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Our ref: DHS/22/08517  
Your ref: 16695450

Hon Heidi Girolamo MLC  
Parliament House  
North Terrace  
ADELAIDE SA 5000

Sent by email: [girolamo.office@parliament.sa.gov.au](mailto:girolamo.office@parliament.sa.gov.au)

Dear Ms Girolamo

I refer to your application under the *Freedom of Information Act 1991* (the FOI Act), received by the Department of Human Services (DHS) on 4 October 2022 seeking access to:

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

On 26 October 2022, your office clarified that the request related to the 21/22 financial year and that by 'corresponding audit report', you are referring to the agency's response to the Auditor-General's Department in relation to the Audit Management Letters in whatever form that takes.

I apologise that DHS did not make a determination within 30 days as required by the FOI Act. However, DHS has continued to process your application outside of this timeframe. Section 19(2)(a) of the Act provides that an agency can release documents outside of the thirty-day timeframe, and this is still taken to be a determination under the FOI Act.

Seven documents have been identified as relevant to your application and these documents are being released to you in full. Please find enclosed a copy of the documents released, and a document schedule containing a brief description of each document and determination in summary form.

In accordance with the requirements of Premier and Cabinet Circular PC045, details of your FOI application, and the documents to which you are given access, may/will be published on the agency's disclosure log. A copy of PC045 can be found at <https://www.dpc.sa.gov.au/resources-and-publications/premier-and-cabinet-circulars>

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If you have any questions in relation to this matter, please contact Fiona Braendler, Senior FOI Officer, on telephone 8413 9094 or by email at [DHSFreedomofInformation@sa.gov.au](mailto:DHSFreedomofInformation@sa.gov.au). If you disagree with publication, you will need to advise the Senior FOI Officer within two weeks of the date of this determination.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Eamonn Maloney', with a stylized, flowing script.

Eamonn Maloney  
**ACCREDITED FREEDOM OF INFORMATION OFFICER**

22 / 11 / 2022

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**SCHEDULE OF DOCUMENTS – DHS/22/08517**

Freedom of information application from the Hon Heidi Girolamo MLC seeking access to *copies of all Audit Management Letters and their corresponding audit reports from the 30 June 2022 Auditor-General's Department Audit period.*

No	Author	Date	Description of document	Determination	Exemption clause
1.	Andrew Richardson Auditor-General	15/08/2022	Letter – Extended audit review: Contract management at the Department of Human Services (2021-22)	Released in full	
2.	Auditor- General	17/08/2022	Letter – Interim audit of the Department of Human Services for 2021-22	Released in full	
3.	Auditor-General	18/08/2022	Letter – Extended audit review: Procurement at the Department of Human Services (2021-22)	Released in full	
4.	Auditor-General	29/08/2022	Letter – Interim audit of the Department of Human Services for 2021-22 – Payroll findings	Released in full	
5.	Lois Boswell Chief Executive Department of Human Resources (DHS)	30/08/2022	Letter – Extended Audit Review – Contract Management and Procurement	Released in full	
6.	Chief Executive DHS	8/09/2022	Letter – Interim audit of the Department of Human Services for 2021-22	Released in full	
7.	Chief Executive DHS	9/09/2022	Letter – Payroll Interim Audit of the Department of Human Services for 2021-22	Released in full	

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Government of South Australia  
Auditor-General's Department

Our ref: A22/346

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15 August 2022

Ms L Boswell  
Chief Executive  
Department of Human Services  
email: DHS.CEOoffice@sa.gov.au

Dear Ms Boswell

**Extended audit review: Contract management at the Department of Human Services (2021-22)**

In our strategy letter dated 24 June 2022, we informed you that we would conduct a review into procurement and contract management in response to the new Treasurer's Instruction 18 *Procurement* (TI 18). We have completed our review of contract management at the Department of Human Services (DHS). This management letter outlines our findings and requests your comments on any matters requiring action.

I would appreciate receiving your comments by 29 August 2022. Please also confirm the responsible officer for addressing each issue, and your proposed time frame for resolution.

**1 Background**

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 DHS, must comply with both TI 18 and the supporting policies.

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

This letter reports our contract management findings. Our procurement findings will be reported separately once finalised.



## 2 Scope

Our contract management review had the following objectives:

- we reviewed whether DHS had established an appropriate contract management framework and governance arrangements to comply with TI 18 and associated policies
- for a sample of major contracts, we tested that contract start up, administration and performance management processes were performed
- we reviewed contract management information systems were appropriately implemented, including maintaining a contract register.

## 3 Summary of findings

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

### **Non-compliance with documentation requirements**

We reviewed the contract management activities relating to the Youth Support and Development Program panel contracts. We found some key documentation requirements under the PSSA policies were not complied with, including:

- contract handover checklist was not completed
- contract management plan was not approved.

We also found that while the complexity assessment had been determined as 'complex' for the contract, there was no documentation of the factors applied to come to this conclusion.

Without the above documentation, there is a risk that contracts may not be effectively managed. Our recommendations include that documentation is maintained and approval obtained as required by PSSA policy.

### **Contract management training requirements not met**

For the same panel contract as above, we found that two out of the three assigned contract managers did not have the required training under the PSSA Contract Management Policy.

This may also impact DHS's ability to effectively manage contracts. We recommend that DHS ensure that all staff who are responsible for managing contracts have undertaken the required training.

We discussed the audit findings with the Acting Director, Procurement on 15 August 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.

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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

cc: Mr N Ashley, Chief Financial Officer, [nick.ashley@sa.gov.au](mailto:nick.ashley@sa.gov.au)  
Ms R Ambler, Executive Director, Community Investment and Support, [ruth.ambler@sa.gov.au](mailto:ruth.ambler@sa.gov.au)  
Ms E Chmielewski, Acting Director, Procurement, [elizabeth.chmielewski@sa.gov.au](mailto:elizabeth.chmielewski@sa.gov.au)  
Ms C Lock, Acting Director, Community and Social Investments, [caroline.lock@sa.gov.au](mailto:caroline.lock@sa.gov.au)  
Mr D Green, Director, Finance, [daniel.green@sa.gov.au](mailto:daniel.green@sa.gov.au)

## Attachment: Contract management findings

### Contents

			Rating			
		Page	E	H	M	L
1	Contract handover checklist not completed.....	5				x
2	Complexity assessment reasoning not documented .	6				x
3	Contract Management Plan not approved .....	7				x
4	Contract managers have not completed required training .....	8				x
5	Contract Management Handbook can be improved ..	9				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: Contract management findings**

### **1 Contract handover checklist not completed**

#### **Rating: Low**

Procurement Services SA (PSSA) policies apply to all contracts executed after 1 July 2021.

