic project applications must demonstrate that the project leverages funding from other non-State Government sources, such as Commonwealth Government
- strategic project applications are assessed by PIRSA, which provides direct advice to the Minister for approval.

We reviewed the assessment of a 2021-22 strategic pool application and noted that the project did not meet the minimum requirement for leveraging non-State Government Funding. The total project cost was estimated at \$2.35m; the application sought \$2.25m of funding. The application indicated that the remaining balance would be funded by landowners, with no supporting evidence.

We acknowledge that both the PIRSA assessment report and SAFA financial review had identified the funding risk associated with this application. SAFA emphasised that ‘as the requested RGF grant is some 96% of the total project costs it would appear to be ineligible for funding from the RGF. PIRSA should therefore carefully consider whether the application meets the eligibility criteria’. PIRSA’s briefing minute to the Minister also highlighted that ‘the intent of the RGF strategic pool is for a co-contribution of at least 50%, with leveraged funding from other sources, such as from the Commonwealth Government. The level of co-funding is at the Minister discretion’.

The application was approved for funding by the Minister on 18 February 2022. No reasoning or explanation was provided in the approval. We acknowledge the Minister’s discretion in choosing which projects to approve.

We wrote to PIRSA about a similar example in 2019-20, where we found for the competitive round of the RGF the Minister approved grants for applicants that were considered uncompetitive by the assessment panel. We recommended that PIRSA update the grant guidelines to provide information to applicants that reflects the approval process undertaken, including that the Minister may discretionally approve applications. PIRSA responded that it acknowledged the finding and that it is the Minister’s discretion to accept and communicate changes to the RGF Guidelines.

We note that the RGF Guidelines applicable to the strategic pool have not been changed to make clearer to applicants that the Minister holds the ultimate discretion in how to apply the fund, to improve transparency.



## **Attachment**

### **Risk exposure**

Lack of transparency behind funding approval may result in potential reputational damage to PIRSA, as PIRSA is performing the application assessment against published criteria.

### **Recommendation**

Review and update the RGF Guidelines applicable to the strategic pool to ensure that information available to applicants appropriately reflects the approval process undertaken, including that the Minister may discretionally approve applications that do not adhere to the minimum requirements.

#### **1.4 RGF guidelines not available to public**

##### **Rating: Low**

The RGF Guidelines provide an overview of the RGF, including the purpose, eligibility requirements, how to apply, and how the application will be assessed. The RGF Guidelines state that the strategic pool will be available year-round.

We found that the current version of the RGF Guidelines was not available on PIRSA's website (access date: 12 April 2022). This may prevent prospective applicants from accessing the fundamental information for RGF strategic pool to then be able to submit an application.

We were advised that this was due to previous RGF Guidelines including both competitive and strategic pool information. The competitive pool was separated in 2021-22, and with no successful applicants for this year, is now closed with no future rounds planned. We were advised that separate Guidelines were drafted for the 2021-22 strategic pool, however this was not approved by the Minister and therefore not published online.

### **Risk exposure**

Lack of publicly available information for an active grant initiative may fail to attract eligible and strong applications.

### **Recommendation**

Ensure the RGF Guidelines applicable to the current round of funding is available on the website for public access for the duration the round is open.

## **Attachment**

### **1.5 Strategic projects Assessment and Evaluation Plan inconsistent with current practice**

#### **Rating: Low**

The RGF Assessment and Evaluation Plan (A&E Plan) is an internal document that details the process of collecting, assessing, evaluating and recommending applications for funding. The A&E Plan expands on the principles and criteria outlined in the publicly available RGF Guidelines. The most recent RGF Guidelines were updated in 2020-21.

We were advised that the A&E Plan for the RGF strategic projects dated August 2018 was still relevant because changes to the RGF Guidelines were minor and did not affect the assessment process. The A&E Plan outlines the assessment scoring system, where all projects are to be assessed against each criterion and allocated a score, with a total score out of 100.

In February 2022, PIRSA updated the assessment template used for 2021-22 strategic pool applications. The template lists the primary and secondary criteria, with each criterion to be rated as high/medium/low based on how well the project aligned with each criterion.

The A&E plan and assessment templates are showing different assessment systems. We consider that A&E Plan is outdated and does not reflect the current assessment practice for the RGF strategic projects.

#### **Risk exposure**

The different scoring/rating systems in the A&E Plan and the assessment template may cause confusion and inconsistency in the grant assessment process.

#### **Recommendation**

Update the A&E Plan to be consistent with current practice. Communicate the updated A&E Plan to relevant staff.

### **1.6 Clarity needed for maximum strategic project grant funding in the RGF Guidelines**

#### **Rating: Low**

The \$10 million RGF strategic pool is available year-round for strategic projects that meet the key principles of the RGF and leverage additional funding opportunities. Per the RGF 2020-21 Guidelines, applicants can seek grants from \$50,000 to \$2 million. The A&E Plan does not make any reference to the grant value range per the RGF Guidelines.

We identified a successful applicant from the RGF 2021-22 strategic pool was approved for funding of \$2.25 million (GST exclusive). This exceeds the upper limit in the RGF Guidelines.

## **Attachment**

We were advised by the Regional Coordinator – Outer Adelaide, Regions SA that the range of \$50,000 to \$2 million was intended for the competitive pool and had not been applicable to the strategic pool. They advised that applications could seek up to the maximum of \$10 million annual funding allocated to the strategic pool. This is supported by the RGF strategic projects assessment template asking if ‘Grant sought is less than \$10 million’.

The assessment template and current practice appear to be inconsistent with the RGF 2020-21 Guidelines grant ceiling.

### **Risk exposure**

Inconsistency in the documented grant value upper limit may result in grants being recommended for funding above the maximum approved amount.

Current practice being inconsistent with publicly available information may result in applicants not being aware of the maximum funding they can apply for.

### **Recommendation**

Ensure the grant value range is consistent between the Guidelines, A&E Plan and the assessment template across all RGF funding rounds.



## **Attachment**

### **2 Viticulture rebuild and recovery grant program**

#### **2.1 Grant approval non-compliant with delegations**

##### **Rating: Low**

The Viticulture Rebuild and Recovery Grants Assessment and Evaluation Plan (the A&E Plan) provides the following recommendation and approval process:

- completed assessments will be presented to the Director, Recovery or other Minister's delegates for consideration and decision
- as specific delegations will not be established for this program recommendations will be provided to the Minister's delegate, for consideration and approval, in line with existing delegations.

The A&E plan also outlines the roles and responsibilities for assessing the grant program, and states that the Director, Recovery may approve grants as the Minister's Delegate within their financial delegations.

We tested four applications and found one instance where the grant application for \$303,330 (GST exclusive) was approved by the Director, Recovery. This approval exceeded the existing financial delegations, as the Director, Recovery's delegation limit is \$110,000 (GST inclusive).

We acknowledge that the subsequent grant funding deed was executed by the acting Chief Executive under deed negotiation and execution delegation from the Minister.

##### **Risk exposure**

Non-compliance with established delegations for approving grants increases the risk of inappropriate grant funding provided.

##### **Recommendation**

Ensure that grant applications are approved in accordance with the established A&E Plan and delegations.

## Appendix: Explanation of risk ratings

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified 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.

The rating also assists management in its prioritisation of remedial action.

Rating	Definition	Management action recommended
Extreme	<p>This issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a material misstatement in the financial report has occurred.</li> </ul>	<p>Requires immediate management intervention with a detailed action plan to be implemented within one month.</p> <p>Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.</p>
High	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a material misstatement in the financial report that is likely to occur.</li> </ul>	<p>Requires prompt management intervention with a detailed action plan implemented within two months.</p> <p>Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.</p>
Medium	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a misstatement in the financial report that is not material and has occurred.</li> </ul>	<p>Requires management intervention with a detailed action plan implemented within three to six months.</p>
Low	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a misstatement in the financial report that is likely to occur but is not expected to be material; or</li> <li>• an opportunity to improve an existing process or internal control.</li> </ul>	<p>Requires management intervention with a detailed action plan implemented within six to 12 months.</p>



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Auditor-General's Department

Our ref: A22/013

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2 August 2022

Professor M Doroudi  
Chief Executive  
Department of Primary Industries and Regions  
email: mehdi.doroudi@sa.gov.au

Dear Professor Doroudi

**Extended audit review: Procurement and Contract Management at the Department of Primary Industries and Regions (2021-22)**

In our letter dated 31 May 2022, we wrote to you with our findings from our interim audit of the Department of Primary Industries and Regions (PIRSA). We also advised that some elements of our interim audit remained in progress.

We have now completed our extended audit review of Procurement and Contract Management at PIRSA. This management letter outlines our findings and requests your comments on any matters requiring action.

I would appreciate receiving your comments by 15 August 2022. Please also confirm the responsible officer for addressing each issue, and your proposed time frame for resolution.

**1 Background**

Treasurer's Instruction 18 *Procurement* (TI 18) came into effect from 1 July 2021. TI 18 replaces the former State Procurement Board Guidelines, subject to transitional provisions. The State Procurement Board was abolished from 1 July 2021 and was replaced by the Procurement Services SA (PSSA) branch at the Department of Treasury and Finance. PSSA have issued a suite of policies, approved by the Treasurer, that support TI 18. Public authorities, including PIRSA, must comply with both TI 18 and the supporting policies.

In 2021-22, we have performed a review of procurement and contract management at PIRSA. This has been part of an across-government review conducted across various SA Government agencies.



## 2 Scope

Our review had the following objectives:

Extended audit review topic	Scope of testing
Procurement	<p>We reviewed whether PIRSA had established an appropriate procurement framework and governance arrangements to comply with Treasurer's Instruction 18 <i>Procurement</i> and associated policies.</p> <p>For a sample of completed procurements, we tested that key procurement requirements were complied with.</p>
Contract management	<p>We reviewed whether PIRSA had established an appropriate contract management framework and governance arrangements to comply with Treasurer's Instruction 18 <i>Procurement</i> and associated policies.</p> <p>For a sample of major contracts, we tested that contract start up, administration and performance management processes were performed.</p> <p>We reviewed contract management information systems were appropriately implemented, including maintaining a contract register.</p>

## 3 Summary of findings

The review identified areas where PIRSA can improve its procurement and contract management activities. The main findings are set out here, with full details in the attachment.

### Procurement authorisations not specific

We found that PIRSA has not established specific procurement authorisations under TI 18. Instead, staff are using existing contract authorisations established under Treasurer's Instruction 8 *Financial Authorisations* when approving acquisition plans. Without specific delegations for procurement, staff authorising acquisition plans may not be aware of, or give appropriate consideration to, TI 18 and Procurement Planning Policy requirements. We recommend that PIRSA review its authorisations to ensure that procurement authorisations are specifically delegated.

### Emergency procurement provisions applied without declared emergency

We identified a procurement that was undertaken under the provisions of PSSA's Emergency Situations Procurement Schedule (the Schedule), however this did not relate to a declared emergency under the *Emergency Management Act 2004* and therefore the provisions of the Schedule do not apply.

For this procurement, PIRSA did not apply the required procurement planning including acquisition planning. PIRSA applied a limited market approach, recording in PARS this was

due to unforeseen and urgent requirement. We note that a limited market approach can be approved by the Chief Executive under the Procurement Planning Policy, however this would form part of the acquisition planning process to be documented.

We recommend that PIRSA liaise with PSSA to clarify the circumstances in which the Emergency Situations Procurement Schedule can apply to avoid any future interpretation issues.

### **Complexity assessment not documented**

The complexity assessment process is critical to understand the business impact and resourcing required to manage a contract. We found one contract where the complexity assessment was recorded in PARS as complex, however the purchase recommendation and draft contract management plan noted this as routine. There was no documented rationale to support the complexity assessment.

Furthermore, we believe the routine assessment does not align with the complexity scale factors in the PSSA Complexity and Capability Assessment Guideline (the Guideline). As a result, this contract may not be appropriately managed.

We recommend that complexity assessment should be adequately documented, with consideration given to the complexity scale factors detailed in the Guideline.

### **Other TI 18 requirements not met**

Throughout the review, our testing found gaps in PIRSA's procurement and contract management processes. This included required plans not being developed, finalised or approved, transitional reporting deadlines not met, and contract managers not having the required training. Further details on these observations are in the attachment.

### **Difficulty obtaining information**

We encountered significant difficulties and delays in obtaining information to conduct this review. We believe that this is due to staffing arrangements in PIRSA's procurement team. At the time of our audit this consisted of one staff member, the Principal Procurement and Contract Lead. The former Procurement Advisor left PIRSA shortly before we commenced our review. This resulted in us being unable to assess some of the transitional reporting requirements under TI 18 due to loss of knowledge at PIRSA. We were also unable to complete all aspects of our planned review due to delays in receiving information. As a result, our findings do not represent a full review of compliance with TI 18 and supporting policies. There may be further instances of non-compliance that we have not been able to confirm.

We discussed the audit findings with the Chief Financial Officer and the Principal Procurement and Contract Lead on 29 July 2022 and have reflected that feedback in this letter where appropriate.

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If your staff have any questions, please contact my Principal Audit Manager, Amy Jeffreys, on 0408 798 357.

I would like to thank the staff and management of your agency for their assistance during the audit.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson  
**Auditor-General**

enc

cc: Ms M Griffiths, Executive Director, Corporate Services, [michelle.griffiths@sa.gov.au](mailto:michelle.griffiths@sa.gov.au)  
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## Attachment

### Contents

	Page	Rating			
		E	H	M	L
1 Procurement.....	6				
1.1 Procurement authorisations not separated from existing contract authorisations .....	6			x	
1.2 Emergency procurement provisions applied without a declared emergency .....	7			x	
1.3 TI 18 transitional reporting timeframes not met .....	8				x
1.4 No capability development plan developed .....	9				x
1.5 Procurement Governance Committee terms of reference not finalised .....	9				x
2 Contract Management .....	11				
2.1 Complexity assessment rationale not documented ..	11			x	
2.2 Contract manager does not have required training ..	11				x
2.3 Contract Management Plan not approved .....	12				x
3 Improvement opportunities.....	14				
3.1 Procurement Framework and Contract Management Framework can be improved .....	14				x

#### Rating key:<sup>1</sup>

E Extreme  
H High  
M Medium  
L Low

<sup>1</sup> Refer appendix for explanation of risk ratings



## **Attachment**

### **1 Procurement**

#### **1.1 Procurement authorisations not separated from existing contract authorisations**

##### **Rating: Medium**

Treasurer's Instruction 18 *Procurement* (TI 18) outlines that an acquisition plan for procurements over \$55,000 requires approval by either the Chief Executive or a person acting under an authorisation. TI 18 specifies that the Chief Executive must ensure an authorisation register that sets out the persons or holders of specified positions, who are authorised to approve acquisition plans and the particulars of any limits and any conditions that apply in relation to each, is maintained.

