

SOUTH AUSTRALIA

Report
of the
Auditor-General

Annual Report
for the
year ended 30 June 2010

Tabled in the House of Assembly and ordered to be published, 30 September 2010

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2010

**Report of the Auditor-General
Annual Report for the year ended 30 June 2010**

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REFERENCES TO MATTERS OF SIGNIFICANCE

Issues of importance which are included in this Part of the Report include matters which arose during the course of audit which have been referred to senior agency management, and other matters which are of public interest.

Those matters which are regarded as being more significant are listed below, together with a reference to the appropriate page number. This list is not exhaustive, as many other issues are reported in Volumes 1 to 5 of Part B of this Report.

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LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment

The Local Government Finance Authority of South Australia (the Authority), a body corporate, was established under the *Local Government Finance Authority Act 1983* (the LGFA Act). It is managed and administered by a Board of Trustees.

Functions

The main functions of the Authority are to develop and implement borrowing and investment programs for the benefit of councils and prescribed local government bodies. For more information about the Authority's functions refer to note 1 of the financial statements.

Guarantee by the Treasurer

Liabilities incurred or assumed by the Authority in pursuance of the LGFA Act are guaranteed by the Treasurer under subsection 24(1) of the LGFA Act. As a result of this guarantee the Authority pays an annual guarantee fee to the Treasurer.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA, provides for the Auditor-General to audit the accounts of a public authority. In addition, subsection 33(2) of the LGFA Act specifically provides for the Auditor-General to audit the accounts of the Authority in respect of each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial statements and internal controls.

During 2009-10, areas of review included:

- investments
- borrowings
- deposits
- loans
- payroll
- derivatives
- bonus payments to councils and local government bodies

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

The following is an extract from the 2009-10 Independent Auditor's Report, which details the qualification to the Authority's financial statements.

Basis for qualified auditor's opinion

In 2009-10 the Local Government Finance Authority of South Australia (the Authority) recognised a grant payment of \$1 500 000 (\$250 000 in 2008-09) as a distribution from Retained Profits in the Statement of Changes in Equity.

Section 5 of the Local Government Finance Authority Act 1983 specifies that Councils are members of the Authority. The payment was made to an external entity which was not a Council.

In my opinion, the payment was not a distribution to owners in accordance with AASB 101 Presentation of Financial Statements but a grant expense that should be recognised in the Statement of Comprehensive Income.

As a result, the following items are misstated in the Statement of Comprehensive Income:

- *Expenses understated by \$1 500 000 (\$250 000 understated in 2009)*
- *Profit before Income Tax Equivalents overstated by \$1 500 000 (\$250 000 overstated in 2009)*
- *Income Tax Equivalent Expense overstated by \$450 000 (\$75 000 overstated in 2009)*
- *Profit after Income Tax Equivalents overstated by \$1 050 000 (\$175 000 overstated in 2009)*
- *Total Comprehensive Result overstated by \$1 050 000 (\$175 000 overstated in 2009).*

Qualified auditor's opinion

In my opinion, except for the effects of the matter referred to in the preceding paragraphs, the financial statements present fairly, in all material respects, the financial position of the Local Government Finance Authority of South Australia as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, the Local Government Finance Authority Act 1983 and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Local Government Finance Authority of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities except for the matters raised in relation to the implementation of TIs 2 and 28 as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Local Government Finance Authority of South Australia have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive Officer. Responses to the management letter issues were generally considered to be satisfactory. Matters raised with the Authority included their progress in the implementation of TIs 2 and 28 requirements and the need to ensure compliance with the Authority approved procedures.

Implementation of TIs 2 and 28

Last year's Report conveyed that the Authority had not established a financial management compliance program (FMCP) in accordance with TI 28. The Report also communicated that the Authority was of the view that it had maintained a high standard of financial management compliance (including an annual compliance review by an external Treasury expert), and that it would expand its documentation to include policies and procedures required under TI 28.

While the 2009-10 audit of the financial systems and related key controls (including testing of financial transactions) has resulted in satisfactory results, the Authority has not progressed work to fully meet the essential requirements of TIs 2 and 28.

The Authority has a formal Risk Policy that covers the conduct of the financial risk management activities and concentrates on risk management of financial assets and liabilities such as market risk limits, credit risk limits and liquidity. It describes types of reports that must be provided regularly to the Chief Executive Officer and the Board to help them monitor the operations of the Authority. It also lists the general design features of an effective system of internal controls. The policy, however, does not explicitly describe the controls actually in place and are not formally documented.

The audit for 2010 has communicated to the Authority recommendations for improvement in documentation of key policies and procedures and controls covering its main financing areas (deposits, loans, investments, borrowings, derivatives and bonus payments) and the matter of fraud risk. These documentation requirements are required by TI 2. In addition, the Authority needs to review whether the annual compliance work of the independent Treasury expert meets the complete requirements of an effective FMCP.

In response the Authority advised that:

- it currently has documented its critical policies and procedures in its risk policy, Trustee Handbook and Accounting Officer Instructions. Expanding this documentation to incorporate more detailed policies and procedures of each function within the Authority is currently under review.
- it will prepare a document of existing fraud policies and procedures.

- it will consult with the independent Treasury expert and Audit to ascertain what must be done to satisfy TI 28.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

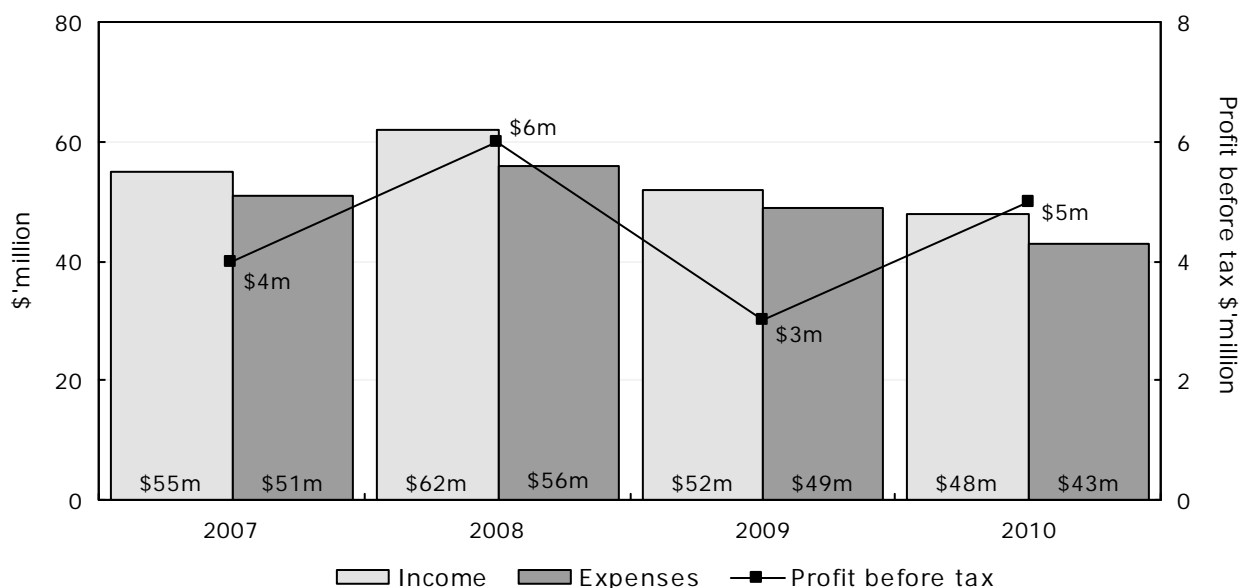
The analysis that follows is based upon the financial information recorded within the financial statements which are subject to a qualification.