The PSSA Contract Management Policy requires a contract handover checklist to be used for all routine, complex and strategic contracts.

The PSSA Contract Start-Up Guideline states that the contract handover process supports the efficient and effective sharing of information and handover of responsibility. This is particularly important where the contract manager has not been a part of the planning or sourcing processes. The handover process helps the contract manager to understand any significant issues or important information identified through the procurement process.

Our review of the Youth Support and Development Program panel contracts identified that a contract handover checklist was not used. We were also unable to obtain sufficient evidence that a handover process was performed.

The Acting Director, Procurement advised that the requirement to complete a contract handover checklist has since been included in the DHS contract management system.

#### **Risk exposure**

Without a contract handover process, staff managing contracts may be unaware of any significant issues or risks relating to the contract from the procurement process.

#### **Recommendation**

Ensure a contract handover is completed prior to the contract commencement date, following the checklist available.

## **Attachment: Contract management findings**

### **2 Complexity assessment reasoning not documented**

#### **Rating: Low**

The PSSA Contract Management Policy requires a contract to be classified as either transactional, routine, complex or strategic based on the level of complexity, risk profile and value of the contract. The classification process is critical to understand its business impact and the resourcing required to manage the contract over its life.

The PSSA Procurement Governance Policy requires a complexity and capability assessment to be undertaken during procurement activity planning, before commencing an individual procurement process and during contract handover. The PSSA Complexity and Capability Assessments Guideline (the Guideline) provides an example complexity scale to assist in assessing the complexity level, but suggests that each public authority should assess its portfolio to determine its own complexity scale.

We reviewed the Youth Support and Development Program panel contract as part of our testing. The Contract Management Plan (CMP) indicates that the contract has been classified as complex, however there was no documented reasoning to support the complexity assessment. The CMP states that the detail of these complexity assessments, including the outcome and considerations leading to that outcome is located in the Guideline.

The Acting Director, Procurement advised that the DHS complexity assessment tool was not developed at the time these contracts were executed. The complexity assessment had been applied retrospectively once the complexity assessment tool was established.

#### **Risk exposure**

Without documenting the reasoning for the complexity assessment, the rationale behind the assessment could be lost over time, or incorrect reassessment maybe made when a change in staff occurs.

#### **Recommendation**

Contract owners should ensure the complexity assessment is supported by adequate documentation of the rationale applied in the assessment.



## **Attachment: Contract management findings**

### **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.

The PSSA Contract Management General Requirements Schedule states that the 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.

Our review of the CMP for the Youth Support and Development Program panel contracts (executed between August 2021 and October 2021) found that the CMP was not developed at the contract commencement date, and the current CMP has not been approved by the contract owner.

#### **Risk exposure**

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

#### **Recommendation**

Review and approve the CMP for the Youth Support and Development Program.

For future contracts, ensure a CMP is approved no later than the contract commencement date.

## **Attachment: Contract management findings**

### **4 Contract managers have not completed required training**

#### **Rating: Low**

The PSSA Contract Management Policy requires that for routine, complex and strategic contracts:

- an adequately resourced and skilled contract manager must be appointed
- the contract manager must have completed the PSSA Principles of Contract Management course and Advanced Contract Management course (or similar), within the last two years.

As part of our review, we tested a panel contract relating to the Youth Support and Development Program. We found two of the three contract managers had not undertaken the training required by the PSSA Contract Management Policy. DHS staff explained that this was due to the change in training providers and limited availability due to COVID-19.

We also confirmed that the above two contract managers had not completed any State Procurement Board training within the last two years.

#### **Risk exposure**

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

#### **Recommendation**

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

## **Attachment: Contract management findings**

### **5 Contract Management Handbook can be improved**

#### **Rating: Low**

DHS has developed a Contract Management Handbook (Handbook) in line with Treasurer's Instruction 18 *Procurement*, which requires agencies to develop a Contract Management Framework.

The PSSA Contract Management General Requirements Schedule requires public authorities to implement and maintain a Contract Management Framework which details organisational-level contract management requirements. This may include privacy and confidentiality, probity, ethical behaviour, accountability and transparency, stakeholder engagement, or across government contracts.

Our review of DHS's Handbook found that it briefly addresses some of the organisational-level contract management requirements, however it could be improved by including specific sections relating to the following requirements:

- privacy and confidentiality
- approval and management of subcontractors
- engagement of across government contracts.

We also found that the Handbook could be improved by including what contract details should be recorded in the contract management system (PACMAN), to assist contract managers when updating the system.

#### **Risk exposure**

Staff managing contracts may not be clear on the requirements and expectations for organisational-level contract management, or what details should be recorded in the contract management system.

#### **Recommendation**

Review and update the Contract Management Handbook to include:

- the organisational-level contract management requirements such as privacy and confidentiality, approval and management of subcontractors and engagement of across government contracts
- the contract details that should be recorded in the contract management system.



## 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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17 August 2022

Ms L Boswell  
Chief Executive  
Department of Human Services  
email: DHS.CEOOffice@sa.gov.au

Dear Ms Boswell

### **Interim audit of the Department of Human Services for 2021-22**

We have completed the majority of our interim audit of the Department of Human Services (DHS). This management letter outlines our findings and requests your comments on any matters requiring action.

At the time of this letter, our payroll related findings are still in progress. We will report separately on those findings once finalised.

I would appreciate receiving your comments by 31 August 2022. Please also confirm the responsible officer for addressing each issue, and your proposed time frame for resolution.

#### **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.

#### **Key governance frameworks overdue for review**

We found that DHS has several key governance framework documents that are overdue for review:

- Risk Management Policy (due for review in July 2021)
- Risk Management Framework (due for review in May 2021)
- Fraud and Corruption Control Framework (due for review in September 2020).

As a result, DHS may not be effectively managing risk in accordance with the applicable SA Government guidance (which has changed since these documents were last reviewed) and may not be as efficient or effective in detecting and preventing fraud.

We note that DHS is working on developing a risk appetite statement prior to updating the risk management documents, and a draft Fraud and Corruption Control Framework is in progress. We recommend these documents be prioritised for review and updating.