TI 18 defines an acquisition plan as a document that outlines the procurement methodology and sourcing strategy to be undertaken in a proposed procurement, prepared in accordance with the Procurement Planning Policy (the Policy). The person approving the acquisition plan certifies that the Policy has been complied with or that any departures have been sufficiently detailed in the acquisition plan.

Our review identified that PIRSA staff are using their Contract Authority (expenditure) delegations established under Treasurer's Instruction 8 *Financial Authorisation* as the procurement authority to approve acquisition plans and purchase recommendations. The use of these existing delegations does not clearly incorporate the procurement authority requirements of TI 18.

We note that Procurement Services SA (PSSA) have also provided feedback to PIRSA to update its Financial and Procurement Authorisations to reflect the thresholds and approval requirements, as part of their review of PIRSA's Procurement Framework in June 2021.

### **Risk exposure**

Without clear authority to specifically approve acquisition plans, there is a risk that these may be authorised without consideration of the TI 18 and Procurement Planning Policy requirements.

### **Recommendation**

Review and update the authorisations to reflect the specific approval requirements of TI 18.

## Attachment

### 1.2 Emergency procurement provisions applied without a declared emergency

#### Rating: Medium

The PSSA Emergency Situations Procurement Schedule (the Schedule) sets out the requirements for public authorities to ensure that appropriate management practices are in place for procurements under an emergency, in accordance with the provisions of emergency-related legislation. It applies to procurements undertaken by those public authorities who have emergency responsibilities and who are responding to an emergency, in accordance with the provisions of the State Emergency Management Plan, or formal arrangements outlined in other state or commonwealth emergency service related legislation. It does not cover urgent or unplanned procurements undertaken by public authorities as part of their normal, ongoing operations.

The Schedule requires agencies to develop and document an appropriate emergency management procurement strategy which clearly addresses key operational considerations for procurement under emergencies. PIRSA have included this in their Procurement Framework, which states that 'Emergency Situations Procurement defines appropriate management practices for the procurement of goods and services under a declared emergency in accordance with the provisions of emergency-related legislation'.

For one of the procurements in our sample, we found that PIRSA applied the emergency provisions of the Schedule, and did not prepare procurement endorsement form, acquisition plan or procurement complexity assessment. This related to the procurement of waste clean-up services in the Northern Adelaide Plains after a severe storm caused damage to crops and infrastructure.

PIRSA have interpreted the Schedule to apply to this situation, as noted in PARS:

*The Emergency Situations Procurement Schedule can be applied to this procurement as it is considered a response to an emergency (as defined in the Emergency Management Act 2004), being an event that causes, or threatens to cause the destruction of, or damage to, any property. Note: This Schedule can be applied in the early response to an emergency, where urgent needs demand expediency in procurement processes. In accordance with the Procurement Planning Policy, limiting the number of suppliers approached is permitted if the procurement could not have been foreseen and the timeframes to deliver are short.*

However, the storm was not a declared emergency under the *State Emergency Management Act 2004*. We confirmed with PSSA staff that the Schedule should only apply to declared emergencies. As a result, the emergency provisions in the Schedule do not apply.

PIRSA applied a limited market approach, recording in PARS this was due to unforeseen and urgent requirement. We note that a limited market approach can be approved by the CE under

## **Attachment**

the Procurement Planning Policy, however this would form part of the acquisition planning process to be documented, whereas PIRSA sought CE approval at the purchase recommendation stage.

### **Risk exposure**

Non-compliance with the requirements of TI 18 and the Emergency Situations Procurement Schedule.

### **Recommendation**

Liaise with PSSA to clarify the circumstances in which the Emergency Situations Procurement Schedule can apply to avoid any future interpretation issues. Ensure that the requirements of the Schedule are clearly understood, and emergency procurement strategies are embedded in PIRSA's Procurement Framework before applying to future procurements.

## **1.3 TI 18 transitional reporting timeframes not met**

### **Rating: Low**

TI 18 sets out annual reporting requirements that public authorities must submit to PSSA through the Procurement Activity and Reporting System (PARS). Transitional provisions in the TI require for the 2021 calendar year only, public authorities to provide PSSA (through PARS), a description of all existing contracted expenditure from previous procurements above \$55,000. This must be done on or before 1 September 2021.

Our review of PIRSA's Contract Details report in PARS (as at 7 April 2022) found there were 51 contracts which commenced prior to 1 September 2021 that were entered into PARS after 1 September 2021.

We enquired with the Principal Procurement and Contract Lead regarding these instances, to determine if there was a reason for the late data submission. However, we were unable to be provided with a response as during this period a previous procurement officer was responsible for this, who has since left PIRSA.

### **Risk exposure**

Non-compliance with the transitional requirements of TI 18.

### **Recommendation**

Going forward, PIRSA adhere to the reporting timeframes within TI 18.

## **Attachment**

### **1.4 No capability development plan developed**

#### **Rating: Low**

The PSSA Procurement Governance Policy requires public authorities to provide to PSSA a copy of the Capability Development Plan (CDP) annually. The CDP is developed to help support a public authority's procurement activities through the development of personnel.

The PSSA Complexity and Capability Assessments Guideline states that the Public Authority Capability Assessment Tool can be used to assist with this process and the public authority's own Capability Development Plan, to be reviewed annually, can be used to capture this information.

At the time of our review (May 2022), we were advised that PIRSA could not provide a copy of its CDP. We were advised that this may be completed within six months' time.

#### **Risk exposure**

Without the development of a CDP, PIRSA may not have considered how to monitor and measure the success of the procurement function, identify strengths and areas for improvement, and how to increase their capability where necessary.

Given PIRSA's procurement function consists of one team member, this increases the importance of developing a CDP.

#### **Recommendation**

Develop a CDP and complete annually for submission to PSSA. Consider using the Public Authority Capability Assessment Tool to assist with this process.

### **1.5 Procurement Governance Committee terms of reference not finalised**

#### **Rating: Low**

The PSSA Procurement Governance Policy (the Policy) outlines that where a Procurement Governance Committee (PGC) has been established, the PGC will have a written Terms of Reference (ToR) that describes how it will assist the public authority to achieve its objectives. Further, the Policy states PGCs will comprise representation from executives, senior level officers and public authority technical staff.

At the time of our review PIRSA had established a draft ToR for their PGC. The draft ToR outlines that there will be six voting members on the PGC, including representation by at least one employee from each of PIRSA's divisions. We noted the membership of the PGC had not yet been finalised.

## **Attachment**

### **Risk exposure**

Without the finalisation of the PGC membership, the PGC may not have commenced formal meetings set out in the ToR. Further, the PGC may not have met their key function of making decisions on the strategic direction of procurements and contracting specified in the ToR.

### **Recommendation**

Once the membership of the PGC is finalised, update and approve the ToR.



## Attachment

### 2 Contract Management

#### 2.1 Complexity assessment rationale not documented

##### Rating: Medium

The Procurement Services SA (PSSA) Contract Management Policy states that public authorities will review the risk and complexity assessments that were undertaken during the planning and sourcing stages and will update as required. This classification process is critical to understand the business impact and resourcing required to manage the contract for its life.

The PSSA Complexity and Capability Assessment Guideline (the Guideline) includes that the result of the complexity assessment determines the scale of complexity of the procurement and contract. The Guideline also reiterates that complexity can change throughout a procurement or contract management activity. Complexity scale considerations and factors for each complexity scale (ie transactional, routine, complex or strategic) are outlined in Appendix 2 of the Guideline.

Our review of the Barossa New Water detailed business case preparation contract identified that the PARS activity report noted this had been assessed as *complex*, however the purchase recommendation and draft Contract Management Plan note the complexity assessment as *routine*. In both documents there is no documented rationale to support the complexity scale applied.

From our review, we believe the routine assessment does not align with the complexity scale factors for routine detailed in the Guideline.

##### Risk Exposure

Where a complexity assessment is made at an incorrect complexity level, the business impact and resourcing required to manage the contract may be inadequate.

##### Recommendation

Justification of the complexity scale applied should be documented to support the assessment made. This will assist in the event of any changes to the procurement/contract, or contract manager. The complexity scale factors detailed in the Guideline should be considered when making a complexity assessment.

#### 2.2 Contract manager does not have required training

##### Rating: Low

The State Procurement Board (SPB) guidelines continue to apply to all contracts executed on or before 1 July 2021. The SPB Contract Management Policy requires that for contracts valued at or above \$4.4 million:

## Attachment

- an adequately resources and skilled contract manager must be appointed
- the contract manager must have completed the SPB's contract management training program (or similar) and undergo refresher training every three years.

Under TI 18, there are requirements for public officers managing complex and strategic contracts to have completed the Procurement Services SA Principles of Contract Management course and Advanced Contract Management course (or similar), within the last two years.

Our review identified one contract (executed prior to 1 July 2021) managed by the Executive Director (ED), Agriculture, Food and Wine. We were advised by PIRSA this was being managed by an ED due to the nature of the contract. We could not be provided with evidence that the contract manager had undertaken the training required by the SPB Management Policy.

## Risk Exposure

Staff managing contracts without the required training may be unaware of their responsibilities and the requirements of the Contract Management Policy.

## Recommendation

Ensure that all staff who are responsible for managing contracts have undertaken the required training.

### 2.3 Contract Management Plan not approved

#### Rating: Low

The PSSA Contract Management Policy requires that a Contract Management Plan (CMP) be developed and approved by the contract owner for all complex and strategic contracts, no later than the contract commencement date.

As part of our review, we were provided with the draft CMP for the Barossa New Water detailed business case preparation contract. We noted the final Purchase Recommendation Report for this contract states a CMP will be prepared, prior to the contract commencement date. However, this CMP was not approved and remained in draft.

Per the PSSA Contract Management General Requirements Schedule, a CMP contains key information about how the contract will be managed over the contract term to ensure value for money is achieved. It should be a working document that assists the contract manager to effectively manage the contract.

In addition, PIRSA's CMP template states that CMPs have an important role in guiding PIRSA's contract management process, including that CMPs:

## **Attachment**

- are an important risk management tool for ensuring that the contract manager identifies and addresses all relevant issues throughout the life of the contract
- provide a critical source of knowledge transfer in the event of a change in contract manager, and
- inform PIRSA's Chief Executive, Executive, Accredited Purchasing Unit, and Senior Management of contract administration process, performance management requirements and processes, and any relevant risks associated with the contract.

## **Risk Exposure**

Without a finalised and approved CMP, PIRSA's contract management processes may not effectively assess contract performance and/or identify issues throughout the contract term.

## **Recommendation**

PIRSA ensure all required CMPs are approved no later than the contract commencement date.

## **Attachment**

### **3 Improvement opportunities**

#### **3.1 Procurement Framework and Contract Management Framework can be improved**

##### **Rating: Low**

PIRSA has developed a Procurement Framework and Contract Management Framework in line with the new Procurement and Contract Management policies issued pursuant to Treasurer's Instruction 18 *Procurement*.

Our review identified the following areas for improvement within PIRSA's framework documents:

- Procurement Framework – update to reflect that PIRSA uses the Procurement Activity Reporting System (PARS) as their sole contract register. Previously the internal Contracts Database was used
- Contract Management Framework – include details of what records are expected to be retained within Objective as part of the contract management process and ensure the Authority Reference in PARS aligns with the reference in Objective.

##### **Risk Exposure**

Without clearly documenting what contract register PIRSA is currently using, there is a risk that the record keeping of PIRSA contracts could be inconsistent or incomplete.

PIRSA staff/contract managers may be unaware or unclear what records should be retained as part of the contract management process, resulting in inadequate record keeping practices.

##### **Recommendation**

Review and update the Procurement Framework and Contract Management Framework to capture suggested improvements.

## Appendix: Explanation of risk ratings

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified 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.

The rating also assists management in its prioritisation of remedial action.

Rating	Definition	Management action recommended
Extreme	<p>This issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a material misstatement in the financial report has occurred.</li> </ul>	<p>Requires immediate management intervention with a detailed action plan to be implemented within one month.</p> <p>Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.</p>
High	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a material misstatement in the financial report that is likely to occur.</li> </ul>	<p>Requires prompt management intervention with a detailed action plan implemented within two months.</p> <p>Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.</p>
Medium	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a misstatement in the financial report that is not material and has occurred.</li> </ul>	<p>Requires management intervention with a detailed action plan implemented within three to six months.</p>
Low	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a misstatement in the financial report that is likely to occur but is not expected to be material; or</li> <li>• an opportunity to improve an existing process or internal control.</li> </ul>	<p>Requires management intervention with a detailed action plan implemented within six to 12 months.</p>





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Government of South Australia

Auditor-General's Department

Our ref: A22/013

22 July 2022

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Professor M Doroudi  
Chief Executive  
Department of Primary Industries and Regions  
email: mehdi.doroudi@sa.gov.au

Dear Professor Doroudi

**Extended audit review: SA Public Sector Workforce Rejuvenation Scheme at the Department of Primary Industries and Regions (2021-22)**

In our letter dated 31 May 2022, we wrote to you with our findings from our interim audit of the Department of Primary Industries and Regions (PIRSA). We also advised that some elements of our interim audit remained in progress.

We have now completed our extended audit review of the SA Public Sector Workforce Rejuvenation Scheme (the Scheme) at PIRSA. This management letter outlines our findings and requests your comments on any matters requiring action.