Highlights of the financial statements

	2010 \$'million	2009 \$'million
INCOME		
Interest and other income	48	52
EXPENSES		
Interest expense	40	45
Impairment loss on available-for-sale assets	-	2
Guarantee fee and administration expenses	3	2
Total expenses	43	49
Profit before income tax equivalents	5	3
Total comprehensive result	3	3
NET CASH PROVIDED BY OPERATING ACTIVITIES		
	3	1
ASSETS		
Net loans and advances	530	479
Other assets	66	26
Total assets	596	505
LIABILITIES		
Deposits and borrowings	528	443
Other liabilities	15	9
Total liabilities	543	452
TOTAL EQUITY	53	53

Statement of Comprehensive Income

The following chart shows the income, expenses and profit before income tax expense for the four years to 2010.



Income

As the Authority is a financial institution servicing Local Government, its main operating revenue is interest income with other income being insignificant. Interest income for both investments and loans and advances showed a gradual upward trend until 2009. Total interest income fell by \$5 million from the previous year.

Expenses

The Authority's main operating expense is interest expense with guarantee fees and administration expenses being less significant. Total interest expense fell by \$5 million from the previous year.

Profit before tax

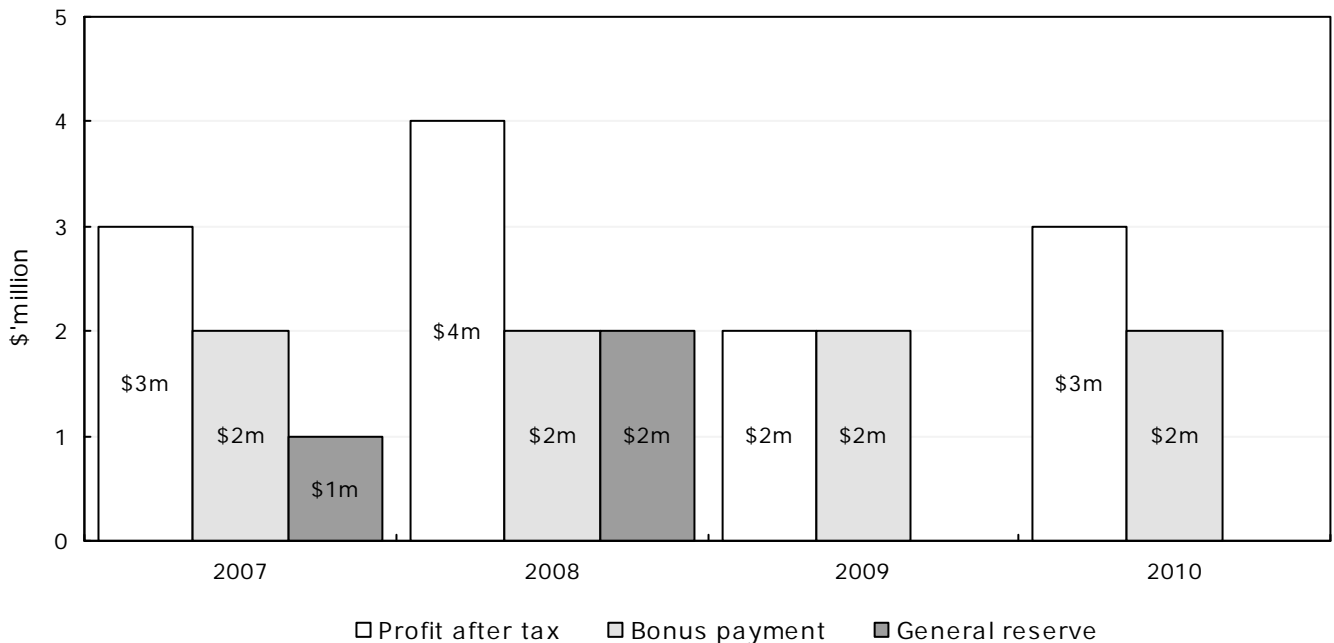
Profit before tax grew by \$2 million in 2010 due to no impairment loss on available-for-sale assets. In 2009 the impairment loss was \$2 million (refer note 8 to the financial statements). Interest income was similar to interest expense in 2010 causing little impact on profit. The sensitivity of profit to interest rate movements is disclosed in note 23 to the financial statements.

Tax equivalent payments

The Authority is required to make payments equivalent to Company Income Tax under the Taxation Equivalent Payments System. The amounts are paid into an account established with the State Treasurer titled the 'Local Government Taxation Equivalents Fund'. The funds are available for Local Government development purposes as recommended by the Local Government Association of South Australia and agreed by the Minister for Local Government in accordance with section 31A of the LGFA Act. For this financial year, the amount payable for income tax equivalent was \$1 million.

Net profit and distributions

In 2010 the Authority achieved a profit after tax of \$3 million (\$2 million) which was available for distribution or transfer to a general reserve. The profit and principal distributions for the past four years are presented in the following chart.



Under subsection 22(2) of the LGFA Act, the Authority has discretion to make distributions from the surplus for the year to councils and local government bodies. These distributions are recorded as bonus payments in the financial statements. In 2010 the Authority provided \$2 million (\$2 million) for bonus payments.

The Authority has not made a transfer to a general reserve since 2008.

Statement of Financial Position

Assets and liabilities

The Statement of Financial Position shows net assets of \$53 million (\$53 million).

The Authority's borrowings increased by \$121 million mainly to fund:

- a \$38 million net increase in investment securities, and cash and liquid assets. This was mainly due to a \$59 million increase in fixed term deposits at banks offset by a drop of \$19 million in at call deposits at banks
- an \$87 million gap between the \$36 million drop in customer deposits and \$51 million increase in net loans and advances to customers. The \$51 million increase included an upward fair value adjustment of \$4 million for certain hedged loan assets which corresponded with an upward fair value adjustment of \$4 million for derivative liabilities (refer notes 10 and 15 to the financial statements for details of the fair value adjustments).

Asset quality

The Authority predominantly lends to councils and local government bodies on a secured basis. The security is by debentures providing a charge over the council's general revenue. Notes 2(g) and 23(c) to the financial statements explain the details.