We discussed the audit findings with the Director, Finance, Principal Risk Management Consultant, and Manager Financial Compliance and Accounting Services during August 2022 and have reflected that feedback in this letter where appropriate.

## **2 Audit scope**

The audit reviewed the following areas:

- governance
- expenditure, including grants and subsidies, concessions, supplies and services, and NDIS expenses
- revenue
- fixed assets
- cash
- client trust receipts and payments
- general ledger functions
- follow up of prior year issues.

We gained an understanding of DHS's control environment and analysed system financial data to assess the risk of material misstatement to DHS's financial statements. Based on the outcomes of this assessment we reviewed a selection of key controls. We also performed a combination of analytical review procedures and detailed tests of transactions.

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**

enc

cc: Mr N Ashley, Chief Financial Officer, [nick.ashley@sa.gov.au](mailto:nick.ashley@sa.gov.au)  
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## Attachment: Interim audit findings

### Contents

	Page	Rating			
		E	H	M	L
1 Governance .....	4				
1.1 Risk Management Policy and Framework overdue for review .....	4				x
1.2 Fraud and Corruption Control Framework Overdue for Review .....	4				x
2 Revenue.....	6				
2.1 Process for assessing revenue contracts can be improved.....	6				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: Interim audit findings**

### **1 Governance**

#### **1.1 Risk Management Policy and Framework overdue for review**

**Rating: Low**

Treasurer's Instruction 2 *Financial Management* requires that the Chief Executive must establish and maintain effective policies, procedures and systems for the identification, assessment, monitoring, management and annual review of financial and tax risks.

DHS has established a Risk Management Policy and Risk Management Framework which describe DHS's responsibilities under the South Australian Risk Management Policy Statement and its approach to risk management, roles and responsibilities, and risk management recording and reporting requirements.

These documents are dated 2019 and were due for review in 2021. We consider the review of these documents especially important as the SA Government has since replaced the 2009 Risk Management Policy Statement with the Risk Management Guide.

We were advised that DHS is reviewing its strategic risks and developing a risk appetite statement (RAS). The risk management documents will be updated once the RAS is finalised.

#### **Risk exposure**

DHS may not be managing risk in accordance with the applicable guidance, potentially leading to risks not being effectively managed.

#### **Recommendation**

Review and update the Risk Management Policy and Risk Management Framework in line with changes to the Risk Management Guide and current practice.

#### **1.2 Fraud and Corruption Control Framework Overdue for Review**

**Rating: Low**

Treasurer's Instruction 2 *Financial Management* requires Chief Executives to either adopt the Fraud and Corruption Control policy issued by the Commissioner for Public Sector Employment or issue an agency-specific policy with respect to the prevention, detection and control of fraud, corruption and other criminal conduct, maladministration and misconduct in connection with the activities of the public authority. Any agency-specific policy must be reviewed on at least an annual basis, taking account of any review of the policy issued by the Commissioner for Public Sector Employment.

DHS have adopted the South Australian Public Sector Fraud and Corruption Control Policy and developed a Fraud and Corruption Control Framework (Framework) to support this.

## **Attachment: Interim audit findings**

DHS's Framework identifies the objectives, roles and responsibilities in the management of fraud and corruption control and the process of reporting fraud and corruption.

The Framework is dated October 2018 and was due for review in September 2020.

We were advised that DHS have drafted a revised version of the Framework, however at the time of our audit this had not yet been approved.

### **Risk exposure**

Current and updated policies and frameworks assist in achieving consistent and reliable processes. If the Fraud and Corruption Control Framework is not reviewed regularly, processes may be out of date and may not be as efficient or effective in detecting and preventing fraud.

### **Recommendation**

Review the Fraud and Corruption Control Framework regularly. Prioritise the updated draft for approval and release to staff.

## Attachment: Interim audit findings

### 2 Revenue

#### 2.1 Process for assessing revenue contracts can be improved

##### Rating: Low

There are two revenue accounting standards that are applicable to DHS:

- AASB 15 *Revenue from Contracts with Customers*
- AASB 1058 *Income of Not-for-Profit Entities*.

The assessment of revenue contracts is an important control as there are different requirements for revenue recognition, measurement and disclosure depending on which 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.

DHS has developed a consolidated revenue register to document its assessment of revenue contracts and how revenue is treated under the relevant standard. The Financial Compliance Accountant analyses the general ledger (GL) data each quarter to ensure material revenue transactions have been included in the revenue register for assessment. This process is documented in the DHS AASB 15 and 1058 Revenue Work Instruction.

Our review of this process found that the quarterly assessment does not adequately address contract variations, as reviewing GL data may not identify significant contract variations that could impact revenue recognition. Revenue contracts are managed by the relevant Business Division. The Financial Compliance Accountant relies on the Business Divisions to advise of any variations to contracts that have previously been assessed. There is no process in place to ensure the Financial Compliance Accountant is notified of all contract variations.

Additionally, while the quarterly process ensures material revenue transactions identified in the GL have been assessed, it does not check if the assessed treatment has been correctly reflected in the GL. The importance of this is demonstrated by a material error that was identified in 2020-21, where DHS had treated a contract differently to how it had been assessed (once notified, DHS corrected this error). From our review of DHS's revenue register, a check is planned for year-end to confirm revenue is recognised in accordance with the assessed treatment. However, this year-end check is not included in the DHS AASB 15 and 1058 Revenue Work Instruction.

#### Risk exposure

Terms and conditions within modified contracts may not be adequately assessed, resulting in misstated revenue balances and disclosures in the financial report.

Accounting treatment of revenue transactions may not be consistent with the assessment documented in the revenue register, resulting in misstated revenue balances and disclosures in the financial report.

## **Attachment: Interim audit findings**

### **Recommendation**

Update the AASB 15 and 1058 Revenue Work Instruction with a process to:

- confirm any revenue contract variations are notified and reassessed by the Financial Compliance Accountant
- ensure the accounting treatment per the revenue register assessment has been applied correctly in the GL (at least annually at 30 June).



## 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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18 August 2022

Ms L Boswell  
Chief Executive  
Department of Human Services  
email: DHS.CEOoffice@sa.gov.au

Dear Ms Boswell

**Extended audit review: Procurement at the Department of Human Services (2021-22)**

In our strategy letter dated 24 June 2022, we informed you that we were conducting a review into procurement and contract management in response to the new Treasurer's Instruction 18 *Procurement* (TI 18). We have completed our review of procurement at the Department of Human Services (DHS). This management letter outlines our findings and requests your comments on any matters requiring action.