I would appreciate receiving your comments by 5 August 2022. Please also confirm the responsible officer for addressing each issue, and your proposed time frame for resolution.

**1 Background**

In 2021-22, we have conducted an across government review of the SA Public Sector Workforce Rejuvenation Scheme. This has been conducted across various SA Government agencies. PIRSA has been included in the scope of this review due to the number of payments made under the Scheme.

**2 About the Scheme**

The Scheme was announced in the 2021-22 State Budget. The aim of the Scheme was to rejuvenate the SA public sector workforce by making available an incentive to employees to cease employment in the state public sector.

The scheme was designed to provide opportunities for rejuvenation and reconfiguration within the public sector without the result of downsizing. To achieve the goal of rejuvenation and reconfiguration, the resultant vacancies were to be filled either at the same level or a lower level, by new recruits, graduates, or current public sector employees from within the agency or another public sector agency.

### **3 Scope**

Our review had the following objectives:

- obtain an understanding of PIRSA's rejuvenation strategy to fill vacancies in accordance with the Scheme's objectives
- assess whether PIRSA had filled vacancies in accordance with its strategy
- ensure offers were authorised by the Chief Executive and accepted by the employee
- ensure payments were calculated accurately in line with the Scheme's guidelines.

### **4 Summary of findings**


We found that PIRSA did not have a documented rejuvenation strategy to support filling vacancies under the Scheme. PIRSA has indicated that the timing of the Scheme coincided with a department-wide restructure, and it appears that departures have been used to downsize the workforce which is not the intention of the Scheme. As a result, the majority of vacancies created by employees accepting payments under the Scheme have not been filled.

We discussed the audit findings with the Director, People and Culture, and other relevant staff on 20 July 2022 and have reflected that feedback in this letter where appropriate.

If your staff have any questions, please contact my Principal Audit Manager, Amy Jeffreys, on 0408 798 357.

I would like to thank the staff and management of your agency for their assistance during the audit.

Yours sincerely



Andrew Richardson  
**Auditor-General**

enc

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## Attachment: SA Public Sector Rejuvenation Scheme findings (PIRSA 2021-22)

### Contents

	Page	Rating			
		E	H	M	L
1 PIRSA did not have a documented strategy to rejuvenate the workforce following departures.....	5			x	
2 Vacated positions from the Scheme have not been filled .....	5			x	

### Rating key:<sup>1</sup>

E Extreme  
H High  
M Medium  
L Low

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<sup>1</sup> Refer appendix for explanation of risk ratings

## **Attachment: SA Public Sector Rejuvenation Scheme findings (PIRSA 2021-22)**

### **1 PIRSA did not have a documented strategy to rejuvenate the workforce following departures**

#### **Risk rating: Medium**

We requested information from PIRSA regarding its overall strategy to rejuvenate and reconfigure the workforce according to the SA Public Sector Workforce Rejuvenation Scheme (the Scheme)'s aims. Information provided by the Director, People and Culture, revealed that PIRSA did not have a specific documented strategy in response to the Scheme. Instead, the Scheme timing coincided with a department-wide structural change program (restructure). Each division of PIRSA undertook individual workforce planning to determine their staffing needs.

Additional information provided by Corporate Services detailed the process undertaken by PIRSA. This included that expression of interest under the Scheme were reviewed by People and Culture, and Finance undertook a cost savings review. Some positions were identified as externally funded (no ongoing funding would be received to fill the roles), and others were identified as impacted by the restructure. People and Culture considered which employees would 'fall out' of the restructure to reduce the number of redeployees from those plans.

We believe the information provided by PIRSA does not demonstrate a clear intention to rejuvenate the workforce in accordance with the aims of the Scheme. Additionally, the commentary explaining PIRSA's process suggests that departures were used as a cost-saving measure by the department, which the Scheme clearly outlines is not the intention to downsize.

#### **Risk Exposure**

The Scheme's aim of rejuvenating the workforce may not be achieved without a clear strategy outlining PIRSA's rejuvenation plan.

#### **Recommendation**

As the Scheme has now closed, we recommend that PIRSA consider which vacated positions by employees who accepted Scheme payments are intended to be filled (if any) as part of rejuvenating the workforce and document how this is to be achieved.

### **2 Vacated positions from the Scheme have not been filled**

#### **Risk rating: Medium**

PIRSA made payments to 23 employees who separated under the Scheme. We selected three samples of payments to test, including whether positions vacated by employees receiving a payment under the Scheme were filled in accordance with the Scheme's aims. Of the sample:

**Attachment: SA Public Sector Rejuvenation Scheme findings  
(PIRSA 2021-22)**

- two positions remain vacant
- one related to an employee on maternity leave, whose role had already been backfilled prior to the commencement of the Scheme.

We then obtained data from PIRSA that showed from the 23 employees who separated, only six positions are listed as being backfilled.

The scheme concluded at the end of December 2021, giving sufficient time to fill these positions, although we acknowledge that PIRSA's restructure is ongoing. However, as identified in finding 1, PIRSA did not have a clear strategy to fill these roles and appears to have used the payments for downsizing as part of an overall restructure.

**Risk Exposure**

Vacant positions may result in the overall objective of the Scheme not being achieved.

**Recommendation**

As the Scheme has now closed, we recommend that PIRSA consider which positions vacated by employees who accepted Scheme payments are intended to be filled (if any) as part of rejuvenating the workforce and document how this is to be achieved.

## Appendix: Explanation of risk ratings

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified 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.

The rating also assists management in its prioritisation of remedial action.

Rating	Definition	Management action recommended
Extreme	<p>This issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a material misstatement in the financial report has occurred.</li> </ul>	<p>Requires immediate management intervention with a detailed action plan to be implemented within one month.</p> <p>Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.</p>
High	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a material misstatement in the financial report that is likely to occur.</li> </ul>	<p>Requires prompt management intervention with a detailed action plan implemented within two months.</p> <p>Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.</p>
Medium	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a misstatement in the financial report that is not material and has occurred.</li> </ul>	<p>Requires management intervention with a detailed action plan implemented within three to six months.</p>
Low	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a misstatement in the financial report that is likely to occur but is not expected to be material; or</li> <li>• an opportunity to improve an existing process or internal control.</li> </ul>	<p>Requires management intervention with a detailed action plan implemented within six to 12 months.</p>





Our ref: A22/013

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31 May 2022

Professor M Doroudi  
Chief Executive  
Department of Primary Industries and Regions  
email: mehdi.doroudi@sa.gov.au

Dear Professor Doroudi

## **Interim audit of the Department of Primary Industries and Regions for 2021-22**

We have completed the majority of our interim audit of the Department of Primary Industries and Regions (PIRSA). This management letter outlines our findings to date and requests your comments on any matters requiring action.

I would appreciate receiving your comments by 27 June 2022. Please also confirm the responsible officer for addressing each issue, and your proposed time frame for resolution.

Some elements of our interim audit remain in progress, including grant expenditure, procurement, contract management, and our review of the Workforce Rejuvenation Scheme. We will report on findings from these parts of our audit separately once concluded.

As you may be aware, the audit is completed in stages throughout the financial year and as such we may have further findings that we will bring to your attention.

### **1 Summary of findings**

The audit identified areas where the agency could improve its internal controls. The main findings are set out here, with full details in the attachment.

### **Ongoing governance issues not resolved**

We have raised issues in prior years regarding PIRSA's Legislative Compliance Framework and Risk Management Framework.

While some progress has been made during 2021-22 to identify legislative requirements and understand divisional processes, PIRSA's Legislative Compliance Register remains incomplete. As a result, there is not clear documentation for PIRSA to assert its compliance or to identify and report breaches to the Chief Executive.

Over the past couple of years there has been ongoing re-evaluation of PIRSA's Risk Management Policy and Procedure. We understand that these documents have recently been reviewed and are in draft. With the unsuccessful development of an Enterprise Risk Management Framework last year, the ongoing development of suitable risk management procedures has detracted from ensuring existing procedures are complied with. As a result, PIRSA's strategic risks have not been formally reviewed annually as required by PIRSA's Risk Management Procedure.

### **PIRSA's assessment of revenue contracts needs further improvement**

The revenue accounting standards that came into effect in 2019-20 have distinct requirements for revenue recognition that depend on the terms and conditions of individual revenue contracts. As PIRSA has numerous revenue contracts, we have previously recommended that PIRSA implement a coordinated approach to assessing revenue contracts across its divisions, particularly new or modified contracts, to support that revenue in the financial report is appropriately recognised.

In 2021-22 we have found that further improvements should be made to PIRSA's revenue contract assessment process to mitigate the risk of misstated revenue balances. These improvements include:

- ensuring that the controls established to assess new/modified revenue contracts are applied to all contracts that meet PIRSA's focused criteria. In 2021-22 there continues to be a failure to fully implement this control
- updating standard monthly revenue accrual journal practices to incorporate the conclusions made from the contract assessment process, as currently there is disconnect between contract assessment results and revenue recognised in practice
- revising the existing short-form assessment templates for some questions that prompt the assessor (who may not have detailed knowledge of the accounting standards) to treat the contract in a certain way that may not be appropriate in the circumstances.

We also recommend that training provided to staff involved in these processes include understanding the impact of assessment conclusions and when the finance team should be contacted.

We discussed the audit findings with relevant divisional representatives in May 2022 and have reflected that feedback in this letter where appropriate.

## 2            **Audit scope**

The audit reviewed the following areas:

- governance
- general ledger functions
- cash
- revenue
- expenditure
- payroll
- assets
- loans.

For each area we gain an understanding of the control environment and analyse the financial data to identify risks of material misstatement or areas of significance to the public interest. We review a selection of internal controls based on that risk assessment and follow up any issues identified in the previous audit. We also perform predictive analytics and/or test a sample of transactions for each significant area to determine transactions have been accurately recorded to inform our financial statement opinion.

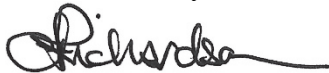
We assessed whether internal controls give reasonable assurance that:

- transactions were processed correctly, in line with the law and government frameworks
- financial systems produce reliable information for reporting and decision making.

If your staff have any questions, please contact my Principal Audit Manager, Amy Jeffreys, on 0408 798 357.

I would like to thank the staff and management of your agency for their assistance during the audit.

Yours sincerely



Andrew Richardson

**Auditor-General**

cc: Ms M Griffiths, Executive Director Corporate Services, [michelle.griffiths@sa.gov.au](mailto:michelle.griffiths@sa.gov.au)  
Mr W Kent, Chief Financial Officer, [will.kent@sa.gov.au](mailto:will.kent@sa.gov.au)  
Ms B Barbara, Director, People and Culture, [billie-jo.barbara@sa.gov.au](mailto:billie-jo.barbara@sa.gov.au)  
Ms J Rzetelski, Senior Risk and Audit Consultant, Risk and Audit, [PIRSA.RiskAndIntegrity@sa.gov.au](mailto:PIRSA.RiskAndIntegrity@sa.gov.au)

## Attachment: PIRSA Interim audit findings 2021-22

## Contents

	Page	Rating			
		E	H	M	L
1 Governance .....	6				
1.1 Legislative Compliance Register incomplete .....	6			x	
1.2 Outdated risk management procedures and no strategic risk register .....	7			x	
1.3 Policies and procedures overdue for review .....	8				x
2 Revenue contract assessment and revenue recognition process needs improving .....	10				
2.1 Not all relevant contracts assessed for revenue recognition .....	11			x	
2.2 SARDI revenue recognition process documentation can be improved.....	12				x
2.3 Lack of connection between IRD revenue contract assessment to revenue recognition in practice .....	12			x	
2.4 Short-form template only prompts for one performance obligation.....	14				x
3 Payroll .....	16				
3.1 Leave Return Reports not reviewed promptly.....	16			x	
3.2 Bona fide reports not reviewed promptly.....	17				x
3.3 Employee contract unable to be located .....	18				x
4 Assets and Liabilities .....	19				
4.1 Hardcat reconciliation variance investigation/explanations are not documented.....	19				x
4.2 Asset stocktake procedures can be improved .....	20				x

## Attachment: PIRSA Interim audit findings 2021-22

The following issues are repeat findings from prior years.

		Rating			
	Page	E	H	M	L
1.1	Legislative Compliance Register incomplete .....6			x	
1.2	Outdated risk management procedures and no strategic risk register .....7			x	
3.1	Leave Return Reports not reviewed promptly..... 16			x	
3.2	Bona fide reports not reviewed promptly..... 17				x

### Rating key:<sup>1</sup>

E	Extreme
H	High
M	Medium
L	Low

<sup>1</sup> Refer appendix for explanation of risk ratings

## Attachment: PIRSA Interim audit findings 2021-22

### 1 Governance

#### 1.1 Legislative Compliance Register incomplete

##### Rating: Medium

Since 2016-17, we have reported on the Department of Primary Industries and Regions' (PIRSA's) ongoing challenges with implementing a comprehensive Legislative Compliance Framework. This included that:

- the Legislative Compliance Register was incomplete and did not capture all information required by PIRSA's procedures
- there was no coordinated approach for identifying and reporting breaches of legislation
- there is no central record of breaches to enable this reporting.

In 2020-21, we reported that while PIRSA had developed a Legislative Compliance Policy and Procedure, these had yet to be implemented by the agency. PIRSA responded that it would complete the Central Legislative Compliance Register considering legislation administered by PIRSA and legislative requirements PIRSA is required to comply with. The Register would include information on breach reporting and internal assurance processes.

PIRSA's Legislative Compliance Policy requires the Risk and Audit Unit to maintain a centralised Legislative Compliance Register and update it on a quarterly basis. The register is to include legislative provisions, risk ratings, controls in existence, effectiveness of controls, and actions to improve compliance.

We have reviewed the Central Legislative Compliance Register in 2021-22 and found:

- no response had been provided to several items in the 'Compliance Monitoring Process' and 'Significant Compliance Events/Breaches Reported by the Division within the Period' columns in the PIRSA Legislative Compliance Register
- there was no documentation of the monitoring process and breaches identified for the corporate legislation PIRSA needs to comply with.