The Authority has not experienced defaults or losses associated with those loans. Consequently there is no provision for doubtful debts against the assets.

As disclosed in note 23(b)(ii) to the financial statements the Authority holds investments issued by Australian banks known as Floating Rate Capital Notes. These investments are traded on the Australian Stock Exchange and for accounting purposes are classified as available-for-sale assets. The global contraction in credit markets caused falls in the market price of these investments at 30 June 2008 and 30 June 2009. In accordance with AASB 139, the relevant accounting standard for financial assets, the investment is carried at fair value. The Authority considered the investments were impaired in 2009 and recognised the accumulated unrealised reductions of \$1.6 million as an expense. In 2010 the credit markets improved resulting in a partial reversal of \$145 000 in the unrealised impairment loss. See also the Statement of Changes in Equity and notes 2(b), 3 and 8 to the financial statements.

Liabilities of the Authority

The Authority funds loans to customers via customer deposits, borrowings or from its own accumulated reserves.

To mitigate this risk the Authority hedges its interest rate exposures using interest rate swap agreements and futures contracts. Note 23(b)(i) to the financial statements refers to interest rate risk management of the Authority.

**Statement of Comprehensive Income
for the year ended 30 June 2010**

		2010	2009
INCOME:	Note	\$'000	\$'000
Interest on investments	2(c)	3 096	3 562
Interest on loans and advances	2(c)	44 245	48 226
Gain on impaired available-for-sale assets	3,8	145	-
Other income	4	181	170
Total income		47 667	51 958
EXPENSES:			
Interest on deposits from councils and local government bodies	2(d)	14 597	19 955
Interest on borrowings	2(d),24	25 685	25 199
Impairment loss on available-for-sale assets	3,8	-	1 637
Fees for the guarantee of the Treasurer of SA on liabilities	24	962	927
Administration expenses	5	1 651	1 581
Total expenses		42 895	49 299
PROFIT BEFORE INCOME TAX EQUIVALENTS		4 772	2 659
Income tax equivalent expense	2(e),24	1 432	797
PROFIT AFTER INCOME TAX EQUIVALENTS		3 340	1 862
OTHER COMPREHENSIVE INCOME:			
Loss on financial assets taken to equity	3,8	-	(937)
Impairment losses transferred to profit for the period	3,8	-	1 637
TOTAL COMPREHENSIVE RESULT		3 340	2 562

Profit after income tax equivalents and total comprehensive result are attributable to the owners

**Statement of Financial Position
as at 30 June 2010**

		2010	2009
ASSETS:	Note	\$'000	\$'000
Cash and liquid assets	6	482	21 227
Accrued interest receivable	7	3 320	1 701
Investment securities	2(f),8	61 534	2 383
Other assets	9	278	334
Net loans and advances	2(g),10	529 763	478 676
Property, plant and equipment	2(i),11	319	298
Total assets		595 696	504 619
LIABILITIES:			
Deposits from councils and local government bodies	2(j),12	365 162	400 880
Accrued interest payable	13,24	4 687	3 144
Borrowings	14,24	162 730	41 811
Derivatives	2(h),15	6 582	3 318
Provisions	2(k),16	3 170	2 187
Other liabilities	17	322	336
Total liabilities		542 653	451 676
NET ASSETS		53 043	52 943
EQUITY:			
General reserve		52 400	52 400
Retained profits		643	543
TOTAL EQUITY		53 043	52 943

Total equity is attributable to the owners

Contingent liabilities 22

Statement of Changes in Equity for the year ended 30 June 2010

	General reserve \$'000	Investment reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 July 2008	52 400	(700)	671	52 371
Profit after income tax equivalent for 2008-09	-	-	1 862	1 862
Loss on fair value of available-for-sale assets	-	(937)	-	(937)
Reclassification of impairment of available-for-sale assets	-	1 637	-	1 637
Total comprehensive result for 2008-09	-	700	1 862	2 562
Grant to Local Government Association of South Australia*	-	-	(250)	(250)
Transfer to bonus payment provision	-	-	(1 740)	(1 740)
Balance at 30 June 2009	52 400	-	543	52 943
Profit after income tax equivalents for 2009-10	-	-	3 340	3 340
Total comprehensive result for 2009-10	-	-	3 340	3 340
Grant to Local Government Association of South Australia*	-	-	(1 500)	(1 500)
Transfer to bonus payment provision	-	-	(1 740)	(1 740)
Balance at 30 June 2010	52 400	-	643	53 043

* The grant to Local Government Association of South Australia was an appropriation of profit for Local Government purposes as enabled by the *Local Government Finance Authority Act 1983* subsection 22(2)(c).

All changes in equity are attributable to the owners

Statement of Cash Flows for the year ended 30 June 2010

		2010	2009
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Interest and bill discounts received		44 495	54 993
Interest paid		(38 510)	(49 570)
Fees paid re guarantee provided by the Treasurer of SA		(950)	(925)
Cash payments to suppliers and employees		(1 520)	(1 499)
Fees received		209	72
Income tax paid		(482)	(1 608)
Net cash provided by operating activities	19	3 242	1 463
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loans to councils and local government bodies		(46 880)	(17 986)
Investment securities		(59 000)	-
Payments for property, plant and equipment		(264)	(82)
Proceeds from sale of property, plant and equipment		124	25
Net cash used in investing activities		(106 020)	(18 043)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of inscribed stock		(311)	(890)
Promissory notes		600	1 100
Deposits from councils and local government bodies		(35 718)	30 446
Short-term money market facilities		120 630	-
Bonus payment to councils and local government bodies		(1 740)	(1 740)
Grants to Local Government Association of South Australia		(1 500)	(250)
Other		72	1 260
Net cash provided by financing activities		82 033	29 926
NET (DECREASE) INCREASE IN CASH HELD		(20 745)	13 346
CASH AT 1 JULY		21 227	7 881
CASH AT 30 JUNE	19	482	21 227

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Objectives of the Local Government Finance Authority of South Australia**
The Local Government Finance Authority of South Australia (the Authority) was established pursuant to the *Local Government Finance Authority Act 1983*. The functions of the Authority are as follows:
 - To develop and implement borrowing and investment programs for the benefit of councils and prescribed local government bodies.
 - To engage in such other financial activities as are determined by the Minister, after consultation with the Local Government Association, to be in the interests of local government.
2. **Statement of accounting policies**
 - (a) **Basis of accounting**
The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs and the requirements of the TIs relating to financial reporting by statutory authorities which are issued pursuant to the PFAA.