I would appreciate receiving your comments by 31 August 2022. Please also confirm the responsible officer for addressing each issue, and your proposed time frame for resolution.

**1 Background**

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 DHS, must comply with both TI 18 and the supporting policies.

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

This letter reports our procurement findings. Our contract management findings have been reported separately on 15 August 2022.

## **2 Scope**

Our procurement review had the following objectives:

- we reviewed whether DHS had established an appropriate procurement framework and governance arrangements to comply with TI 18 and associated policies
- for a sample of completed procurements, we tested that key procurement requirements were complied with.

We considered work performed by internal audit when conducting our audit.

## **3 Summary of findings**

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

### **DHS continues to revise its Procurement Framework**

DHS's Procurement Framework (Framework) is comprised of a several documents including an overarching policy, supporting instructions and guidelines. The Framework was approved in May 2021. Since then, DHS has revised the Framework documents in response to PSSA and Internal Audit findings. However, this revised version is yet to be formally approved and made available for staff use.

We found that the revised Framework addresses several deficiencies in the current approved Framework. We also found additional areas where the Framework can be further improved to ensure compliance with PSSA requirements. We recommend these improvements are made and the revised Framework be formally approved for staff use.

### **Compliance with PSSA policies**

We also found some instances of non-compliance with PSSA policies, including DHS's Industry Engagement Plan not being submitted to PSSA and members of the procurement team not undertaking all the required training. We recommend that these areas be actioned for DHS to comply.

We discussed the audit findings with the Acting Director, Procurement on 18 August 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



Andrew Richardson  
**Auditor-General**

enc

cc: Mr N Ashley, Chief Financial Officer, [nick.ashley@sa.gov.au](mailto:nick.ashley@sa.gov.au)  
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## Attachment: Procurement findings

### Contents

		Rating			
	Page	E	H	M	L
1 Procurement Framework documents to be improved/approved.....	5				x
2 Outstanding action item from PSSA feedback.....	6				x
3 Industry Engagement Plan not submitted to PSSA ...	7				x
4 PSSA required training yet to be completed .....	8				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: Procurement findings**

### **1 Procurement Framework documents to be improved/approved**

#### **Rating: Low**

DHS has developed and implemented a Procurement Framework (Framework) as required by Treasurer's Instruction 18 *Procurement* (TI 18) and Procurement Services SA's (PSSA) Procurement Governance Policy.

DHS's Framework is comprised of a several documents including a Procurement and Grants Policy, together with supporting instructions and guidelines. The current formally approved version of the Framework was endorsed by the Executive Leadership Team and approved by the Chief Executive in May 2021.

We noted deficiencies within the initial approved version of the Framework, where the requirements of PSSA policies can be improved for the following items:

- procurement processes and performance standards
- Annual Capability Assessment and Capability Development Plan
- internal and external procurement assessment and review
- Procurement Activity Plan
- Reporting Schedule
- departures recording.

DHS has revised its Framework documents to reflect feedback received from PSSA and DHS Internal Audit. At the time of our review these revised documents are yet to be formally approved.

Additionally, we found the following improvements that can still be made to the Framework by including:

- that DHS uses the PaCMan system to record all procurements and that this system interfaces with PARS
- the requirement to provide PSSA a copy of DHS's Industry Engagement Plan annually.

#### **Risk exposure**

Without the formal approval and use of the revised Procurement Framework documents, there is a risk that DHS staff may not be complying with the requirements of TI 18 and associated PSSA policies.

#### **Recommendation**

Review and update the DHS Procurement Framework documents to capture suggested improvements, before finalising for approval and making available to staff.

## **Attachment: Procurement findings**

### **2 Outstanding action item from PSSA feedback**

#### **Rating: Low**

The PSSA Procurement Governance Policy requires public authorities to provide PSSA with a copy of its internal procurement framework for review and feedback.

PSSA provided feedback to DHS in June 2021 following its review of DHS's Procurement Framework documents. In February 2022, PSSA requested an update from DHS on the progress against the feedback received.

We reviewed DHS's progress update on all Compliance Assessment items. We noted that all applicable items had been considered within the revised Procurement Framework documents, however these revised documents are yet to be approved (see finding 1).

We found that one item has only been partially addressed in the revised Procurement and Grants Policy and is still to be updated within other guidance documents. This item relates to the requirements of the PSSA Reporting Schedule and remains in progress at the time of our review.

#### **Risk exposure**

DHS's Procurement Framework may not reflect the requirements of the PSSA Reporting Schedule. As a result, staff responsible for ensuring compliance with the Reporting Schedule may be unaware of the specified reporting requirements.

#### **Recommendation**

Finalise any action items outstanding from PSSA's review of DHS's Procurement Framework.

## **Attachment: Procurement findings**

### **3 Industry Engagement Plan not submitted to PSSA**

#### **Rating: Low**

The PSSA Procurement Governance Policy requires public authorities to provide a copy of the Industry Engagement Plan to PSSA annually.

PSSA's Industry Engagement Guideline includes factors which should be considered in the industry engagement planning process and in the development of an Industry Engagement Plan.

We note that DHS has developed a Stakeholder Engagement Plan which includes the Industry Engagement Plan. At the time of our review, the Stakeholder Engagement Plan was yet to be finalised and approved. As a result, DHS has not submitted a copy of its Industry Engagement Plan to PSSA.

#### **Risk exposure**

Non-compliance with the PSSA Procurement Governance Policy requirements.

#### **Recommendation**

DHS finalise the Stakeholder Engagement Plan which contains the Industry Engagement Plan. Once approved, submit a copy of the Industry Engagement Plan to PSSA.

Going forward, follow the annual submission requirements of the Procurement Governance Policy.



## **Attachment: Procurement findings**

### **4 PSSA required training yet to be completed**

#### **Rating: Low**

TI 18 states the Chief Executive of a public authority must ensure that appropriate resources are allocated to maintain procurement capacity and capability and that appropriate resources are applied to complex or strategic (high risk) procurements.

The PSSA Procurement Planning Policy expands on the TI 18 requirement, by requiring all senior public authority staff and contractors responsible for leading or managing complex or strategic procurements to have undertaken the PSSA Industry Engagement Professional Development workshop within the last three-year period.

At the time of our review, we noted that staff within the Procurement and Grants Unit (PGU) were yet to complete this training.

DHS have included the requirement for staff to complete this training on their Capability Development Plan for 2022-23.