The Senior Risk and Audit Consultant advised the above items were in the process of being reviewed and that PIRSA's focus has been identifying legislation and understanding processes within divisions to ensure compliance.

#### Risk exposure

Without a complete Legislative Compliance Register to underpin the legislative compliance framework and evidence that compliance has been assessed, there may be instances of non-compliance that have not been identified or reported. Non-compliance with relevant legislation may lead to litigation and subsequent losses to PIRSA.

## Attachment: PIRSA Interim audit findings 2021-22

### Recommendation

PIRSA continue to update the central Legislative Compliance Register to ensure compliance with the Legislative Compliance Policy. The register should include how divisions have assessed compliance with legislation to support central reporting of compliance on a regular basis. Ensure divisions maintain documentation to evidence their compliance assessment.

#### **1.2 Outdated risk management procedures and no strategic risk register**

##### **Rating: Medium**

In 2019-20 we reported that PIRSA's Risk Management Policy and Risk Management Procedure did not outline the responsibilities or process for changes to the assessment of an existing risk or if a new risk is to be added to the risk register throughout the year. In response, PIRSA developed an Enterprise Risk Management Framework (ERMF) to supersede the Risk Management Policy. In 2020-21 we found that the ERMF was not implemented.

As part of our follow up in 2021-22, we were advised by the Senior Risk and Audit Consultant that PIRSA decided not to proceed with the ERMF format. Instead, the Risk Management Policy and Risk Management Procedure were being reviewed to reflect current practice.

It is important to finalise the review of the draft Risk Management Policy and Procedure as these documents were last approved in August 2019. Since then, the SA Government has replaced its Risk Management Policy Statement with the Risk Management Guide. PIRSA have incorporated this into the draft documents.

We reviewed the current risk management process and identified the following:

- the Risk Management Procedure requires PIRSA Executive to review strategic risks annually. We noted that there has not been a documented strategic risk register since 2019-20
- the Risk Management Procedure required that treatment plans be recorded depending on the risk appetite statement (generally medium) and control effectiveness level. The revised procedure currently in draft requires that risks rated medium or above be supported by a risk treatment plan. The quarter 2 risk register we reviewed has 48 risks rated medium or above without a risk treatment plan. We were advised this was because the risks had already been treated and no further actions were required. However, as these risks are rated medium it appears the procedure requires further treatment plans.

### **Risk exposure**

PIRSA may not be effectively monitoring and managing all current risks, resulting in exposure to threats or events causing interruption to operations or impacting PIRSA's ability to achieve its objectives.



## Attachment: PIRSA Interim audit findings 2021-22

### Recommendation

Finalise the update of the Risk Management Policy and Risk Management Procedure and make available to staff once approved. Consider incorporating more guidance for risk tolerance/appetite and clarifying when risk treatment plans are needed into the procedure and/or risk register to clearly identify which risks should have a treatment plan.

Review the strategic risk register annually per the Risk Management Procedure.

### 1.3 Policies and procedures overdue for review

#### Rating: Low

Treasurer's Instruction 2 *Financial Management* (TI 2) requires the Chief Executive to develop, document and maintain policies and procedures for key financial activities.

TI 2 also requires the Chief Executive to ensure these policies and procedures are reviewed regularly and revised where necessary.

In some cases, TI 2 contains specific review requirements, such as that agency fraud policies must be reviewed at least annually. We found PIRSA's Fraud and Corruption Policy and Plan have not been reviewed since mid-2020. Since then, the Commissioner for Public Sector Employment has updated their issued policy.

We further identified the following policies and procedures that are overdue for review:

Policy/procedure name	Approved Date	Review Date
PIRSA Fraud and Corruption Policy	14 July 2020	1 July 2021
PIRSA Fraud and Corruption Plan	11 August 2020	11 August 2021
Prudential and Rural Financial Services Loan Management Policy	23 November 2016	23 November 2019
Prudential and Rural Financial Services Loan Management Procedure	23 November 2016	23 November 2019
RUFIS Masterpiece (GL) Reconciliation Procedure	23 October 2017	Not specified
PIRSA Time and Attendance	9 January 2018	9 January 2021
PIRSA Flexitime Procedure	18 April 2018	18 April 2021
PIRSA People Management Delegations	21 March 2018	21 March 2021
PIRSA People Management Instrument of Delegations and Authorisations	30 July 2020	30 June 2021
PIRSA Working Arrangements Policy	8 May 2018	8 May 2021
PIRSA ICT Network Security Policy	1 February 2019	18 January 2022
ICT Disaster Recovery Management Policy	3 January 2020	3 January 2021
ICT Disaster Recovery Procedure	3 January 2020	3 January 2021

People and Culture and ICT have advised that a review of their documents above is in progress.

**Attachment: PIRSA Interim audit findings 2021-22**

We understand that PIRSA have been undertaking a review of all policies, procedures, guidelines and standards (PPGS) and the PPGS Framework. The aim of this project is to identify critical documents and opportunities to consolidate the number of PPGS across PIRSA. As this project is still in progress, this may be contributing to the above documents not yet being reviewed.

**Risk exposure**

Current and updated policies and procedures assist in achieving consistent and reliable processes. If policies and procedures are not reviewed regularly, processes may be out of date and may not be as efficient or effective in meeting their intended outcomes.

**Recommendation**

As part of the PPGS project consider which documents will remain from the above list and ensure that these are reviewed and updated where necessary. Prioritise reviewing and updating those PPGS that have been identified as critical (for example, the Fraud and Corruption Policy).

## Attachment: PIRSA Interim audit findings 2021-22

### 2 Revenue contract assessment and revenue recognition process needs improving

#### Background

The assessment of contracts is an important control as there are different requirements for revenue recognition, measurement and disclosure depending on which accounting standard applies. Within individual standards, certain criteria must be met before revenue can be recognised, and whether the revenue is recognised at a point in time or over time depends on the individual circumstances of each contract.

In 2020-21 we reported that PIRSA had not implemented an ongoing assessment of new revenue contracts. A process had been designed but had not been fully implemented by the South Australian Research and Development Institute SARDI and Rural Solutions (RSSA) divisions, which have the majority of PIRSA's revenue contracts. PIRSA responded that the finance team would work with SARDI and RSSA to improve the assessment process and ensure a consistent approach is applied.

PIRSA redesigned their controls to ensure new and modified contracts are identified and assessed for revenue recognition on an ongoing basis.

SARDI elected to only perform an assessment for revenue contracts that meet the following criteria:

- a) contract value greater than \$10,000 and
- b) contract term greater than 12 months or spans across two financial years.

The Industry and Regional Development (IRD) division, which includes the former RSSA, apply criteria b only when assessing their revenue contracts.

SARDI and IRD split their applicable revenue contracts into two tiers to perform the contract assessment:

1. long-form assessment: a comprehensive assessment template with detailed analysis, mainly used for contracts with new customers.
2. short-form assessment: a simplified approach with focus on critical checklist questions, used for new or modified contracts with existing customers where contracts follow a standardised format.

While the templates used by SARDI and IRD differ, generally the content is equivalent.

We have referred to the following documents to understand the revenue contract assessment controls established at PIRSA:

- the Contract Pathways document for SARDI
- the Planview 17 User Manual for IRD.

We have reviewed SARDI and IRD's revenue contract assessment process in 2021-22 and found the following areas that can be improved.

## Attachment: PIRSA Interim audit findings 2021-22

### 2.1 Not all relevant contracts assessed for revenue recognition

#### Rating: Medium

We reviewed the list of new SARDI contracts entered during July 2021 to September 2021, to determine if revenue contract assessments had been performed in accordance with the criteria set out above. Out of 20 new revenue contracts executed in that period, 14 were of value greater than \$10,000 with terms across two financial years. These 14 contracts were with existing customers, requiring a short-form assessment completed based on PIRSA's criteria. However, we found that SARDI only performed contract assessments for 10 of the 14 contracts.

The SARDI Manager of Financial Services advised us initially that no assessment was performed for the remaining four contracts as they were not research services contracts, but fees for services where revenue should be recognised at a point in time. Without a contract assessment being performed, it is not documented how this conclusion for revenue treatment was drawn. Since this time, the contract assessment control has transferred to the Contracts Unit and now all contracts regardless of revenue type will be assessed.

We reviewed the general ledger and found monthly revenue accruals had been processed for one of the four contracts above, resulting in revenue recognised over time despite the advice of point-in-time recognition.

We were subsequently informed that the contract identified above should have been assessed as this was for research services with designated milestones, however, the contract had been omitted from the revenue assessment due to the term being within 12 months. While the term was less than 12 months, the contract term spanned across two financial years and so should have been assessed applying the criteria established by SARDI. The total estimate value of this contract was \$59,251.

#### Risk exposure

As a result of the revenue contract assessment being performed inconsistently, contract terms and conditions may not be adequately assessed leading to revenue being incorrectly recognised, measured, or disclosed in the financial statements.

#### Recommendation

Ensure revenue assessments are performed for all revenue contracts (not just research services) with characteristics that align with PIRSA's established criteria.

## Attachment: PIRSA Interim audit findings 2021-22

### 2.2 SARDI revenue recognition process documentation can be improved

#### Rating: Low

While the revenue contract assessments provide conclusions on accounting treatment on a theoretical perspective, in practice PIRSA uses monthly accrual journals to recognise revenue for those contracts having been assessed with over time recognition under AASB 15 *Revenue from contracts with customers*. This journal process calculates movements in contract balances based on costs of work performed and payments received to-date to determine the revenue earned that month.

In 2020-21 we recommended SARDI update their monthly accrual revenue recognition procedure once a control is established for ongoing assessment of contracts, to ensure revenue is appropriately recognised under the relevant accounting standards.

The SARDI Monthly Revenue Accruals procedure was updated in December 2021. However, we were unable to identify in this procedure how the concluded accounting treatment per the contract assessments should be incorporated into the month-end revenue accrual practice, ie, how a revenue contract assessed to be recognised at a point in time is distinguished from those contracts assessed to be recognised over time and excluded the monthly accrual process.

We were advised that in practice, SARDI have established a tagging system where contracts are tagged with a code to identify if revenue should be recognised at a point in time or over time. That code is then extracted for the journal preparation process.

#### Risk exposure

Actual revenue recognised may not reflect conclusions from revenue assessment of contracts, leading to revenue being misstated in the financial report.

#### Recommendations

Update the SARDI Monthly Revenue Accruals procedure to reflect the contract tag code process that captures the revenue recognition conclusion from the contract assessments performed and ensures distinction is made for which contracts should be included in the monthly accrual journal for recognition over time.

### 2.3 Lack of connection between IRD revenue contract assessment to revenue recognition in practice

#### Rating: Medium

Revenue may be recognised at a point in time, or over time, depending on the applicable accounting standard requirements. A key factor in determining the appropriate recognition is the contracted performance obligations. The contract QA template used by IRD includes a question for if the performance obligation was satisfied over time. Of the eight new contracts

## Attachment: PIRSA Interim audit findings 2021-22

between 1 July 2021 and 9 February 2022, six recorded 'yes' to this question, while two recorded 'no'.

We discussed the 'no' responses with the Project Coordinator responsible for completing the contract assessment. The Project Coordinator outlined that she was unaware how 'no' answers to this question would impact the recognition of revenue in the ledger and noted that there was no requirement to take any further action, such as notifying Finance, when there was a 'no' answer.

We reviewed the general ledger and found that revenue for the two contracts above had been recognised over time via the monthly revenue accrual journals instead of point in time as concluded in the revenue contract assessment.

The Work Instructions: Revenue in Advance Accrual FM Check document (the Instructions) outlines the steps involved in preparing the month-end accrual journals for IRD revenue recognised over time. We reviewed the Instructions and were unable to identify how the concluded accounting treatment per the revenue contract assessments was incorporated into the month-end revenue accrual practice.

In 2020-21 we recommended that the monthly accrual revenue recognition procedures should be updated to ensure that revenue is appropriately recognised under the accounting standards as the current process may not apply to all contracts. PIRSA responded that consideration would be given to changes required in divisional procedures. It appears this was not followed through.

We spoke to the Manager of Financial Services, IRD regarding our findings and were advised the following actions have now been taken in response:

- IRD Finance agree with the conclusions made by the Project Coordinator that performance obligation for these contracts were not satisfied over time. As a result, Finance have updated their records to exclude these projects from the monthly accruals
- the Project Management Office (PMO) team was requested to notify Finance of any new contract assessed as not having a performance obligation satisfied over time. This requirement has now been documented in the Planview 17 User Manual and the Instructions updated in March 2022
- IRD plan to implement a quarterly review of revenue assessments performed by the PMO team, commencing in May 2022. Any issues with the revenue assessments, including timing of revenue recognition, would be identified as part of this review. The requirements for the quarterly review have been incorporated into the Instructions updated in March 2022
- those projects with performance obligation not satisfied over time would then be flagged by Finance to be excluded from the monthly accrual journal
- the Planview 17 User Manual would be updated in April 2022 to reflect the additional changes above.

## Attachment: PIRSA Interim audit findings 2021-22

### Risk exposure

Lack of clearly documented requirements for communicating revenue contract assessment conclusions between PMO and Finance can result in revenue recognised in the financial report not reflecting the conclusions from revenue assessment of contracts. As a result, revenue balances may be misstated.

### Recommendation

Expand the Instructions to ensure the PMO's contract assessment conclusions are reflected in the monthly revenue accrual process going forward, ie, how contracts to be recognised at a point in time will be differentiated from those recognised over time, and the process for when recognising revenue at the required point in time.

In addition, perform a retrospective check of revenue recognised to date for contracts concluded as recognised at a point in time to determine the extent of any errors in revenue recognition and make any adjustments required (to occur as part of the first quarterly review).

Update the Planview 17 User Manual to ensure the requirements for Finance's quarterly review process for revenue contract assessments are captured, such as the timeframes, responsible personnel, and actions required based on review outcomes.

### 2.4 Short-form template only prompts for one performance obligation

#### Rating: Low

We reviewed the two templates used by SARDI and IRD for revenue contract assessments.