The Authority's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain financial instruments that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

(b) Classification of financial instruments

Management determines the classification of its investments at initial recognition and at each reporting date in accordance with AASB 139. The Authority classifies its investments into the following categories, which determines the applicable accounting treatment:

- Loans and receivables – measured at amortised cost. The Authority classifies loans and advances, accrued interest receivable, cash and liquid assets and other assets under this category.
- Held-to-maturity financial assets – measured at amortised cost. The Authority did not have any assets in this category at balance date.
- Available-for-sale financial assets – measured at fair value with fair value changes taken to equity and impairment losses and gains taken to the Statement of Comprehensive Income. The Authority classifies certain investment securities (refer note 2(f)) under this category which are not held-for-trading but can be disposed of in an existing market if required.
- Financial assets or financial liabilities at fair value through profit and loss - measured at fair value with fair value changes taken to the Statement of Comprehensive Income. The Authority classifies derivative instruments which are not classified as effective hedging instruments under this category (refer note 2(h)).
- Fair value hedge – measured at fair value with hedge accounting adjustments taken to the Statement of Comprehensive Income. The Authority classifies derivatives which are effective hedging instruments (refer note 2(h)) and the corresponding hedged items (refer note 2(g)(ii)), which are all fixed rate debenture loans under this category.
- Financial liabilities at amortised cost – the Authority classifies all liabilities under this category, other than derivative instrument liabilities which are not classified as effective hedging instruments (refer note 2(h)).

(c) Interest income

Interest on investments

This item includes interest income from assets which are classified as available-for-sale financial assets and financial assets at fair value through profit and loss and deposits held with financial institutions during the year. The interest income is calculated on an accruals basis.

Interest on loans and advances

This item includes interest income from assets classified as loans and advances as well as interest income from derivatives that are classified under the fair value hedge category. The interest income is calculated on an accruals basis.

(d) Interest expense

Interest on deposits from councils and local government bodies

This item includes interest paid to councils and local government bodies and is calculated on an accruals basis.

Interest on borrowings

This item includes interest expense on other liabilities used in funding lending activity and interest expense on derivative instruments, and is calculated on an accruals basis.

(e) Income tax

The Authority is required to make payments equivalent to company income tax under the taxation equivalent payment system. The equivalent company income tax liability is calculated/applied on an accounting profits basis.

(f) Investment securities

The Authority has investments that are categorised as available-for-sale financial assets which have therefore been recorded at fair value with the change in fair value being adjusted against equity on the Statement of Financial Position via the investment reserve. Where such investments are subsequently deemed to be impaired under the provisions of AASB 139 then the impaired amount is transferred from equity to the Statement of Comprehensive Income.

(g) Loans and advances

(i) Security

The majority of loan agreements are secured by debentures, providing a charge over council general revenue. Loans to prescribed local government bodies (totalling \$25 million as at 30 June 2010) are predominantly to council subsidiaries and rely upon the constitutional obligations of councils in the guarantee of the liabilities incurred or assumed by subsidiaries as per Schedule 2 of the *Local Government Act 1999*.

Due to the high level of security provided by a debenture over the general revenue of councils, no specific or general provision for doubtful debts has been made.

The Authority has not incurred any bad debts since its inception in 1984.

(ii) Hedge accounting

Loans and advances which are not effectively hedged by a derivative financial instrument are recorded in the accounts on the basis of historical cost. Loans and advances which are effectively hedged by a derivative financial instrument are recorded using hedge accounting.

The Authority uses interest rate swaps to hedge the interest rate risk associated with long-term fixed rate debenture loans to councils and prescribed bodies. Hedge accounting is used where it has been determined that the hedge is highly effective and has been documented according to AASB 139.

The hedges used by the Authority are classified as fair value hedges and the hedged items are all long-term fixed rate debenture loans. The hedged amount of the loan is recorded at fair value with the non-interest rate risk component or credit margin recorded on an accrual accounting basis.

(h) Derivative transactions

The Authority has entered into agreements with high credit status organisations to swap certain rights and obligations (refer note 23). Interest rate swaps are categorised as fair value hedges and futures contracts are categorised as financial assets or financial liabilities at fair value through profit and loss.

(i) Property, plant and equipment

Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation.

The depreciable amount of all property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives from the time the asset is held ready for use. The useful life of each category is as follows:

	<i>Years</i>
Office equipment	3
Office furniture	5
Computer software	2.5
Motor vehicles	4.5 to 6.7

(j) Concentration of deposits

The Authority is an industry specific financial institution which operates under the *Local Government Finance Authority Act 1983*. The Authority is restricted by legislation to accepting deposits from councils and local government bodies operating in South Australia.

(k) Employee benefits

A provision is made in respect of the Authority's liability for annual leave, long service leave and related on-costs as at balance date. Long service leave is accrued for all employees from the date of commencement of service.

No provision is made in the accounts for sick leave entitlements.

(l) Accounting judgments, estimates and assumptions*Significant accounting judgments*

In the process of applying the Authority's accounting policies, management has made judgments in the classification of financial instruments which has had a significant effect on the amounts recognised in the financial statements. In particular, the classification of derivatives and long-term fixed rate debenture loans as fair value hedges has enabled management to utilise the hedge accounting provisions of AASB 139.

Significant accounting estimates and assumptions

The fair values of available-for-sale financial assets, hedged long-term fixed rate debenture loans and derivatives are based on observable market rates as at balance date and therefore no significant estimates or assumptions are used in their calculation.

(m) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and APSs have required a change.

Where presentation or classification of items in the financial statements has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

(n) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

3. Impairment of available-for-sale assets

	2010 \$'000	2009 \$'000
Gain on impaired available-for-sale assets	145	-
Impairment loss on available-for-sale assets	-	1 637

The unrealised impairment loss and subsequent partial reversal relates to the market value of perpetual floating rate capital notes which fluctuates with the quoted price on the Australian Stock Exchange. Whilst the market value will fluctuate over time the return on the initial investment of \$4 million remains constant at 75-100 basis points over the 90 day BBSW interest rate on the face value of the notes.