#### **Risk exposure**

Staff may not have the appropriate knowledge to manage or lead procurements that are considered complex or strategic.

Non-compliance with the requirements of the Procurement Planning Policy.

#### **Recommendation**

DHS ensure that all staff who are allocated the responsibility to manage complex and strategic procurements complete the PSSA Industry Engagement Professional Development workshop.

Going forward, ensure staff complete the workshop every three years.

## 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: A22/346

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29 August 2022

Ms L Boswell  
Chief Executive  
Department of Human Services  
email: DHS.CEOOffice@sa.gov.au

Dear Ms Boswell

**Interim audit of the Department of Human Services for 2021-22 –  
Payroll findings**

In my letter dated 17 August 2022 I advised that we had completed the majority of our interim audit, with the exception of our payroll related findings that were still in progress at that time. We have now completed our interim audit of the Department of Human Services (DHS) relating to payroll. This management letter outlines our findings and requests your comments on any matters requiring action.

I would appreciate receiving your comments by 9 September 2022. Please also confirm the responsible officer for addressing each issue, and your proposed time frame for resolution.

**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.

**Disability Services Officers paid above Award**

Our testing of a sample of payroll transactions found some Disability Services Officers have been paid an afternoon penalty rate of 15%, which is not stipulated in the Intellectual Disability Services Award.

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Without the inclusion of this penalty rate within the Award, staff are being paid above enforceable minimum employment conditions.

We understand that this is a legacy penalty rate from a previous award. If DHS are to continue paying this penalty, we recommend that DHS consider options for ensuring this penalty rate forms part of the enforceable minimum requirements for disability services staff, to prevent unauthorised payments.

### **Significant increase in outstanding bona fide reports**

In 2020-21 we reported that improvements had been made in the number of outstanding bona fide reports, as a result of action taken to address gaps caused by changes to DHS's structure, leading to gaps in the bona fide relationship tables.

Since then, a new process has been implemented in 2021-22 for auto-generated bona fides through HR21 with system reminders emailed to staff.

We found a significant increase in the number of outstanding bona fide reports this year, beyond those previously reported in 2019-20 when DHS was impacted by substantial staff departures.

We recommend additional reminders to staff to review bona fides, to ensure these do not continue to build up.

We discussed the audit findings with the Director, Human Resources, Wellbeing and Safety, the Director, Finance, the Director, Financial Reform, and the HR Workforce Planner on 25 August 2022 and have reflected that feedback in this letter where appropriate.

## **2 Audit scope**

The audit reviewed the following areas:

- approval of timesheets and leave forms
- review of bona fide reports
- leave management
- payroll calculations and disbursements
- policies and procedures
- follow up of issues raised in the 2020-21 audit.

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.

OFFICIAL

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: DHS Interim audit 2021-22 payroll findings

### Contents

	Page	Rating			
		E	H	M	L
1 Penalty rate not included within the Intellectual Disability Services Award .....	5			x	
2 Bona fide reports not reviewed and certified in a timely manner .....	6			x	
3 Leave management .....	8				
3.1 Employees with negative leave balances .....	8				x
3.2 Employees with excessive recreation leave balances.....	9				x
3.3 Sick leave form not submitted for leave taken .....	11				x
4 Overtime and timecard approvals not in line with delegations.....	12				x

The following issues are repeat findings from prior years.

	Page	Rating			
		E	H	M	L
3.1 Employees with negative leave balances .....	8				x
3.2 Employees with excessive recreation leave balances.....	9				x
3.3 Sick leave form not submitted for leave taken .....	11				x
4 Overtime and timecard approvals not in line with delegations.....	12				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: DHS Interim audit 2021-22 payroll findings**

### **1 Penalty rate not included within the Intellectual Disability Services Award**

#### **Rating: Medium**

The Intellectual Disability Services Award (the Award) sets out enforceable minimum conditions of employment for employees who work within the disability services sector.

Our review of a sample of 15 employees from varying pay periods from July 2021 to March 2022 identified two Disability Services Officers who were paid a 15% penalty for some of their time worked. We were advised by the Payroll Specialist (Business Improvement and Technology) that this penalty relates to afternoon shifts.

We found that this type of penalty is not included within the Award.

#### **Risk exposure**

Without the inclusion of this penalty rate within the Award, staff are being paid above enforceable minimum employment conditions.

#### **Recommendation**

DHS consider options for ensuring this penalty rate forms part of the enforceable minimum requirements for disability services staff, to prevent unauthorised payments. Initiate the action required to resolve this through appropriate channels as a matter of priority.

## Attachment: DHS Interim audit 2021-22 payroll findings

### 2 Bona fide reports not reviewed and certified in a timely manner

#### Rating: Medium

The review and approval of bona fide reports provides the Department of Human Services (DHS) with assurance that payroll payments are only made to valid employees and are accurate. DHS's Actioning Bona Fide and Leave Certificate Reports Procedure outlines the requirements for reviewing and approving bona fides. Managers are required to review bona fide reports and make corrections as a priority.

The HR21 system auto-generates bona fide reports fortnightly and notifies delegates that a bona fide has been assigned for review and approval within HR21. This system-initiated process commenced from 27 August 2021. When bona fide reports remain outstanding, automated email reminders are sent as follows:

- to delegates after seven days
- escalated to a manager at the next level after 14 days
- escalated to the relevant Executive Director after more than 21 days.

We were advised that Executive Directors are also sent a quarterly report of all outstanding bona fide reports for their division to initiate follow-up with their managers.

In previous years we have raised the issue that bona fides are not being reviewed and certified promptly. Last year we noted a significant reduction in the number of outstanding bona fide reports as reported to DHS in our 2020-21 summary of findings.

Our review in 2021-22 identified a significant increase in the number of outstanding bona fides. As at 6 May 2022, there were 273 instances of outstanding bona fides, a 580% increase. This is even greater than what we found in 2019-20, when significant changes in DHS's structure impacted the system reporting relationships resulting in long-outstanding reports. Of the 273 this year, 160 (59%) have been outstanding for greater than 50 days.

#### Outstanding bona fide reports

Days outstanding	23 May 2020	14 March 2021	6 May 2022
22-50	25	45	113
51-100	26	2	88
101-150	15	0	34
151-200	29	0	26
201-250	2	0	10
>251	146	0	2
Total	243	47	273



## **Attachment: DHS Interim audit 2021-22 payroll findings**

### **Risk exposure**

Invalid or inaccurate payroll payments may be made to employees and not detected promptly. This may result in misstated employee benefit balances in the financial report.