The long-form template prompts the assessor to consider if the whole contract represents a single performance obligation. In the scenario where there was more than one performance obligation, the long-form template prompted the assessor to list all of them and contact the Business Strategy Unit for further guidance.

However, the short-form template asks, 'Is the performance obligation sufficient and specific?'. This suggests there is only one performance obligation. This potentially generalises that there would only ever be a single performance obligation for those contracts assessed using this template. As a result, the assessor using this template may not be aware to identify if there are multiple performance obligations, which requires additional considerations for revenue recognition.

### Risk exposure

Contracts with multiple performance obligations may not be appropriately assessed, resulting in revenue being incorrectly recognised and measured.

## **Attachment: PIRSA Interim audit findings 2021-22**

### **Recommendation**

Incorporate consideration for contracts with multiple performance obligations into the short-form assessment template. For example, if there are multiple performance obligations identified that are satisfied at different times, to notify Finance for further consideration.



## Attachment: PIRSA Interim audit findings 2021-22

### 3 Payroll

#### 3.1 Leave Return Reports not reviewed promptly

##### Rating: Medium

It is the responsibility of the manager to verify and approve leave return reports within 10 business days of the receipt of these reports in compliance with PIRSA's Leave Returns Procedure. In the event a manager is on leave and there are no arrangements for a replacement due to a short absence, the leave report review is to be completed by the manager within 10 business days upon their return.

The HR21 system automatically generates leave return reports enabling managers to conduct their reviews electronically. We understand the reports are run with a two-month lag, set by Shared Services SA (SSSA) to allow for late submission of leave forms.

We have raised issues in previous years about the late review of leave return reports. To follow up the status of this issue, we obtained the Leave Returns Compliance Report provided by the Workforce Planning & Data Management Consultant on 31 March 2022. We found there were 70 reports outstanding from the period from 1 July to 31 December 2021.

Of the 70 leave return reports that were overdue for review, eleven were overdue by at least 108 days. Refer to table 1 in appendix 1. The 70 outstanding reports relate to various divisions of PIRSA with the majority recorded within Biosecurity SA, SARDI and Corporate Services.

To enable a direct comparison with the data in our 2020-21 review of leave return reports, we compared the first four months of data from each year (July – October). The 2021-22 data shows there are less outstanding leave return reports when compared with the same period in our 2020-21 review (17 compared to 27), indicating most overdue reports are recent. Refer to table 2 in appendix 1.

We also identified 175 Leave Return Reports which were not reviewed within the 10-day time frame in accordance with policy. Refer to table 3 in appendix 1. Comparing to the same period of July – October in our 2020-21 review (refer to table 4 in appendix 1), the number of late reports has increased 22.9% (from 105 to 129).

We understand that PIRSA have been undertaking an organisational restructure which may be contributing to increased delays in reviewing leave return reports. In times of heightened disruption, it becomes more important to review these reports promptly as staff exit or are moved around the department.

#### Risk exposure

Delays in reviewing leave return reports may increase the risk of employee leave balances being inaccurate, resulting in employees accessing leave they are not entitled to, salary

## Attachment: PIRSA Interim audit findings 2021-22

overpayments, and misstated employee benefit liabilities in the financial report.

### Recommendation

Regularly monitor the Leave Returns Compliance Report and report non-compliance to Executive for action to be taken. Remind non-compliant managers of their responsibility to review the leave return reports promptly in accordance with the Leave Returns Procedure.

### 3.2 Bona fide reports not reviewed promptly

#### Rating: Low

PIRSA's Bona Fide Certificate Procedure requires a responsible manager to verify and approve the fortnightly Bona Fide Certificate Report within 10 business days from the Friday of each pay fortnight. In the event a manager is on leave and there are no arrangements for a replacement due to a short absence, the bona fide review is to be completed by the manager within 10 business days upon their return.

We have raised issues in previous years about the late review of bona fide reports. To follow up the status of this issue, we obtained the Bona Fide Compliance Report provided by the Workforce Planning & Data Management Consultant on 31 March 2022. For the period 1 July 2021 to 28 January 2022, we found 86 instances of outstanding bona fides reports. Refer to table 5 in appendix 1.

Outstanding reports represent 3.6% of all reports generated during this period. This is a significant decrease from last year when we reported 163 reports (6.8%) were overdue (refer to table 6 in appendix 1).

We found the largest number of outstanding reports were in Biosecurity SA, SARDI and Corporate Services. Biosecurity and SARDI were also two of the divisions with the largest number of overdue reports in 2020-21.

We also identified 609 bona fide reports not reviewed within the required 10-day time frame as required by policy. Refer to table 7 in appendix 1. 2 367 bona fide reports were generated during the period analysed; the late reviews represent 25.7% of all reports. This has increased from last year when we reported 537 (22.4%) reports were reviewed late (refer to table 8 in appendix 1).

We understand that PIRSA have been undertaking an organisational restructure which may be contributing to increased delays in reviewing bona fide reports. In times of heightened disruption, it becomes more important to review these reports promptly as staff exit or are moved around the department.

### Risk exposure

Delays in reviewing bona fide reports increase the risks of invalid or inaccurate payments

## Attachment: PIRSA Interim audit findings 2021-22

being made to employees not being identified and corrected promptly. This may result in salary overpayments or misstated employee benefit related balances in the financial report.

### Recommendation

Regularly monitor the Bona Fide Compliance Report and report non-compliance to Executive for action to be taken. Remind non-compliant managers of their responsibility to review the bona fide reports promptly in accordance with the Bona Fide Certificate Procedure.

### 3.3 Employee contract unable to be located

#### Rating: Low

We selected a sample of 10 payroll transactions for testing between 1 July 2021 and 31 January 2022. As part of our testing, we sought to gain assurance employees were being remunerated at their correct classification levels as evidenced in their applicable employment contract.

From the samples selected, in one instance an employment contract was unable to be located by PIRSA for an employee in Fisheries and Aquaculture (employee number 2204098). No other personnel documentation could be provided to substantiate the employee's classification. Further enquiries identified the employee had previously been recorded under two alternative surnames throughout their employment, which appears to have contributed to the difficulty of obtaining personnel documentation for this employee.

As a result of being unable to locate the contract, we could not confirm for this sample that the employee is paid at the correct rate.

### Risk Exposure

The absence of an employment contract or reclassification agreement increases the risk to PIRSA of:

- the employee being remunerated at a different classification level or incorrect rate for their position
- in the event of a dispute, PIRSA will be unable to provide evidence of the terms applicable to the employee's engagement including rate of pay, hours contracted, leave entitlements or other conditions of employment.

### Recommendation

Ensure all relevant employee documentation is filed in the corresponding personnel file.

File personnel documentation according to employee ID as this number remains constant whereas names may change.

## Attachment: PIRSA Interim audit findings 2021-22

### 4 Assets and Liabilities

#### 4.1 Hardcat reconciliation variance investigation/explanations are not documented

##### Rating: Low

Treasurer's Instructions 2 *Financial Management* requires that reconciliations between the general and relevant subsidiary ledgers are performed on a regular and timely basis.

PIRSA uses the Hardcat system to manage its assets. Hardcat is the primary data source for updating the Masterpiece Fixed Asset Register (MPFAR) and the general ledger. In 2020-21, we reported that a reconciliation between Hardcat and Masterpiece was not performed. PIRSA responded that a two-way monthly reconciliation between Hardcat and MPFAR would be implemented.

We have reviewed the reconciliation process in 2021-22. The Hardcat & Objective Navigator System Administrator performs a monthly reconciliation between Hardcat and MPFAR to verify the number of assets and specific fields in each system, including the asset type, depreciation period, purchase price and current value. The reconciliation is independently reviewed by the Principal Financial Consultant (PFC). These responsibilities for performing the reconciliation are not documented in a policy or procedure.

We reviewed the February 2022 reconciliation performed and identified numerous variances that were not supported by documented explanations in the reconciliation workbook. We noted that the reconciliation workbook contains a summary page, however this was not used to document the explanation and follow-up action taken for the variances identified. As a result, we were unable to determine if these variances had been appropriately investigated and/or rectified.

We discussed some of the variances with the PFC. In some instances, it was appropriate for no further action to be taken, however the explanations and conclusions were not documented. In other instances, we believe additional action may have been required to avoid errors in the financial report. While these errors are not expected to be material, it is important that PIRSA's investigations and conclusions are documented as part of the reconciliation to support the figures in the financial report and be a record for work undertaken to avoid duplication in the following month's reconciliation.

#### Risk exposure

Without appropriate documentation of the explanation and follow-up action taken, variances may not be appropriately investigated for correction resulting in misstatements in the financial report such as errors in depreciation or misclassified asset balances.

## Attachment: PIRSA Interim audit findings 2021-22

### Recommendation

Document the investigation of variances in the Hardcat to MPFAR reconciliation. Appropriate investigation should also consider the potential impact the variances may have on asset balances.

Update the PIRSA Asset Financial Procedure to clearly specify the responsibilities to perform and review the Hardcat and MPFAR reconciliation, and the nature and extent of documentation that should be recorded in the reconciliation workbook to evidence the explanation and investigation performed for variances identified.

### 4.2 Asset stocktake procedures can be improved

#### Rating: Low

PIRSA's Asset Financial Procedure requires all assets recorded in the PIRSA Asset Management Register be subject to a stocktake at least once a year. Business Division Managers are responsible for performing the stocktake, which is coordinated by the responsible Business Division Finance Officers.

We found that the Asset Financial Procedure does not:

1. clarify the overarching responsibility to coordinate the stocktake process across all business divisions, which we understand the Principal Financial Consultants have performed in recent years by providing Business Division Managers with a detailed instruction via email
2. provide sufficient guidance on what information should be reviewed as part of the stocktake process
3. specify the nature and extent of reporting and follow-up action required as part of the completion of the stocktake process.

We note that additional guidance is provided via email with the asset data for those conducting the stocktake. This mainly addresses item 2 above. The guidance does not address all aspects of the stocktake review process, for example reviewing useful lives of assets. As this guidance relies on the officer disseminating the asset data, it may not be consistency applied.

### Risk exposure

Lack of documented procedures for the stocktake process may lead to inconsistent practices and increase the risk of inaccurate asset balances and related information in the financial report.

### Recommendation

Consider updating the Asset Financial Procedure to address the following areas:

## **Attachment: PIRSA Interim audit findings 2021-22**

- the responsibility to coordinate and report the stocktake across all business divisions
- what information should be reviewed as part of the stocktake (for example, that useful lives remain appropriate). Some of this may be achieved through formalising the stocktake guidelines as an appendix to the procedure, for example
- responsibility for reporting and follow up action required at the completion of the stocktake process, for example collating responses and processing any adjustments required.

## Appendix 2: Explanation of risk ratings

**Table 1: Overdue leave return reports 2021-22**

Month end	Report generation date	Due date (10 business days from generation)	Total number of overdue reviews	Days overdue as at 31/3/22
31/07/2021	29/09/2021	13/10/2021	4	169
31/08/2021	30/10/2021	13/11/2021	3	138
30/09/2021	29/11/2021	13/12/2021	4	108
31/10/2021	30/12/2021	13/01/2022	6	77
30/11/2021	29/01/2022	12/02/2022	17	47
31/12/2021	01/03/2022	15/03/2022	36	16
<b>Total</b>			<b>70</b>	

**Table 2: Overdue leave return reports 2020-21**

Month end	Report generation date	Due date (10 business days from generation)	Total number of overdue reviews	Days overdue as at 19/02/21
31/07/2020	29/09/2020	13/10/2020	6	129
31/08/2020	30/10/2020	13/11/2020	5	98
30/09/2020	29/11/2020	13/12/2020	8	68
31/10/2020	30/12/2020	13/01/2021	8	37
<b>Total</b>			<b>27</b>	

**Table 3: Late review of leave return reports 2021-22**

Month end	Report generation date	Due date (10 business days from generation)	Total number of late reviews	Days late						
				1-10	11-20	21-30	31-40	41-50	51-60	> 60
31/07/2021	29/09/2021	13/10/2021	34	21	2	4	3	1	1	2
31/08/2021	30/10/2021	13/11/2021	32	9	9	4	4	0	0	6
30/09/2021	29/11/2021	13/12/2021	32	17	1	3	3	3	3	2
31/10/2021	30/12/2021	13/01/2022	31	6	9	6	9	0	0	1
30/11/2021	29/01/2022	12/02/2022	34	16	13	3	1	1	0	0
31/12/2021	1/03/2022	15/03/2022	12	8	4	0	0	0	0	0
<b>Total</b>			<b>175</b>	<b>77</b>	<b>38</b>	<b>20</b>	<b>20</b>	<b>5</b>	<b>4</b>	<b>11</b>

**Table 4: Late review of leave return reports 2020-21**

Month end	Report generation date	Due date (10 business days from generation)	Total number of late reviews	Days late						
				1-10	11-20	21-30	31-40	41-50	51-60	> 60
31/07/2020	29/09/2020	13/10/2020	34	16	11	1	1	0	1	4
31/08/2020	30/10/2020	13/11/2020	23	7	3	3	4	0	1	5
30/09/2020	29/11/2020	13/12/2020	26	14	0	3	2	0	2	5
31/10/2020	30/12/2020	13/01/2021	22	4	8	3	7	0	0	0
<b>Total</b>			<b>105</b>	<b>41</b>	<b>22</b>	<b>10</b>	<b>14</b>	<b>0</b>	<b>4</b>	<b>14</b>

## Appendix 2: Explanation of risk ratings

**Table 5: Overdue Bona Fide Reports 2021-22**

Pay period end date	Total number of overdue reviews	Number of days overdue as at 31/03/22
27/08/2021	1	202
10/09/2021	1	188
24/09/2021	4	174
08/10/2021	4	160
22/10/2021	1	146
05/11/2021	2	132
19/11/2021	2	118
03/12/2021	6	104
17/12/2021	8	90
31/12/2021	16	76
14/01/2022	20	62
28/01/2022	21	48
<b>Total</b>	<b>86</b>	