4. Other income	2010	2009
	\$'000	\$'000
Fee income	181	170
<hr/>		
5. Administration expenses		
Salaries and on-costs	876	847
Depreciation	94	80
Auditor's fees	57	55
Consultancy fees	14	27
Other expenses	610	572
	<u>1 651</u>	<u>1 581</u>
The amount received, or due and receivable in respect of this financial year by the auditors in connection with auditing the accounts	<u>57</u>	<u>55</u>
<hr/>		
6. Cash and liquid assets		
Cash at bank	482	1 757
Deposits at call	-	19 470
	<u>482</u>	<u>21 227</u>
<hr/>		
7. Accrued interest receivable*		
Interest receivable - loans to councils and local government bodies	2 141	1 675
Interest receivable - investment securities	1 179	26
	<u>3 320</u>	<u>1 701</u>
<hr/>		
* The accrued interest receivable on investment securities, net loans and advances and derivatives which are required to be recorded at fair value have been transferred to the respective line item.		
<hr/>		
8. Investment securities		
Deposits and securities issued by banks	63 000	4 000
Accrued interest receivable	26	20
Fair value loss	(1 492)	(1 637)
	<u>61 534</u>	<u>2 383</u>
<hr/>		
9. Other assets		
Sundry debtors and prepayments	278	334
<hr/>		
10. Net loans and advances		
Advances	92 605	67 681
Term loans	420 080	398 124
Loans and advances - at cost	512 685	465 805
Fair value adjustment (hedge accounting)	17 078	12 871
Net loans and advances	<u>529 763</u>	<u>478 676</u>
<hr/>		
Commitments - loans and advances:		
Unused cash advance facilities	219 833	182 636
Term loans approved not advanced	2 456	840
	<u>222 289</u>	<u>183 476</u>
<hr/>		
11. Property, plant and equipment		
Plant, equipment and motor vehicles:		
At cost	1 029	987
Accumulated depreciation	(710)	(689)
Total property, plant and equipment	<u>319</u>	<u>298</u>
<hr/>		
12. Deposits from councils and local government bodies		
Deposits from councils and local government bodies	<u>365 162</u>	<u>400 880</u>
<hr/>		
13. Accrued interest payable		
Interest payable on:		
Deposits from councils and local government bodies	4 018	2 967
Borrowings*	669	177
	<u>4 687</u>	<u>3 144</u>
<hr/>		
* The accrued interest payable on interest rate swaps which are required to be recorded at fair value has been transferred to the derivatives line item.		
<hr/>		
14. Borrowings		
Short-term money market facility	120 630	-
Promissory notes	42 100	41 500
Inscribed stock	-	311
	<u>162 730</u>	<u>41 811</u>

The liabilities of the Authority in respect of all borrowings of the Authority (including its liabilities in respect to monies accepted on deposit from councils and local government bodies) are guaranteed by the Treasurer of South Australia pursuant to section 24 of the *Local Government Finance Authority Act 1983*.

15. Derivatives	2010	2009
	\$'000	\$'000
Swap principal receivable	(7 974)	(8 024)
Interest receivable - interest rate swaps	(2 265)	(1 554)
Interest payable - interest rate swaps	4 158	3 989
Fair value adjustment	12 595	8 907
Interest rate swaps*	6 514	3 318
Futures contracts	68	-
	<u>6 582</u>	<u>3 318</u>

* Interest rate swaps are shown as the net of the fixed rate leg and the floating rate leg.

16. Provisions		
Employee benefits	382	348
FBT	15	16
Bonus payment to councils and local government bodies	1 740	1 740
Provision for income tax	1 033	83
	<u>3 170</u>	<u>2 187</u>

Movements of major provisions during the year

<i>(i) Bonus payment to councils and local government bodies</i>		
Opening balance 1 July	1 740	1 740
Increase in provision	1 740	1 740
Amounts paid	(1 740)	(1 740)
Closing balance 30 June	<u>1 740</u>	<u>1 740</u>
<i>(ii) Provision for income tax</i>		
Opening balance 1 July	83	894
Increase in provision	1 432	797
Amounts paid	(482)	(1 608)
Closing balance 30 June	<u>1 033</u>	<u>83</u>

17. Other liabilities		
Sundry creditors	197	206
GST payable	5	10
Payments due to SAFA	120	120
	<u>322</u>	<u>336</u>

18. Superannuation commitments
The Authority contributes to the Local Government superannuation fund, Local Super, in accordance with the rules of that fund. The fund provides benefits in the form of lump sum payments for retirement, death, total and permanent disability, and temporary disability.

19. Notes to the Statement of Cash Flows

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

		2010	2009
	Note	\$'000	\$'000
Cash and liquid assets	6	<u>482</u>	<u>21 227</u>

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- (i) Client deposits and withdrawals
- (ii) Sales and purchases of money market securities
- (iii) Draw down and repayment of loans and investments
- (iv) Fees paid and received.

(c) Reconciliation of profit after income tax equivalents to net cash provided by operating activities

	2010	2009
	\$'000	\$'000
Profit after income tax equivalents	3 340	1 862
Increase (Decrease) in interest payable	1 781	(4 407)
(Decrease) Increase in interest receivable	(2 505)	3 216
Increase in sundry creditors	9	9
Increase (Decrease) in provisions	982	(776)
Decrease (Increase) in sundry debtors	34	(144)
Depreciation	94	80
Revaluation gain	(349)	(18)
Impairment (gain) loss	(145)	1 637
Loss on disposal of fixed assets	1	4
Net cash provided by operating activities	<u>3 242</u>	<u>1 463</u>

20. Remuneration of board members

The Authority operates independently under its own legislation and has no other controlled entities.

The name of each person holding the position of board member during the year is as follows:

Ms Wendy Campana	Ms Elizabeth Moran	Councillor John Sanderson
Mr Paul Cohen	Mr Anthony Pederick, OAM	
Councillor John Frogley	Mr David Posaner	

Board members are entitled to receive an allowance. Payment of allowances in respect of members appointed by the Minister, Treasurer or Executive Director of the Local Government Association of South Australia are made in accordance with section 13 of the *Local Government Finance Authority Act 1983*. The appointee of the Minister and the appointee of the Treasurer presently do not seek fees. The amount payable in respect of the Executive Director of the Local Government Association of South Australia is paid to the Local Government Association of South Australia.

The total amount paid or payable to board members for the financial year ended 30 June 2010 was \$41 500 which includes salary, superannuation, salary sacrificed items and associated FBT.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

The number of members whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
No remuneration	2	2
\$1 - \$10 000	4	4
\$10 000 - \$20 000	1	1

21. Remuneration of executives

Remuneration received, or due and receivable by executive officers, whose remuneration is \$100 000 or more:	2010 \$'000	2009 \$'000
Total remuneration paid to executive officers whose remuneration is \$100 000 or more	733	617

The number of executive officers whose remuneration was within the bands:	2010 Number	2009 Number
\$100 000 - \$110 000	1	-
\$140 000 - \$150 000	-	1
\$150 000 - \$160 000	1	1
\$160 000 - \$170 000	1	-
\$310 000 - \$320 000	-	1
\$320 000 - \$330 000	1	-

The remuneration comprises salary, employer's superannuation costs including superannuation guarantee charge, motor vehicle package and associated FBT, car parking and associated FBT and living away from home allowance.

22. Contingent liabilities

The Authority incurs contingent liabilities as part of its normal operations in providing borrowing and investment services to local government in South Australia as are contemplated by its enabling legislation.

(a) Financial guarantee

The Authority has issued a financial guarantee on behalf of the Workers Compensation Scheme of the Local Government Association of South Australia in favour of WorkCover Corporation of South Australia. The guarantee is fully secured against depositor funds held, the value of which will not be less than the value of any liability that might be incurred. As at 30 June 2010 the amount guaranteed was \$22.4 million.

(b) Performance bond/guarantee

(i) Northern Adelaide Waste Management Authority

The Authority has issued a performance bond/guarantee on behalf of the prescribed local government body, Northern Adelaide Waste Management Authority, a regional subsidiary of the City of Playford, Corporation of the Town of Gawler and City of Salisbury in favour of the Environment Protection Authority. As at 30 June 2010 the amount guaranteed was \$350 000.