### **Recommendation**

Remind relevant employees of their responsibility to review bona fide reports in accordance with time frames outlined in DHS's Actioning Bona Fide and Leave Certificate Reports Procedure and the purpose of reviewing these reports within the timeframe.

Continue to monitor and escalate outstanding bona fides for action.

## Attachment: DHS Interim audit 2021-22 payroll findings

### 3 Leave management

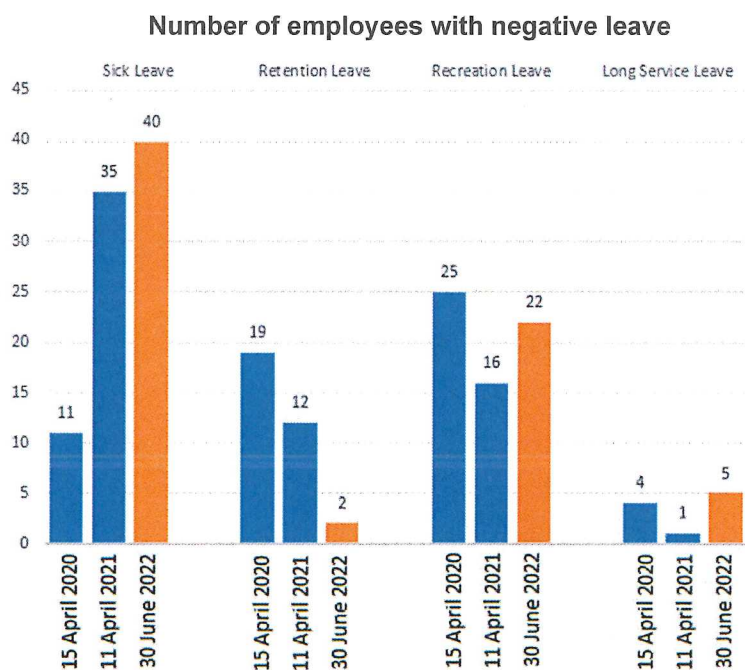
#### 3.1 Employees with negative leave balances

**Rating: Low**

Commissioner's Determination 3.1 Employment Conditions – Hours of Work, Overtime and Leave states that no recreation leave may be taken by an employee in advance of an entitlement accruing, except if required to cover closure of offices by the Minister responsible for the *Public Sector Act 2009*.

In previous years we have reported negative leave balances for recreation, long service, retention, and sick leave types. We recommended DHS continue to regularly monitor negative leave balances and remind managers of their responsibility to ensure employees do not take leave in excess of their entitlement. DHS have advised that all Executives can access leave balances within their divisions through the Workforce Management Tool dashboard. Further, Human Resources Business Partners have scheduled meetings with executives within their portfolio areas monthly to go through the Workforce Management Tool and discuss leave balances and strategies to address issues and trends including negative leave balances.

In 2021-22 we followed this up by obtaining negative leave balance data as at 30 June 2022 from Business Improvement and Technology staff. We found an overall increase in the total number of employees with negative leave balances, from 64 (April 2021) to 69 (June 2022). While there have been decreases for retention leave balances, the number of employees with negative sick leave, recreation leave and long service leave has increased, as demonstrated in the graph below.



## Attachment: DHS Interim audit 2021-22 payroll findings

The above data does not include sick leave for Disability Service Officers (DSOs) as their balances are maintained outside of CHRIS. We separately reviewed the DSO negative sick leave balance data as at 3 June 2022 provided by Business Improvement and Technology staff and compared with data from previous periods. Refer to the table below.

We noted a slight overall increase in the total number of DSOs with negative sick leave balances. Employees with negative sick leave balances of less one day and greater than 10 days decreased from the prior period, however those with negative balances between one and 10 days has increased.

### Employees with negative sick leave balances (DSOs)

Number of negative days	19 June 2020	11 April 2021	30 June 2022
< 1 day	3	16	2
1-2 days	35	7	26
2-10 days	11	11	13
> 10 days	3	4	0
Total	52	38	41

### Risk exposure

Non-compliance with Commissioner's Determination 3.1 Employment Conditions – Hours of Work, Overtime and Leave.

Amounts owed to DHS may not be recouped if an employee with a negative leave balance separates from the Department.

### Recommendation

Continue to remind managers of their responsibilities to ensure employees do not take leave in excess of their entitlement.

Regularly monitor negative leave balances at the executive level to identify trends and ensure relevant follow up action is taken.

## 3.2 Employees with excessive recreation leave balances

### Rating: Low

DHS's Leave Guideline requires employees to take their annual leave entitlements for a service year before the end of the following service year. Managers are required to monitor annual leave balances to ensure leave entitlements do not become excessive. In most circumstances, leave should not be deferred. If an employee refuses or fails to apply for and

## Attachment: DHS Interim audit 2021-22 payroll findings

take annual leave as required and has accrued a balance of two years or more of entitled leave, managers may direct the employee to take leave.

DHS's Management of Excessive Annual Leave Procedure states that where an employee has excess annual leave entitlement, or is likely to accrue it, they will receive notification from their manager advising them of their balance, hours deemed to be in excess, period in which they are required to eliminate their excess leave balance and requirement to submit a Leave Management Plan within two weeks. The employee and the manager are responsible for regularly reviewing the Leave Management Plan to ensure actions have been taken, including making the relevant application for leave through HR21.

In previous years we have reported on DHS employees having excessive recreation leave balances. DHS responded in 2020-21 that Executives have access through a Workforce Management Tool dashboard to assess the leave balances within their divisions. Human Resources Business Partners have monthly meetings with executives to discuss leave balances and strategies to address issues and trends including excess leave balances.

In 2021-22 we followed this up by obtaining the excess annual leave balance data as at 30 June 2022 from Business Improvement and Technology staff. We found that there has been an increase in the overall number of employees with excessive recreation leave balances. The table below shows the number of staff with annual leave entitlement hours greater than 500 hours.

**Employees with excessive recreation leave balances**

Number of hours	15 April 2020	11 April 2021	30 June 2022
> 500	41	34	46
> 700	6	3	16
Total	47	37	62

### Risk exposure

Excessive recreation leave balances may adversely impact employee wellbeing and productivity and may result in significant financial liabilities to DHS.

### Recommendation

Ensure that excessive recreation leave balances are managed in accordance with DHS's Leave Guideline and Management of Excessive Annual Leave Procedure, including preventative controls such as periodic monitoring and forward planning, to address those leave balances that may become excessive.