**Table 6: Overdue Bona Fide Reports 2020-21**

Pay period end date	Total number of overdue reviews	Number of days overdue as at 19/02/21
03/07/2020	3	166
17/07/2020	4	156
31/07/2020	6	146
14/08/2020	5	136
28/08/2020	4	126
11/09/2020	3	116
25/09/2020	7	106
09/10/2020	6	96
23/10/2020	8	86
06/11/2020	8	76
20/11/2020	9	66
04/12/2020	10	56
18/12/2020	13	46
01/01/2021	20	36
15/01/2021	23	26
29/01/2021	34	16
<b>Total</b>	<b>163</b>	



## Appendix 2: Explanation of risk ratings

**Table 7: Late review of bona fide reports 2021-22**

Pay period end date	Total number of late reviews	Days late					
		1-10	11-20	21-30	31-40	41-60	>60
02/07/2021	26	11	3	4	3	1	4
16/07/2021	33	7	13	2	3	6	2
30/07/2021	27	8	4	2	5	4	4
13/08/2021	36	3	15	6	2	4	6
27/08/2021	35	10	9	2	6	0	8
10/09/2021	39	6	10	10	1	6	6
24/09/2021	40	6	10	10	3	6	5
08/10/2021	28	6	4	4	5	6	3
22/10/2021	44	7	7	9	7	6	8
05/11/2021	55	12	10	14	5	5	9
19/11/2021	48	13	17	2	3	7	6
03/12/2021	34	8	7	6	1	9	3
17/12/2021	45	9	13	5	6	12	0
31/12/2021	49	12	14	7	6	6	4
14/01/2021	32	3	17	4	5	3	0
28/01/2021	38	15	15	5	0	3	0
<b>Total</b>	<b>609</b>	<b>136</b>	<b>168</b>	<b>92</b>	<b>61</b>	<b>84</b>	<b>64</b>

**Table 8: Late review of bona fide reports 2020-21**

Pay period end date	Total number of late reviews	Days late					
		1-10	11-20	21-30	31-40	41-60	>60
3/07/2020	29	8	6	3	1	7	4
17/07/2020	39	9	6	4	2	4	14
31/07/2020	38	0	7	5	4	6	16
14/08/2020	49	15	9	4	2	8	11
28/08/2020	39	6	7	4	7	10	5
11/09/2020	38	7	8	9	8	2	4
25/09/2020	41	16	17	2	1	1	4
9/10/2020	29	16	2	3	0	3	5
23/10/2020	28	5	9	2	4	2	6
6/11/2020	36	5	12	4	3	3	9
20/11/2020	34	5	15	1	4	2	7
4/12/2020	35	8	7	4	3	6	7
18/12/2020	31	9	4	5	4	9	0
1/01/2021	33	6	14	1	12	0	0
15/01/2021	25	11	14	0	0	0	0
29/01/2021	13	13	0	0	0	0	0
<b>Total</b>	<b>537</b>	<b>139</b>	<b>137</b>	<b>51</b>	<b>55</b>	<b>63</b>	<b>92</b>

## Appendix 2: Explanation of risk ratings

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified 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.

The rating also assists management in its prioritisation of remedial action.

Rating	Definition	Management action recommended
Extreme	<p>This issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a material misstatement in the financial report has occurred.</li> </ul>	<p>Requires immediate management intervention with a detailed action plan to be implemented within one month.</p> <p>Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.</p>
High	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a material misstatement in the financial report that is likely to occur.</li> </ul>	<p>Requires prompt management intervention with a detailed action plan implemented within two months.</p> <p>Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.</p>
Medium	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a misstatement in the financial report that is not material and has occurred.</li> </ul>	<p>Requires management intervention with a detailed action plan implemented within three to six months.</p>
Low	<p>The issue represents:</p> <ul style="list-style-type: none"> <li>• a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation; or</li> <li>• a misstatement in the financial report that is likely to occur but is not expected to be material; or</li> <li>• an opportunity to improve an existing process or internal control.</li> </ul>	<p>Requires management intervention with a detailed action plan implemented within six to 12 months.</p>



Our reference: A5561595  
Please refer to: Kristy Grant  
Manager, Corporate Governance & Assets  
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Mr Andrew Richardson  
AUDITOR-GENERAL  
Auditor-General's Department  
Level 9  
State Administration Centre  
200 Victoria Square  
ADELAIDE SA 5000

Dear Mr Richardson,

**Extended audit review: Grants Management at the Department of Primary Industries and Regions (2021-22)**

Thank you for your letter dated 4 August 2022 providing findings from the Auditor-General's Department extended audit review of grants management at PIRSA. I am pleased to provide you with PIRSA's response.

PIRSA is committed to administering a robust, transparent, prudent and effectual grants program for and on behalf of the South Australian community. We appreciate receiving these findings so we can continue to achieve our objectives.

Relevant officers have considered the items raised through this audit and provide the following responses to the findings and recommendations.

Please contact Ms Kristy Grant, Manager, Corporate Governance and Assets on **Clause 6(1)** if you require further information.

Yours sincerely

Prof Mehdi Doroudi PSM  
**CHIEF EXECUTIVE**

16/8/2022

## **PIRSA –Grants management findings**

### **1. Regional Growth Fund**

#### **1.1 No planned program evaluation for the RGF**

**Risk rating: Medium**

**Risk Exposure:**

Without a periodic evaluation, the RGF may not be achieving its objectives and PIRSA may not identify this to make improvements to the program. The potential impact of this may be significant given the long-term nature and total program value of the RGF.

**Audit Recommendation:**

As the RGF is a 10-year program, consider a periodic evaluation to identify if grant outcomes are being realised and identify improvement opportunities.

**Response:**

The RGF commenced under the former Government in 2018 with a Strategic and Competitive pool of funding. Since that time, at Ministerial direction, the fund has been modified to include many programs with different application processes and eligibility criteria including:

- RGF Strategic pool – To facilitate new economic opportunities and build and strengthen communities for regional South Australia. Individual commercial enterprises **are not** eligible to apply.
- RGF Competitive Pool - To facilitate new economic opportunities and build and strengthen communities for regional South Australia. Individual commercial enterprises **are not** eligible to apply.
- Charter Boat Diversification Program – sector specific program to support the charter boat fishing sector impacted by the three-year snapper fishing closure.
- RGF Strategic Business Round 2022 - To facilitate new economic opportunities and build and strengthen communities for regional South Australia. Individual commercial enterprises **are** eligible to apply.
- Livestock Underpass Grant Scheme - sector specific program to support primary producers for constructing underpasses beneath public roads to allow livestock to move safely from paddock to paddock.
- Additional Building Timbers for Supply – funding towards projects that can deliver additional building timber to the South Australian market.
- Opening our Great Outdoors – Regional Tourism Projects and Regional Accommodation.

Due to the highly variable nature of the program this presents a challenging environment for PIRSA to conduct a full evaluation of the RGF and all its sub programs. However, as the current government suspended the RGF as of 2 June 2022 and is currently reviewing the RGF and considering how it may align with its priorities, PIRSA will be undertaking a review of the RGF in preparation to advise the Minister for Primary Industries and Regional Development on opportunities and issues encountered to date under the program and sub programs.

**Action taken to date:**

Assembled an internal working group to undertake a review and engaged a contractor to develop a Program Logic approach to detail a potential future RGF and associated monitoring and evaluation processes.

**Agreed further action:**

PIRSA will undertake a review and develop a Program Logic for the future RGF to assist in the development of new guidelines for the fund, Assessment and Evaluation plan and program monitoring.

**Action Owner:** Peta Crewe, General Manager, Regions, Industry and Regional Development  
Trevor Bennett, Regional Coordinator Outer Adelaide

**Action Due Date:** September 2022

**1.2 Strategic project assessment conclusion / recommendation not clearly documented**

**Risk rating: Medium**

**Risk Exposure:**

Without clear recommendations being presented by PIRSA based on their completed assessments, there may be reputational risk to the department if applications that do not meet the established criteria are approved by the Minister.

**Audit Recommendation:**

PIRSA consider how advice is provided to the Minister based on conclusions drawn in the assessment process. The completed Strategic Projects Assessment should clearly document the recommendation by the assessor. Any significant deficiencies in the application, such as ineligible costs, should be clearly highlighted for the Minister's decision.

**Response:**

PIRSA assesses all applications and provides direct advice to the Minister for Primary Industries and Regional Development for approval. The Minister has the discretion to approve or not approve applications. The advice to the Minister rates applications as High, Medium or Low for alignment against the funds criteria. The PIRSA Assessment Report and SAFA Financial review which are provided as advice to the Minister clearly identifies risks and issues to allow the Minister to make an informed decision.

PIRSA provides a recommendation to the Minister with clear options. The Minister, in choosing an option may exercise their discretion.

**Action taken to date:**

The Fund is currently suspended pending a review by the Minister, these audit findings will be discussed with the Minister's office on the re-opening of the Fund.

**Agreed further action:**

N/A

**Action Owner:** Peta Crewe, General Manager, Regions, Industry and Regional Development  
Trevor Bennett, Regional Coordinator Outer Adelaide

**Action Due Date:**  
N/A

**1.3 Ministerial discretion in approving RGF projects should be clearer in the strategic pool guidelines**

**Risk rating: Medium**

**Risk Exposure:**

Lack of transparency behind funding approval may result in potential reputational damage to PIRSA, as PIRSA is performing the application assessment against published criteria.

**Audit Recommendation:**

Review and update the RGF Guidelines applicable to the strategic pool to ensure that information available to applicants appropriately reflects the approval process undertaken, including that the Minister may discretionally approve applications that do not adhere to the minimum requirements.

**Response:**

The government suspended the RGF as of 2 June 2022 and no further applications will be accepted until further notice. The government is currently reviewing the RGF and considering how it may align with its priorities. PIRSA will recommend to the Minister that any new guidelines should include that the Minister may discretionally approve applications that do not adhere to the minimum requirements.

PIRSA does note that page 11 of the guidelines does state: Applications for strategic projects will be assessed by Primary Industries and Regions SA, which will provide direct advice to the Minister for Primary Industries and Regional Development for approval.

However, PIRSA does acknowledge that this statement could be reworded to clarify that the Minister may discretionally approve applications that do not adhere to the minimum requirements.

**Action taken to date:**

Nil, the Fund is suspended until further notice.

**Agreed further action:**

PIRSA will recommend to the Minister that any new guidelines should include that the Minister may discretionally approve applications that do not adhere to the minimum requirements.

**Action Owner:** Peta Crewe, General Manager, Regions, Industry and Regional Development  
Trevor Bennett, Regional Coordinator Outer Adelaide

**Action Due Date:**

TBD – Once the government has completed the review of the RGF, the new guidelines developed by PIRSA will reflect the agreed action for approval by the Minister.

#### **1.4 RGF guidelines not available to public**

**Risk rating: Low**

**Risk Exposure:**

Lack of publicly available information for an active grant initiative may fail to attract eligible and strong applications.

**Audit Recommendation:**

Ensure the RGF Guidelines applicable to the current round of funding is available on the website for public access for the duration the round is open.

**Response:**

The RGF Strategic and Competitive guidelines were a single document until RGF Competitive Round 4. A new set of guidelines were approved for Competitive Round 4 and posted on the website accordingly. A separate set of guidelines for the Strategic pool were sent to the Minister for approval but did not receive approval prior to caretaker.

The government suspended the RGF as of 2 June 2022 and no other applications will be accepted until further notice. The government is currently reviewing the RGF and considering and how it may align with its priorities.

**Action taken to date:**

Nil

**Agreed further action:**

PIRSA will ensure the RGF Guidelines will be made available on the website for public access for the duration of any round that is open, once new guidelines are approved.

**Action Owner:** Peta Crewe, General Manager, Regions, Industry and Regional Development  
Trevor Bennett, Regional Coordinator Outer Adelaide

**Action Due Date:**

TBD – Once the government has completed reviewing the RGF, the new guidelines developed by PIRSA will reflect the agreed action.

#### **1.5 Strategic projects Assessment and Evaluation Plan inconsistent with current practice**

**Risk rating: Low**

**Risk Exposure**

The different scoring/rating systems in the A&E Plan and the assessment template may cause confusion and inconsistency in the grant assessment process.

**Audit Recommendation:**

Update the A&E Plan to be consistent with current practice. Communicate the updated A&E Plan to relevant staff.

**Response:**

PIRSA acknowledges that the A&E plan for the RGF Strategic pool are now outdated. The government suspended the RGF as of 2 June 2022 and no further applications will be accepted until further notice. The government is currently reviewing the RGF and considering how it may align with its priorities. The A&E plans (and associated templates) for the RGF including any sub-stream will need to be updated subject to the new guidelines.

**Action taken to date:**

Nil

**Agreed further action:**

PIRSA will ensure the A&E plans (and associated templates) for the RGF including any sub-stream will be updated subject to the new guidelines.

**Action Owner:**

Peta Crewe, General Manager, Regions, Industry and  
Regional Development  
Trevor Bennett, Regional Coordinator Outer Adelaide

**Action Due Date:**

TBD – Once the government has completed reviewing the RGF, the new guidelines developed by PIRSA will reflect the agreed action.

**1.6 Clarity needed for maximum strategic project grant funding in the RGF Guidelines**

**Risk rating: Low**

**Risk Exposure**

Inconsistency in the documented grant value upper limit may result in grants being recommended for funding above the maximum approved amount.

Current practice being inconsistent with publicly available information may result in applicants not being aware of the maximum funding they can apply for.

**Audit Recommendation:**

Ensure the grant value range is consistent between the Guidelines, A&E Plan and the assessment template across all RGF funding rounds.

**Response:**

It is acknowledged that the RGF guidelines do not accurately reflect the grant value upper limit for the Strategic Pool. The government suspended the RGF as of 2 June 2022 and no other applications will be accepted until further notice. The government is currently reviewing the RGF and considering how it may align with its priorities.

PIRSA will ensure that when new Guidelines are developed for the RGF they accurately reflect any grant value upper limits.

**Action taken to date:**

Nil



***Agreed further action:***

PIRSA will ensure that when new Guidelines are developed for the RGF they accurately reflect any grant value upper limits.