(ii) Western Region Waste Management Authority

The Authority has issued a performance bond/guarantee on behalf of the prescribed local government body, Western Region Waste Management Authority, a regional subsidiary of the City of Charles Sturt, City of Holdfast Bay, City of Port Adelaide Enfield and City of West Torrens in favour of the Environment Protection Authority and Land Management Corporation. As at 30 June 2010 the amount guaranteed was \$12 million.

(iii) City of Charles Sturt

The Authority has issued a performance bond/guarantee on behalf of the City of Charles Sturt in favour of the Commonwealth of Australia represented by the Department of Families, Housing, Community Services and Indigenous Affairs. As at 30 June 2010 the amount guaranteed was \$12 million.

Note: Pursuant to Schedule 2 of the *Local Government Act 1999*, liabilities incurred or assumed by a regional subsidiary are guaranteed by the constituent councils.

23. Financial risk management**(a) Risk management policies and procedures**

The Treasurer issued a revised consent dated 3 October 2007, for the Authority to enter into a range of financial instruments as part of its normal operations of providing borrowing and investment services to Local Government in South Australia and for managing the associated risks.

All financial instrument transactions and internal control activities are conducted within a board approved Risk Policy document. A Treasury Management System is in place which provides comprehensive accounting and reporting of financial instrument transactions which in turn allows for compliance with the Risk Policy to be monitored closely.

The risk management process is subject to regular and close senior management scrutiny, including regular Board and other management reporting. An Asset and Liability Committee has been appointed to direct and monitor risk management operations in accordance with the Risk Policy and is accountable to the Board.

(b) Market risk

Market risk for the Authority is primarily through interest rate risk and other price risk. There is no exposure to foreign currency risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority's exposure to interest rate risk arises where mismatches occur between the maturities of financial assets and financial liabilities. In order to mitigate this risk the Authority has entered into interest rate swap contracts and interest rate futures contracts to hedge actual financial transactions.

(i) Fair value sensitivity analysis for fixed rate instruments

The Authority had a number of fair value hedges in place at the reporting date. As the hedging instrument and hedged items have matching fixed rate positions which directly offset each other there would be no material effect on profit or loss if interest rates change.

(ii) Sensitivity analysis for variable rate instruments

It is estimated that a change of 50 basis points applied to the risk exposures in existence at the reporting date would have increased (decreased) profit for the reporting period by the amounts shown below. For the purpose of this analysis variable rate instruments include all variable rate interest bearing financial instruments which are due to be repriced within 90 days of the reporting date.

	2010			2009		
	Principal Balance \$'000	+0.5% \$'000	-0.5% \$'000	Principal Balance \$'000	+0.5% \$'000	-0.5% \$'000
Variable rate financial assets:						
Deposits at call	-	-	-	19 470	97	(97)
Investment securities	25 000	125	(125)	4 000	20	(20)
Advances	102 075	510	(510)	67 681	338	(338)
Variable rate financial liabilities:						
Council deposits	298 282	(1 491)	1 491	376 558	(1 883)	1 883
Short-term money market facility	120 630	(603)	603	-	-	-
Promissory notes	42 100	(211)	211	41 500	(208)	208
Variable rate derivatives:						
Interest rate swaps (notional principal)	383 719	1 919	(1 919)	355 880	1 779	(1 779)
Futures (notional principal/bond formula)	3 000	121	(121)	-	-	-
Profit (loss) interest rate sensitivity		370	(370)		143	(143)

(ii) Other price risk

The Authority holds investments issued by Australian banks known as floating rate capital notes which are traded on the Australian Stock Exchange and are therefore classified as available-for-sale assets. These investments are subject to price variations caused by factors other than interest rate fluctuations. The subprime loan crisis in the United States and the subsequent global contraction in credit markets have impacted on the market price of these investments.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority's exposure to credit risk arises from the potential default by counterparties with whom financial assets are held.

Included in the Authority's Risk Policy document is a Credit Risk Limits Policy which stipulates counterparty credit limits as follows:

(i) *Investments and derivatives*

Individual counterparties are assessed based on Standard & Poor's Credit Ratings and a limit applied based on that rating. Specific approvals are given for counterparties that are outside of this criteria. Regular reporting of investment and derivative credit exposures are provided to the Board and management.

(ii) *Loans and advances*

Credit limits are applied to individual councils based on debt servicing levels not exceeding board approved percentages. Debt servicing levels are analysed on receipt of each loan application and the Board approved percentages are reviewed annually. Credit risk is considered minimal as the majority of loan agreements are secured by debentures providing a charge over the council's general revenue. The Authority has not incurred any bad debts since its inception in 1984.

A concentration of credit risk occurs in relation to loans and advances as under the *Local Government Finance Authority Act 1983*, loans and advances made are restricted to councils and local government bodies (refer note 2(g)).

Non-derivative financial assets are shown below at face value or amortised cost and derivative financial assets are shown at their fair value plus the credit conversion factors in line with the APRA Guidelines. The Authority uses Standard & Poor's credit ratings to assess the credit quality of the counterparties it invests with. Loans to councils and local government bodies are shown as No Rating (NR) in the following analysis as they are not required to be rated in this manner.

	Long-term rating			Short-term rating				Total \$'000
	AA \$'000	A \$'000	BBB+ \$'000	A1+ \$'000	A1 \$'000	A2 \$'000	NR \$'000	
Cash and liquid assets	-	-	-	482	-	-	-	482
Investment securities	5 000	25 000	12 000	10 000	3 000	8 000	-	63 000
Net loans and advances	-	-	-	-	-	-	512 685	512 685
Derivatives	-	4 904	-	-	-	-	134	5 038
	5 000	29 904	12 000	10 482	3 000	8 000	512 819	581 205
2009								
Cash and liquid assets	-	-	-	21 227	-	-	-	21 227
Investment securities	-	2 000	2 000	-	-	-	-	4 000
Net loans and advances	-	-	-	-	-	-	465 805	465 805
Derivatives	-	4 517	-	-	-	-	156	4 673
	-	6 517	2 000	21 227	-	-	465 961	495 705

(d) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Authority's exposure to liquidity risk arises where a mismatch of cash flows between short-term financial liabilities and long-term financial assets exists.

The Authority has a State Government Guarantee covering all liabilities which enables it to borrow funds as required from the financial markets at favourable rates. In order to cover seasonal shortfalls in funding the Authority has access to short-term borrowing arrangements with SAFA. The Authority also has the ability to issue promissory notes directly to the financial markets utilising its AAA credit rating.

A liquidity policy is included in the Authority's Risk Policy document which provides for regular management reporting in order to closely monitor the liquidity position. The Risk Policy requires that sufficient funds are available at all times to meet any reasonable calls on its liabilities.