## **Attachment: DHS Interim audit 2021-22 payroll findings**

### **3.3 Sick leave form not submitted for leave taken**

#### **Rating: Low**

The DHS Leave Policy requires employees to apply for sick leave via HR21 where available, or by using the prescribed form. The DHS Leave Guideline expands on this to require employees who do not have access to HR21 to complete a sick leave form and obtain manager's approval before submitting to SSSA for processing.

In 2020-21 we raised an issue about an instance of sick leave in our sample testing that did not have an approved leave form. DHS responded that a reminder to complete the forms will be communicated to relevant staff, and that DHS is investigating a new online sick leave application process for weekly paid staff in Accommodation Services which will mean paper forms are no longer required.

We tested a sample of 15 employees from varying pay periods from July 2021 to March 2022. This sample included a Youth Support Worker who took eight hours of sick leave on 28 October 2021. Upon inquiry, the Team Leader was unable to locate a completed and approved sick leave for this employee. The sick leave was processed from the Kronos timecard.

We have been advised that the new Workforce Dimensions system will enable rostered staff to request and view their leave electronically. This is expected to go live in September 2022.

#### **Risk exposure**

Non-compliance with DHS policy and guideline.

#### **Recommendation**

Ensure leave forms are completed promptly and approved in accordance with the DHS Leave Guideline.



## **Attachment: DHS Interim audit 2021-22 payroll findings**

### **4 Overtime and timecard approvals not in line with delegations**

#### **Rating: Low**

DHS's Flexible Work Guideline states that payment for overtime will only be made if approved by the employer prior to it being worked. The Flexible Work Guideline is applicable to all DHS employees. DHS also has specific requirements for DSOs regarding overtime, outlined in the Overtime for Disability Services Officers Guideline (the DSO Guideline). The DSO Guideline was due for review in November 2019.

DHS's Human Resource Authorisations and Delegations (the Delegations) specifies that delegation levels 1 to 3, ASO7, ASO8 and MAS3 classifications have the authority to approve payment of overtime and associated expenses. Further, delegation levels 1 to 5 must ensure appropriate attendance records are maintained for all employees.

In previous years we have raised issues about overtime not being approved in accordance with the Delegations. We recommended that DHS:

- ensure overtime is pre-approved in accordance with HR delegations
- ensure that the requirement for approving overtime is clearly documented in a policy/procedure and communicated to staff
- review and update the Overtime for Disability Services Officers Guideline.

DHS responded in 2020-21 that the Overtime for Disability Services Officers Guideline will be reviewed by Human Resources. Further, it was advised that DHS will ensure that this continues to be communicated to managers.

Our follow up in 2021-22 found that the Overtime for Disability Services Officers Guideline was not updated. We were advised however, that it is being reviewed to align with any system changes resulting from the upgrade to Kronos Workforce Dimensions. This is expected to be completed by the end of 2022.

We tested a sample of 15 employees from varying pay periods from July 2021 to March 2022. Four employees tested, all DSOs, had been paid overtime. We found that the Kronos timecards for the overtime worked by these staff were not approved by an officer with an appropriate delegation level. Instead, the timecards were authorised by Admin Services Officers at the ASO2/3 classification.

We have been previously advised by Accommodation Services Team Leaders that when there is a vacant shift to be filled, overtime is booked and approved through Salesforce. Overtime hours worked are captured in Kronos timecards, and then paid via feed file to Chris21. Kronos timecard approval screens capture any overtime approvals. For the four DSOs in our sample, we have not been provided with evidence to support the overtime worked was approved by a delegated officer prior to being worked.

In addition, we identified that two of the four DSOs in our sample worked more than the maximum hours of duty per fortnight. The DSO Guideline requires DSOs to monitor their

## **Attachment: DHS Interim audit 2021-22 payroll findings**

overtime and only accept shifts with consideration to the maximum hours of duty (100 hours per fortnight). This places the responsibility on the employee to monitor their own overtime rather than their supervisor/manager.

There is no reference to the Delegations in the DSO Guideline, nor does the DSO Guideline provide guidance as to how overtime worked at less than 100 hours is approved.

We also identified one instance where a timecard for ordinary time worked was approved by an Admin Services Officer who did not undertake functions/duties associated with supervision of staff or have direct line management responsibilities, as per the Delegations (level 5).

### **Risk exposure**

Overtime not approved in accordance with the Delegations may increase the risk that overtime payments are made when not required or that the payment of overtime is incorrect.

Similarly, time worked that is not approved in accordance with the Delegations may not be appropriate and in line with staff employment conditions.

### **Recommendation**

Review and update the Overtime for Disability Services Officers Guideline that is currently overdue for review. Ensure that the requirements for approving overtime are clearly communicated to relevant staff.

Explore whether the time and attendance system has the functionality to restrict overtime approval to certain positions that hold the appropriate delegate level. Where this is not possible, DHS consider implementing alternative processes to ensure overtime and normal time are approved by appropriately delegated staff.

## 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>

**OFFICIAL: Sensitive**

Ref: 22TCEO/209  
Ref: 22TCEO/217



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Dear Mr Richardson

Thank you for your correspondence dated 15 August 2022 regarding the Extended Audit Review – Contract Management and correspondence dated 18 August 2022 regarding the Extended Audit Review – Procurement completed for the Department of Human Services.

DHS accepts the findings of both reviews and is committed to implementing appropriate action to prevent recurrence within the recommended 12-month timeframe.

Yours sincerely

A handwritten signature in blue ink that reads 'Lois Boswell'.

Lois Boswell  
**CHIEF EXECUTIVE**

30/08/2022

**OFFICIAL | OFFICIAL: Sensitive**

**OFFICIAL**

Ref: 22TCEO/220



Mr Andrew Richardson  
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Dear Mr Richardson

I refer to your correspondence dated 17 August 2022, regarding the Interim audit of the Department of Human Services for 2021-22, reference A22/346.

***Finding 1.1 Risk Management Policy and Framework overdue for review.*****DHS Response**

DHS accepts the finding. DHS is in the process of updating its risk appetite statement which will be included in the updated Risk Management Policy and Framework. This work will be completed by Jim Phillips, Principal Risk Management Consultant by December 2022.

***Finding 1.2 Fraud and Corruption Control Framework overdue for review.*****DHS Response**

DHS accepts the finding. The DHS Fraud and Corruption Control Framework was recently reviewed and approved by the Assurance Committee on 31 August 2022.