**Action Owner:** Peta Crewe, General Manager, Regions, Industry and Regional Development  
Trevor Bennett, Regional Coordinator Outer Adelaide

**Action Due Date:**

TBD – Once the government has completed reviewing the RGF, the new guidelines developed by PIRSA will reflect the agreed action.

## **2. Viticulture rebuild and recovery grant program**

### **2.1 Grant approval non-compliant with delegations**

**Risk rating: Low**

**Risk Exposure:**

Non-compliance with established delegations for approving grants increases the risk of inappropriate grant funding provided.

**Audit Recommendation:**

Ensure that grant applications are approved in accordance with the established A&E Plan and delegations.

**Response:**

PIRSA acknowledges that in one instance there was non-compliance with the established delegations. This was a misunderstanding of the appropriate use of delegations. PIRSA officers have been reminded of financial delegations and appropriate use of them in approving grants.

**Action taken to date:**

Completed – training and reminder of financial delegations to appropriate officers in the team.

**Agreed further action:**

PIRSA will also ensure that when new Grant Programs are developed, officers with appropriate delegations (as outlined in the A&E Plan) sign outcome letters to applicants.

**Action Owner:**

Brett Bartel, Director Recovery  
Kelly Menadue, Program Manager, Bushfire Recovery

**Action Due Date:**

Completed.



Our reference: A5559255  
Please refer to: Kristy Grant  
Manager, Corporate Governance & Assets  
Telephone No: **Clause 6(1)**

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Mr Andrew Richardson  
AUDITOR-GENERAL  
Auditor-General's Department  
Level 9  
State Administration Centre  
200 Victoria Square  
ADELAIDE SA 5000

Dear Mr Richardson

**Extended audit review: Procurement and Contract Management at the  
Department of Primary Industries and Regions (2021-22)**

Thank you for your letter dated 2 August 2022 providing findings from the Auditor-General's Department on the extended audit review of procurement and contract management at PIRSA. I am pleased to provide you with PIRSA's response.

Relevant officers at the Agency have reviewed the items raised in your report and provide the following responses to the audit findings and recommendations.

Please contact Ms Kristy Grant, Manager, Corporate Governance and Assets on **Clause 6(1)** if you require further information.

Yours sincerely

A handwritten signature in black ink, appearing to read "Mehdi Doroudi".

Prof Mehdi Doroudi PSM  
**CHIEF EXECUTIVE**

12/8/2022

## **PIRSA – Procurement and Contract Management findings**

### **1. Procurement**

#### **1.1 Procurement authorisations not separated from existing contract authorisations**

**Risk rating: Medium**

**Risk Exposure:**

Without clear authority to specifically approve acquisition plans, there is a risk that these may be authorised without consideration of the TI 18 and Procurement Planning Policy requirements.

**Audit Recommendation:**

Review and update the authorisations to reflect the specific approval requirements of TI 18.

**Response:**

The Financial and Procurement Authorisations Schedule is currently being reviewed by the Procurement Team within Corporate Services and will be amended to better reflect the requirements of TI 18. This will include providing improved clarity and guidance to officers in the divisions undertaking procurement activities regularly and the inclusion of an additional column and/or section differentiating between Procurement Authorisations governance information from contracting authorisations.

**Action Owner:** Will Kent, Chief Financial Officer  
Peter O'Dea, Program Manager, Rural Financial Services

**Action Due Date:** September 2022

#### **1.2 Emergency procurement provisions applied without a declared emergency**

**Risk rating: Medium**

**Risk Exposure:**

Non-compliance with the requirements of TI 18 and the Emergency Situations Procurement Schedule (ESPS).

**Audit Recommendation:**

Liaise with Procurement Services South Australia (PSSA) to clarify the circumstances in which the ESPS can apply to avoid any future interpretation issues. Ensure that the requirements of the Schedule are clearly understood, and emergency procurement strategies are embedded in PIRSA's Procurement Framework before applying to future procurements.

**Response:**

PIRSA will consult with PSSA to clarify the application of the ESPS to enable PIRSA as one lead agency to execute its responsibilities in response to emergencies and recovery, whilst ensuring compliance with the schedule. The Procurement Team in Corporate Services will improve its Procurement Procedure to clarify the procurement protocols under emergency situations and assist key PIRSA responsible officers to accurately apply the schedule in an emergency response. Finally, PIRSA will identify opportunities within our internal processes to provide expedited procurement

processes in certain, approved circumstances. These will not only adhere to procurement policies and guidelines but enable quick response times where it is critical to the emergency incident.

**Action Owner:** Will Kent, Chief Financial Officer  
Kat Moo, Principal Procurement and Contract Lead

**Action Due Date:** September 2022

### 1.3 TI 18 transitional reporting timeframes not met

**Risk rating:** Low

**Risk Exposure:**

Non-compliance with the transitional requirements of TI 18.

**Audit Recommendation:**

Going forward, PIRSA adhere to the reporting timeframes within TI 18.

**Response:**

Over the last two months the Procurement team in Corporate Services has hired additional resources and seeks to employ one more as per the approved organisational structure. The emergency response teams also seek to employ skilled procurement and contract officers as their response team is established. As you would be aware, the market for skilled resources in Procurement and Contract Management with government experience has been challenging, with several unsuccessful processes undertaken over last financial year. However, the skill shortages are starting to ease and PIRSA is recruiting in this area.

**Action Owner:** Will Kent, Chief Financial Officer  
Kat Moo, Principal Procurement and Contract Lead

**Action Due Date:** September 2022

### 1.4 No capability development plan (CDP) developed

**Risk rating:** Low

**Risk Exposure:**

Without the development of a CDP, PIRSA may not have considered how to monitor and measure the success of the procurement function, identify strengths and areas for improvement, and how to increase their capability where necessary. Given PIRSA's procurement function consists of one team member, this increases the importance of developing a CDP.

**Audit Recommendation:**

Develop a CDP and complete annually for submission to PSSA. Consider using the Public Authority Capability Assessment Tool to assist with this process.

**Response:**

The CDP is currently being finalised for approval and implementation. The plan will also address ongoing development and training needs for within the Procurement Team in Corporate Services but also those in the emergency response teams. The successful recruitment of a Contract officer within the Procurement team will also assist officers across the agency.

**Action Owner:** Will Kent, Chief Financial Officer  
Kat Moo, Principal Procurement and Contract Lead

**Action Due Date:** October 2022

## **1.5 Procurement Governance Committee terms of reference not finalised**

**Risk rating: Low**

**Risk Exposure**

Without the finalisation of the PGC membership, the PGC may not have commenced formal meetings set out in the ToR. Further, the PGC may not have met their key function of making decisions on the strategic direction of procurements and contracting specified in the ToR.

**Audit Recommendation:**

Once the membership of the PGC is finalised, update and approve the ToR.

**Response:**

The PGC membership has been established and is operational and reflects new membership resulting from restructures within PIRSA. The Terms of Reference have been developed for approval which is in train to be finalised by late August 2022.

**Action Owner:** Will Kent, Chief Financial Officer  
Kat Moo, Principal Procurement and Contract Lead

**Action Due Date:** August 2022

## **2. Contract Management**

### **2.1 Complexity assessment rationale not documented**

**Risk rating: Medium**

**Risk Exposure:**

Where a complexity assessment is made at an incorrect complexity level, the business impact and resourcing required to manage the contract may be inadequate.

**Audit Recommendation:**

Justification of the complexity scale applied should be documented to support the assessment made. This will assist in the event of any changes to the procurement/contract, or Contract Manager. The complexity scale factors detailed in the Guideline should be considered when making a complexity assessment.

**Response:**

A PIRSA Value Risk Matrix (tool) has been developed to assist with the complexity assessment and determination. This tool has now been mandated for use as part of the procurement initiation stage across the agency and requires a Procurement Process Endorsement (PPE) form to be submitted to PIRSA's Procurement Advisory Unit in Corporate Services for endorsement.

**Action Owner:** Will Kent, Chief Financial Officer  
Kat Moo, Principal Procurement and Contract Lead

**Action Due Date:** Completed

**2.2 Contract manager does not have required training**

**Risk rating:** Low

**Risk Exposure:**

Staff managing contracts without the required training may be unaware of their responsibilities and the requirements of the Contract Management Policy.

**Audit Recommendation:**

Ensure that all staff who are responsible for managing contracts have undertaken the required training.

**Response:**

The training requirement is core element within the CDP mentioned above. Whole of Government training courses in contract management have been difficult to access as they reach capacity relatively quickly. By implementing the training requirement as a core element of the CDP, this ensures all PIRSA Officers managing contracts have a sufficient understanding of their obligations and required level of skill under the Contract Management Policy/ Framework. Officers already trained across the agency are key contacts sharing their knowledge to those awaiting entry to training courses.

**Action Owner:** Will Kent, Chief Financial Officer  
Kat Moo, Principal Procurement and Contract Lead

**Action Due Date:** October 2022

**2.3 Contract Management Plan not approved**

**Risk rating:** Low

**Risk Exposure:**

Without a finalised and approved CMP, PIRSA's contract management processes may not effectively assess contract performance and/or identify issues throughout the contract term.

**Audit Recommendation:**

PIRSA ensure all required CMPs are approved no later than the contract commencement date.

**Response:**

As part of procurement and contract management process, the Procurement Team in Corporate Services now requests copies of all approved plans and minutes on all procurement and contract management activities to ensure appropriate governance has been applied. Approval records are kept for future reference.

**Action Owner:** Will Kent, Chief Financial Officer  
Kat Moo, Principal Procurement and Contract Lead

**Action Due Date:** Actioned

**3. Improvement opportunities**

**3.1 Procurement Framework and Contract Management Framework can be improved**

**Risk rating:** Low

**Risk Exposure:**

Without clearly documenting what contract register PIRSA is currently using, there is a risk that the record keeping of PIRSA contracts could be inconsistent or incomplete. PIRSA staff/contract managers may be unaware or unclear what records should be retained as part of the contract management process, resulting in inadequate record keeping practices.

**Audit Recommendation:**

Review and update the Procurement Framework and Contract Management Framework to capture suggested improvements.

**Response:**

Procurement and Contracts records are maintained by the Procurement Team in Corporate Services using the mandated Procurement Activity Reporting System (PARS) platform. This is supported by the mandated requirement of providing appropriate information to Team via a Contract Information Form (CIF) by responsible PIRSA officers in the Divisions for each procurement and contract management activity undertaken. In addition, variations and extensions are required to be relayed to the Procurement Team in Corporate Services for noting and advice.

**Action Owner:** Will Kent, Chief Financial Officer  
Kat Moo, Principal Procurement and Contract Lead

**Action Due Date:** Actioned





Our reference: A5552796  
Please refer to: Kristy Grant  
Manager, Corporate Governance & Assets  
Telephone No: Clause 6(1)

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Mr Andrew Richardson  
AUDITOR-GENERAL  
Auditor-General's Department  
Level 9  
State Administration Centre  
200 Victoria Square  
ADELAIDE SA 5000

Dear Mr Richardson

**Extended audit review: SA Public Sector Workforce Rejuvenation Scheme at the Department of Primary Industries and Regions (2021-22)**

Thank you for providing the audit recommendations in relation to the extended audit review of the application of the SA Public Sector Workforce Rejuvenation Scheme (the "scheme"). I apologise for the delay in responding to your letter dated 22 July 2022.

I acknowledge the risk created by the lack of a documented strategy to rejuvenate the workforce following departures and by the failure to fill all positions vacated under the scheme. Accordingly, I will address the recommendations and endeavour to uphold the intent of the scheme where possible under my leadership.

Over the past 18 months PIRSA has been actively involved in a workforce restructure program to significantly realign departmental reporting structures and delivery outputs. This restructure has been coupled with a change in PIRSA's leadership, with my appointment as Chief Executive in February this year.

Given this restructure process and the associated disestablishment of a number of positions, I believe that PIRSA is restricted in realising the full intent of the scheme. However, as change processes across PIRSA are finalised, the agency will prioritise reviewing roles vacated through the scheme and will focus on upholding the scheme's objectives where possible within PIRSA's allocated budget.

It is intended that the recommendations raised in the report, including appropriate documentation, will be addressed by December 2022. Kristen Demetriou, Manager People Operations, has been identified as the accountable officer for this work.

Ms Kristy Grant, Manager, Corporate Governance and Assets, can be contacted on  
Clause 6(1) if you require further information regarding this matter.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Mehdi Doroudi', with a stylized flourish at the end.

Prof Mehdi Doroudi PSM  
**CHIEF EXECUTIVE**

10/8/2022



ID number  
A5498300

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Email: [audgensa@audit.sa.gov.au](mailto:audgensa@audit.sa.gov.au)

Dear Mr Richardson,

**Interim audit of the Department of Primary Industries and Regions for 2021-22**

I am pleased to provide you with PIRSA's response to the interim audit for 2021-22 as outlined in your letter dated 31 May 2022.

Our comments and responses have been discussed and agreed with the relevant officers across the Agency and are listed against the audit findings and recommendations detailed in your report.

PIRSA recognises its responsibility to facilitate compliance with relevant legislation, determinations, standards, and policies, including the role that all staff hold in achieving this.

We acknowledge the areas identified for improvement, and will continue to work with your staff, our Risk and Performance Committee and our Executive to further enhance our internal control environment and our business processes.

I would like to thank the Principal Audit Manager, Amy Jeffreys and the associated audit team for their co-operation and assistance during the audit.

Please contact Ms Kristy Grant, Manager, Governance and Assets on Clause 6(1) if you require further information.

Yours sincerely

Prof. Mehdi Doroudi PSM  
**CHIEF EXECUTIVE**

27/06/2022

## **1 Governance**

### **1.1 Legislative Compliance Register incomplete**

**Rating: Medium**

**Risk exposure:**

Without a complete Legislative Compliance Register to underpin the legislative compliance framework and evidence that compliance has been assessed, there may be instances of non-compliance that have not been identified or reported. Non-compliance with relevant legislation may lead to litigation and subsequent losses to PIRSA.

**Audit Recommendation:**

PIRSA continues to update the central Legislative Compliance Register to ensure compliance with the Legislative Compliance Policy. The register should include how divisions have assessed compliance with legislation to support central reporting of compliance on a regular basis. Ensure divisions maintain documentation to evidence their compliance assessment.