The following are the remaining contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount \$'000	Contracted cash flows \$'000	0-3 months \$'000	3-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
2010						
Non-derivative financial liabilities:						
Deposits from councils and local government bodies	369 180	(369 180)	(302 300)	(60 195)	(6 685)	-
Borrowings	163 399	(163 647)	(163 647)	-	-	-
Other liabilities	120 000	(129)	-	(4)	(125)	-
Derivative financial liabilities:						
Interest rate swaps - outflow	392 458	(508 550)	(11 632)	(52 132)	(216 488)	(228 298)
Interest rate swaps - inflow	(385 944)	480 216	15 167	42 550	200 780	221 719
2009						
Non-derivative financial liabilities:						
Deposits from councils and local government bodies	403 847	(403 847)	(379 524)	(13 579)	(10 744)	-
Borrowings	41 988	(42 153)	(41 833)	(320)	-	-
Other liabilities	336	(358)	(216)	(9)	(133)	-
Derivative financial liabilities:						
Interest rate swaps - outflow	360 727	(466 506)	(11 950)	(51 635)	(201 658)	(201 263)
Interest rate swaps - inflow	(357 408)	415 316	13 494	39 856	173 760	188 206

24. Transactions with SA Government

	2010	2009
	\$'000	\$'000
The following expense transactions were undertaken during the financial year between the Authority and the SA Government:		
Interest paid - promissory notes	1 567	2 088
Interest paid - short-term money market facility	2 061	412
Interest paid - inscribed stock	9	88
Fees for the guarantee of the Treasurer of SA on liabilities	962	927
Income tax equivalent expense	1 432	797
The following financial liabilities were outstanding at the end of the financial year between the Authority and the SA Government:		
Short-term money market facility	14 120 630	-
Promissory notes	14 42 100	41 500
Inscribed stock	14 -	311
Interest payable - short-term money market facility	418	15
Interest payable - promissory notes	251	159
Interest payable - inscribed stock	-	3

25. Investment in associate

LGCS Unit Trust No. 1 is incorporated in Australia and the principal activities of the business are the provision of shared services to local government. The audited financial statements of LGCS Unit Trust No. 1 have provided the following summarised information:

	2010	2009
	\$'000	\$'000
Revenues	830	811
Net profit	16	10
Total assets	410	450
Total liabilities	797	852
Net assets	(387)	(402)
Total equity	(387)	(402)

As at 30 June 2010 the Authority held a 50 percent ownership of the LGCS Unit Trust No. 1 in the form of 50 000 fully paid one dollar units. As the Authority does not control the Unit Trust but exercises significant influence, the Trust is accounted for using the equity method under AASB 128. As at 30 June 2010 the Authority had equity accounted for \$50 000 of the half share of the accumulated losses of LGCS Unit Trust No. 1. A resolution was made by the LGFA Board on 15 June 2010 to transfer the 50 percent unit holding to the Local Government Association, thereby divesting its financial interest in LGCS Unit Trust No. 1. This transfer was completed on 1 July 2010.

26. Fair value of financial instruments

The book value of financial assets and financial liabilities shown in the table below includes principal, accrued interest and, where applicable, a fair value adjustment. The distribution of accrued interest to asset and liability categories which are recorded at amortised cost in the accounts will cause the amounts shown as book values to differ from those shown on the Statement of Financial Position.

From 1 July 2005 all derivative financial instruments and available-for-sale financial assets (investment securities) have been recorded at fair value, including accrued interest, in the accounts. A portion of net loans and advances has been recorded at fair value using hedge accounting with the remainder recorded at amortised cost.

The following methods and assumptions are used to determine the fair values of financial assets and liabilities:

Cash and liquid assets

As the assets are at call the carrying amount equates to fair value.

Other assets

The carrying amount of sundry debtors and prepayments is estimated to approximate fair value.

Investment securities

The fair value of floating rate capital notes is based on current market rates as quoted on the Australian Stock Exchange. The fair value of fixed-term deposits held with banks is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

Net loans and advances

The fair value is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

Deposits from councils and prescribed local government bodies

The fair value is estimated using discounted cash flow analysis based on current market rates for deposits having substantially the same terms and conditions.

Provisions

The carrying amount of provisions is estimated to approximate fair value.

Other liabilities

The carrying amount of sundry creditors is estimated to approximate fair value. The fair value of payments due to SAFA is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

Borrowings

The fair value of promissory notes is estimated using discounted cash flow analysis based on current market rates for promissory notes having substantially the same terms and conditions. The fair value of inscribed stock is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

Interest rate swaps

The fair value is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

Futures contracts

The fair value is based on current market rates as quoted on the Sydney Futures Exchange.

	Note	2010		2009	
		Book value \$'000	Fair value \$'000	Book value \$'000	Fair value \$'000
Financial assets	2(b)				
Loans and receivables:					
Cash and liquid assets		482	482	21 227	21 227
Other assets		278	278	334	334
Investment securities		60 179	60 519	26	26
Net loans and advances		139 446	144 536	119 624	130 467
Available-for-sale financial assets:					
Investment securities		2 533	2 533	2 383	2 383
Fair value hedge:					
Net loans and advances		392 458	392 458	360 727	360 727
Financial liabilities	2(b)				
Financial liabilities at amortised cost:					
Deposits from councils and prescribed bodies		369 180	369 504	403 848	404 370
Provisions		3 170	3 170	2 187	2 187
Other liabilities		322	326	336	345
Borrowings		163 399	163 373	41 988	41 977
Derivative financial instruments	2(b)				
Fair value hedge:					
Derivatives		6 514	6 514	3 318	3 318
Financial assets at fair value:					
Derivatives		68	68	-	-

LOTTERIES COMMISSION OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment

The Lotteries Commission of South Australia (the Commission) is a statutory authority established pursuant to the *State Lotteries Act 1966* (the Act) with its principal function being to promote and conduct lotteries for South Australia.

Functions

The functions of the Commission are to administer and promote the following lottery games:

- Monday/Wednesday X Lotto
- Oz Lotto
- Powerball
- Saturday X Lotto
- Super 66
- The Pools
- Keno
- Instant Scratchies
- Special Appeal Lotteries
- Special Lotteries
- Sports Lotteries.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA and subsection 18A(2) of the *State Lotteries Act 1966* provide for the Auditor-General to audit the accounts of the Commission for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems and was directed to obtain sufficient evidence to form an opinion on the financial statements and internal controls.

During 2009-10, specific areas of audit attention included:

- revenue including gaming revenue and other revenue
- prize payments
- expenditure
- payroll
- fixed assets
- financial accounting
- corporate governance arrangements
- cut over process to the new online lotteries system (Enterprise System)
- information technology governance and control

An understanding of internal audit activities has been obtained to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures. Use has been made of the work performed by internal audit with respect to gaming system operations including management and control of system security and winning ticket validation.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Lotteries Commission of South Australia as at 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Lotteries Commission of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Lotteries Commission of South Australia have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were formally reported to the Chief Executive of the Commission. The audit findings were generally satisfactory and reflect the operation of a sound control environment by the Commission. Matters reported related to the need for the Commission to review and update various Easisplay Club procedures to reflect current practice. The Commission responded positively to the recommendations.