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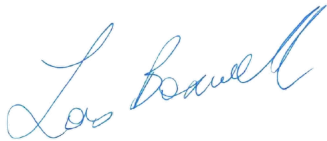
***Finding 2.1 Process for assessing revenue contracts can be improved.***

**DHS Response**

As part of the 2021-22 financial statement process, Finance has completed a review of revenue transactions to ensure the assessed treatment was correctly reflected in the general ledger at year-end. Where variances were found, corrections to the general ledger were made.

The Revenue Work Instruction will be updated to ensure it includes a process to confirm revenue contract variations and to document the year-end process.

Yours sincerely



Lois Boswell

**CHIEF EXECUTIVE**

08 / 09 / 2022

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Ref: 22TCEO/226



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Dear Mr Richardson

**Payroll Interim Audit of the Department of Human Services for 2021-22**

I am writing in response to your letter dated 29 August 2022 regarding the payroll findings from the interim audit of the Department of Human Services (DHS) for 2021-22. Below is the department's response to each audit recommendation.

**1. Penalty rate not included within the Intellectual Disability Services Award*****Audit recommendation***

DHS consider options for ensuring this penalty rate forms part of the enforceable minimum requirements for disability services staff, to prevent unauthorised payments. Initiate the action required to resolve this through appropriate channels as a matter of priority.

***DHS response***

DHS is exploring whether the penalty rate currently form part of the enforceable minimum entitlements for disability services staff, through custom and practice. Disability Services staff employed in the SA Public Sector have been receiving the allowance for shifts that begin after 12:00pm and finish between 7:30pm and midnight since before they were brought under the current *Intellectual Disability Services Award*.

Payment of an afternoon penalty for shifts that meet this definition are an industry standard and form part of the minimum conditions under the equivalent Federal system Award.

DHS has contacted the Industrial Relations and Policy Branch, Attorney General's Department to determine whether there is an existing enforceable entitlement and consider options such as enshrining the entitlement in the appropriate industrial instrument.

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## **2. Bona fide reports not reviewed and certified in a timely manner**

### ***Audit recommendation***

Remind relevant employees of their responsibility to review bona fide reports in accordance with time frames outlined in DHS's Actioning Bona Fide and Leave Certificate Reports Procedure and the purpose of reviewing these reports within the timeframe.

Continue to monitor and escalate outstanding bona fides for action.

### ***DHS response***

Bona fides are reviewed and approved through HR21 – the web interface to the across government payroll system CHRIS 21. The system currently does not provide automatic escalation or reminders to staff that bona fides are outstanding.

Bona fide audit will be included in the monthly Human Resource Business Partners meeting agenda with the Directors to ensure we further track the prompt review of Bona fide reports.

DHS will also continue to remind managers of their responsibilities to review bona fide reports promptly and investigate options to automate generation of advice to management where bona fides are not being completed by employees that report to them.

## **3. Leave management**

### **3.1. Employees with negative leave balances**

### ***Audit recommendation***

Continue to remind managers of their responsibilities to ensure employees do not take leave in excess of their entitlement.

Regularly monitor negative leave balances at the executive level to identify trends and ensure relevant follow up action is taken.

### ***DHS response***

The upgrade of DHS's timekeeping and payroll system will give managers increased visibility of employee leave balances when signing off on leave applications each pay period. This will make it easier for managers to discuss substituting exhausted leave types for unpaid leave or for other paid leave prior to approving the leave.

DHS will also continue to remind managers of their responsibilities to ensure employees do not take leave in excess of their entitlements and will ensure they are using the improved systems to monitor negative leave balances.

### **3.2. Employees with excessive recreation leave balances**

### ***Audit recommendation***

Ensure that excessive recreation leave balances are managed in accordance with DHS's Leave Guideline and Management of Excessive Annual Leave Procedure, including preventative controls such as periodic monitoring and forward planning, to address those leave balances that may become excessive.

***DHS response***

COVID-19 has had an impact on the DHS's ability to address excess leave, with leave needing to be cancelled during the lockdown period due to lack of available staff and agency support. DHS has been recruiting extensively over the past two years and the strain on the agencies that support that staffing has been easing, meaning DHS is now in a better position to utilise the tools available to address excess leave.

All Executives and managers have access to a Workforce Management Tool dashboard to assess the leave balances within their divisions. Human Resource Business Partners have scheduled meetings with Executives within their portfolio areas monthly to go through the Workforce Management Tool and discuss leave balances and strategies to address issues and trends including excessive leave balances.

Further, the introduction of the Dimensions timekeeping and payroll system will give managers increased visibility of staff leave balances as well as providing them with additional leave planning tools that were not previously available.

**3.3. Sick leave form not submitted for leave taken*****Audit recommendation***

Ensure leave forms are completed promptly and approved in accordance with the DHS Leave Guideline.

***DHS response***

DHS will upgrade its timekeeping system from Kronos to Dimensions during September 2022. Staff will be able to submit sick leave and have it approved through Dimensions which they were unable to do through the Kronos system. The only staff who will need to submit a form outside of Dimensions are those in Disability Services who are unable to access Dimensions due to lack of home internet access. Sick leave entered in Dimensions on behalf of a staff member will be visible in the audit trail.

DHS will remind managers of the requirements around approving leave.

**4. Overtime and timecard approvals not in line with delegations*****Audit recommendation***

Review and update the Overtime for Disability Services Officers Guideline that is currently overdue for review. Ensure that the requirements for approving overtime are clearly communicated to relevant staff.

Explore whether the time and attendance system has the functionality to restrict overtime approval to certain positions that hold the appropriate delegate level. Where this is not possible, DHS consider implementing alternative processes to ensure overtime and normal time are approved by appropriately delegated staff.

***DHS response***

With the introduction of the Dimensions timekeeping and payroll system, DHS is making several changes to overtime approval which will ensure compliance with delegations and policy, including:

- The delegation for approval of overtime will be lowered to include Team Leaders

- Parameters for pre-approval of overtime will be set out to allow staff to accept overtime shifts through Dimensions without needing to contact a manager for approval first so long as certain conditions are met
- Dimensions will restrict staff from picking up overtime shifts if they are scheduled to work over 100 hours in a single pay period

Once Dimensions has been implemented, DHS will release an updated overtime policy that reflects the new system.



Lois Boswell  
**CHIEF EXECUTIVE**

09 / 09 / 2022