**Actions taken to date:**

A central Legislative Compliance Register has been established. The register captures the legislation administered by PIRSA, the legislation PIRSA needs to comply with as an Agency and is the register for monitoring compliance and reporting breaches.

The content of the register has been updated to capture the recent changes in the responsibilities and statutory appointments.

Regular reviews of the register's content have been implemented, with the most recent reviews completed with the Divisions for Q3 FY2021-22.

**Agreed further actions:**

PIRSA will continue working on the items still to be addressed in the legislative compliance process:

- complete the information required for the compliance monitoring process and Significant Compliance Events/ Breaches and record these in the register.
- identify and document the monitoring process for the corporate legislation PIRSA needs to comply with.

**Action Owner:** Senior Risk and Audit Consultant

**Action to be completed by:** 31/11/2022

### **1.2 Outdated risk management procedures and no strategic risk register**

**Rating: Medium**

**Risk exposure:**

PIRSA may not be effectively monitoring and managing all current risks, resulting in exposure to threats or events causing interruption to operations or impacting PIRSA's ability to achieve its objectives.

**Audit Recommendation:**

Finalise the update of the Risk Management Policy and Risk Management Procedure and make available to staff once approved. Consider incorporating more guidance for risk tolerance/appetite and clarifying when risk treatment plans are needed into the procedure and/or risk register to clearly identify which risks should have a treatment plan.

Review the strategic risk register annually per the Risk Management Procedure.

**Actions taken to date:**

The Risk Management Policy, Procedure and related documents/ templates have been finalised to reflect the Agency's current risk management process, to align with the requirements and to address previous audit findings. In finalising these documents consideration has been taken to the audit recommendation above (clarification was added for which risks should have a treatment plan). The Risk Management Policy includes the commitment to develop and to implement risk appetite to guide the risk decisions.

The revised framework has been endorsed by the Risk and Performance Committee on 2 June 2022 and subsequently approved by the Chief Executive.

The updated risk management framework documents are being published on PIRSA intranet.

**Agreed further actions:**

1.2.1 PIRSA will review and update the strategic risks in conjunction with the Risk and Performance Committee members for the 2022-23 financial year.

**Action Owner:** Executive Director, Corporate Services

**Action to be completed by:** 31/11/2022

**1.3 Policies and procedures overdue for review**

**Rating: Low**

**Risk exposure:**

Current and updated policies and procedures assist in achieving consistent and reliable processes. If policies and procedures are not reviewed regularly, processes may be out of date and may not be as efficient or effective in meeting their intended outcomes.

**Audit Recommendation:**

As part of the PPGS project consider which documents will remain from the above list and ensure that these are reviewed and updated where necessary. Prioritise reviewing and updating those PPGS that have been identified as critical (for example, the Fraud and Corruption Policy).

**Actions taken to date:**

PIRSA had engaged an external consultant to undertake a review of the current PPGS suite, including a review of the PPGS governance. The project has been completed with 11 recommendations for the improvement of the current PPGS documents and the related governance processes.

In the meantime regular reports have been issued with the status of the reviews for the current PPGS documents, reminding the document owners of the due dates and outstanding review.

**Agreed further actions:**

PIRSA will implement the recommendations from the PPGS review project, including the prioritisation of documents for review and update in response to the changes in legislation.

In the meantime reviews of HR documents (People and Culture) and ICT documents have commenced and are in progress as high priority documents.

**Action Owner:** Manager, Corporate Governance and Assets

**Action to be completed by:** 31/06/2023

**2. Revenue contract assessment and revenue recognition process needs improving**

**2.1 Not all relevant contracts assessed for revenue recognition**

**Rating: Medium**

**Risk exposure:**

As a result of the revenue contract assessment being performed inconsistently, contract terms and conditions may not be adequately assessed leading to revenue being incorrectly recognised, measured, or disclosed in the financial statements.

**Audit Recommendation:**

Ensure revenue assessments are performed for all revenue contracts (not just research services) with characteristics that align with PIRSA's established criteria.

**Actions taken to date:**

Prior to the formal handover of the contracts assessment process to the SARDI Contracts Unit, all revenue assessments were undertaken by the SARDI Financial Services team.

Contracts for non-accruable revenue (tagged as Fee for Service in the General Ledger) were not assessed as revenue for these contracts is recognised at a point in time and is not included in SARDI's monthly revenue accrual process.

The contract assessment process was formally handed over to the SARDI Contracts Unit in October 2021.

The Contracts Unit staff assess all revenue contracts against the set criteria using the 'short-form' assessment template. Responses are recorded in Minuet by SARDI Contract Services Officers.

A quarterly review is undertaken by the Financial Services team to review the contract assessments undertaken by the Contracts Unit staff for contracts executed during that 3-month period. The review is based on extracting relevant contract data from Minuet.

Any anomalies are followed up and rectified immediately.

All contracts with new customers are assessed by the Financial Services team using the 'long-form' assessment template.

**Agreed further actions:**

Continue to conduct quarterly reviews of revenue assessments.

**Action Owner:** Manager, Financial Services SARDI

**Action to be completed by:**

Actions have been implemented with the on-going quarterly reviews to continue.

**2.2 SARDI revenue recognition process documentation can be improved**

**Rating:** Low

**Risk exposure:**

Actual revenue recognised may not reflect conclusions from revenue assessment of contracts, leading to revenue being misstated in the financial report.

**Audit Recommendation:**

Update the SARDI Monthly Revenue Accruals procedure to reflect the contract tag code process that captures the revenue recognition conclusion from the contract assessments performed and ensures distinction is made for which contracts should be included in the monthly accrual journal for recognition over time.

**Actions taken to date:**

SARDI uses a General Ledger tagging method to identify which revenue contracts should be recognised over time and included in the monthly revenue accrual process.

This relates to all projects tagged '10 External' in the General Ledger. Revenue assessment data from Minuet (for assessments undertaken by the Contracts Unit) and from Objective (prior to handover to the Contracts Unit) is recorded in SARDI's project management list and compared against the monthly revenue accrual journal to ensure revenue is appropriately recognised.

**Agreed further actions:**

The Monthly Revenue Accrual Local Work Instruction will be updated to include information regarding the code tagging process and how this relates to the contract assessments performed.

SARDI Financial Services team will review older contracts (executed prior to 2019/2020) against the revenue assessment criteria to confirm that these revenue contracts should be recognised over time.

**Action Owner:** Manager, Financial Services SARDI

**Action to be completed by:** 31/12/2022

## **2.3 Lack of connection between IRD revenue contract assessment to revenue recognition practice**

**Rating: Medium**

### **Risk exposure:**

Lack of clearly documented requirements for communicating revenue contract assessment conclusions between PMO and Finance can result in revenue recognised in the financial report not reflecting the conclusions from revenue assessment of contracts. As a result, revenue balances may be misstated.

### **Audit Recommendation:**

Expand the Instructions to ensure the PMO's contract assessment conclusions are reflected in the monthly revenue accrual process going forward, i.e., how contracts to be recognised at a point in time will be differentiated from those recognised over time, and the process for when recognising revenue at the required point in time.

In addition, perform a retrospective check of revenue recognised to date for contracts concluded as recognised at a point in time to determine the extent of any errors in revenue recognition and make any adjustments required (to occur as part of the first quarterly review).

Update the Planview 17 User Manual to ensure the requirements for Finance's quarterly review process for revenue contract assessments are captured, such as the timeframes, responsible personnel, and actions required based on review outcomes.

### **Actions taken to date:**

New processes have been put into place to ensure contract assessment are flowed through to revenue recognition practices.

- PMO team have received further training, to ensure they understand they understand the impact of "no" responses.
- Planview 17 User Manual has been updated to reflect
  - any contracts identified by PMO Team as not meeting accrual criteria are immediately referred to finance for review, if finance agree, these projects are flagged in the monthly Accrual file for exclusion
  - quarterly review of contract assessments commenced in May
- Revenue in Advance Accrual local work instructions have been updated

### **Agreed further actions:**

No further actions required. Actions have been implemented. Staff agreed to changes implemented.

**Action Owner:** Manager, Financial Services

### **Action to be completed by:**

Actions have already been implemented.

## **2.4 Short -form template only prompts for one performance obligation**

**Rating: Low**

### **Risk exposure:**

Contracts with multiple performance obligations may not be appropriately assessed, resulting in revenue being incorrectly recognised and measured.



**Audit Recommendation:**

Incorporate consideration for contracts with multiple performance obligations into the short form assessment template. For example, if there are multiple performance obligations identified that are satisfied at different times, to notify Finance for further consideration.

**Actions taken to date:**

PIRSA has reviewed the current template and considered adding an additional question to the short-form template to determine if there are multiple obligations in a revenue contract.

**Agreed further actions:**

PIRSA will update the short-form template to include assessment of multiple performance obligations in revenue contracts.

**Action Owner:** Principal Financial Consultant

**Action to be completed by:** 31/12/2022

**3. Payroll****3.1 Leave Return Reports not reviewed promptly**

**Rating:** Medium

**Risk exposure:**

Delays in reviewing leave return reports may increase the risk of employee leave balances being inaccurate, resulting in employees accessing leave they are not entitled to, salary overpayments, and misstated employee benefit liabilities in the financial report.

**Audit Recommendation:**

Regularly monitor the Leave Returns Compliance Report and report non-compliance to Executive for action to be taken. Remind non-compliant managers of their responsibility to review the leave return reports promptly in accordance with the Leave Returns Procedure.

**Actions taken to date:**

PIRSA has implemented regular monthly reporting of the Leave Return Compliance to the divisions.

**Agreed further actions:**

Ensure that divisional processes include a review of outstanding actions. Consider introduction of Quarterly summary reports to PIRSA Executive to monitor on how these actions are contributing to improve the compliance with the Leave Return Procedure.

**Action Owner:** Director, People and Culture

**Action to be completed by:** 31/11/2022

**3.2 Bona fide reports not reviewed promptly**

**Rating:** Low

**Risk exposure:**

Delays in reviewing bona fide reports increase the risks of invalid or inaccurate payments being made to employees not being identified and corrected promptly. This

may result in salary overpayments or misstated employee benefit related balances in the financial report.

**Audit Recommendation:**

Regularly monitor the Bona Fide Compliance Report and report non-compliance to Executive for action to be taken. Remind non-compliant managers of their responsibility to review the bona fide reports promptly in accordance with the Bona Fide Certificate Procedure.

**Actions taken to date:**

PIRSA has implemented regular monthly reporting of the Bona Fide Compliance to the divisions.

**Agreed further actions:**

Ensure that divisional processes include a review of outstanding actions. Consider introduction of Quarterly summary reports to PIRSA Executive to monitor on how these actions are contributing to improve the compliance with the Bona Fide Certificate Procedure.

**Action Owner:** Director, People and Culture

**Action to be completed by:** 31/06/2023

### **3.3 Employee contract unable to be located**

**Rating:** Low

**Risk exposure:**

The absence of an employment contract or reclassification agreement increases the risk to PIRSA of:

- the employee being remunerated at a different classification level or incorrect rate for their position
- in the event of a dispute, PIRSA will be unable to provide evidence of the terms applicable to the employee's engagement including rate of pay, hours contracted, leave entitlements or other conditions of employment.

**Audit Recommendation:**

Ensure all relevant employee documentation is filed in the corresponding personnel file. File personnel documentation according to employee ID as this number remains constant whereas names may change.

**Actions taken to date:**

The process of locating the hard copy files has commenced.

**Agreed further actions:**

Process reviews have been undertaken, including the allocation of work (contracts) which captures the contract process. Consider reviewing to include date filed and allocating a dedicated senior staff member the responsibility of monitoring compliance with recommended process.

Consider establishing a local procedure outlining the process or contract management for training purposes, including change of name process.

**Action Owner:** Director, People and Culture

**Action to be completed by:** 16/12/2022

## **4, Assets and Liabilities**

### **4.1 Hardcat reconciliation variance investigation/ explanations are not documented**

**Rating: Low**

**Risk exposure:**

Without appropriate documentation of the explanation and follow-up action taken, variances may not be appropriately investigated for correction resulting in misstatements in the financial report such as errors in depreciation or misclassified asset balances.

**Audit Recommendation:**

Document the investigation of variances in the Hardcat to MPFAR reconciliation. Appropriate investigation should also consider the potential impact the variances may have on asset balances.

Update the PIRSA Asset Financial Procedure to clearly specify the responsibilities to perform and review the Hardcat and MPFAR reconciliation, and the nature and extent of documentation that should be recorded in the reconciliation workbook to evidence the explanation and investigation performed for variances identified

**Actions taken to date:**

A number of reconciliation variances have been cleared since the discussion with Audit during the audit process. PIRSA is considering improvements to the format of the reconciliation.

**Agreed further actions:**

PIRSA will:

- (1) document investigation and provide explanation of the variances in the reconciliation workbook.
- (2) update procedures to specify responsibilities of preparation and review of the reconciliation.

**Action Owner:** Principal Financial Consultant

**Action to be completed by:** 31/12/2022

### **4.2 Asset stocktake procedures can be improved**

**Rating: Low**

**Risk exposure:**

Lack of documented procedures for the stocktake process may lead to inconsistent practices and increase the risk of inaccurate asset balances and related information in the financial report.

**Audit Recommendation:**

Consider updating the Asset Financial Procedure to address the following areas:

- the responsibility to coordinate and report the stocktake across all business divisions
- what information should be reviewed as part of the stocktake (for example, that useful lives remain appropriate). Some of this may be achieved through formalising the stocktake guidelines as an appendix to the procedure, for example
- responsibility for reporting and follow up action required at the completion of the stocktake process, for example collating responses and processing any adjustments required.

**Actions taken to date:**

PIRSA is considering any improvements that can be made to the stocktake procedures to further the reduce the risk exposure.

**Agreed further actions:**

PIRSA will update procedures to specify responsibilities, outline process requirement and provide guidance on annual stocktake.

**Action Owner:** Principal Financial Consultant

**Action to be completed by:** 31/12/2022