Information technology governance and control

Replacement of the online lotteries system

During the year ended 30 June 2010 the Commission implemented a new online lotteries system (Enterprise System) to replace its previous system which was implemented in 1999. The system included an internet protocol communication system, replacement point of sale equipment and new central hardware and software. Acquiring and implementing the new system was necessary because the Commission's communication network service provider discontinued its previous service and the Commission's support agreement with the system supplier would have expired in 2011.

The Commission sought and received Cabinet approval in February 2007 to issue an open expression of interest to establish prequalification and the subsequent release of the Request for Proposal for the replacement of the system.

In November 2008 Cabinet approved the Commission entering into contracts for the provision of:

- a replacement online lotteries system for an initial term of seven years with the option to extend for a further three years
- communication services to the SA Lotteries' agency network for a term of five years with the option to renew for a further three years.

The Cabinet approved capital expenditure of up to \$16.956 million and total annual operating and maintenance costs of \$3.445 million over the planned operating life of 10 years.

The replacement online lotteries system was implemented on 16 May 2010. Payments for capital and operating expenditure to 30 June 2010 totalled \$11.7 million and \$3.7 million respectively.

Audit review activity

The implementation of the new Enterprise System concurrent with the operation of the former system for most of the year required additional Audit review focus of the information technology (IT) systems and environment for 2009-10. This will extend into 2010-11.

The audit coverage included the following matters:

- The governance structure in operation for the new system. It was noted that the IT Committee of the Commission exercised responsibility for monitoring implementation of the new system, including reviewing project progress, quality assurance processes and outcomes, and defect management and resolution.

- Review and consideration of the annual program of work of the Commission's internal audit covering the former system and the new system. The Commission maintains an effective internal audit activity as part of its sound internal control environment. A review was undertaken of various internal audit reports with certain audit findings and the Commission's responses to those findings tested for confirmation. One notable area tested related to internal audit's review of aspects of quality assurance for the new system.
- In addition to the internal audit coverage, the Commission engaged a security expert to examine any potential security vulnerabilities of the new system infrastructure. The matters arising from the review and action taken by the Commission is being subject to follow up review by the security expert. The 2010-11 audit will include review of action taken.
- In collaboration with the Commission (including internal audit) a new computer assisted audit technique has been developed to provide Audit with an ongoing efficient and effective means of verifying lottery draw results.

The IT audit component of the overall audit of the Commission's operations for 2009-10 revealed satisfactory results.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2010 \$'million	2009 \$'million
INCOME		
Sales	391	394
Cost of sales	(342)	(345)
Other revenue	7	7
Total income	56	56
EXPENSES		
Supplies and services	16	15
Employee benefits expenses	8	8
Other expenses	2	3
Total expenses	26	26
Profit before income tax equivalent	30	30
Income tax equivalent expense	9	9
Profit after income tax equivalent and total comprehensive result	21	21
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Distribution to the Hospitals Fund and Recreation and Sport Fund	102	90
ASSETS		
Current assets	70	133
Non-current assets	16	6
Total assets	86	139
LIABILITIES		
Current liabilities	51	105
Non-current liabilities	11	9
Total liabilities	62	114
TOTAL EQUITY	24	25

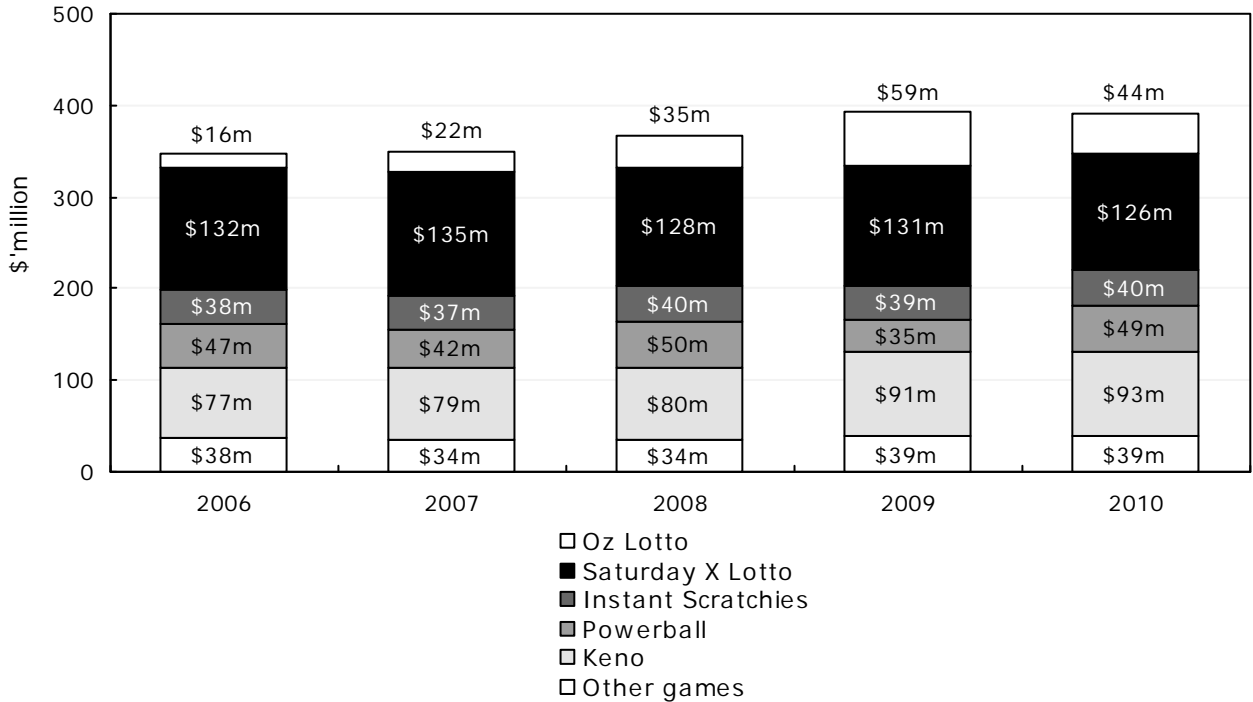
Statement of Comprehensive Income

Total income for the year was \$56 million, a decrease of \$400 000 from the previous year. While sales revenue for the year decreased by \$3 million, cost of sales decreased by \$3.4 million.

The decrease in sales revenue in 2010 predominantly reflects the higher sales revenue in 2009 due to a number of jackpots during that year. Sales revenue increased by \$27 million in 2009.

Saturday X Lotto sales were \$126 million, Keno sales were \$93 million and Powerball sales were \$49 million, representing 32 percent, 24 percent and 13 percent of total sales respectively.

A structural analysis of sales revenue generated by the Commission’s lottery products in the five years to 2010 is presented in the following chart.



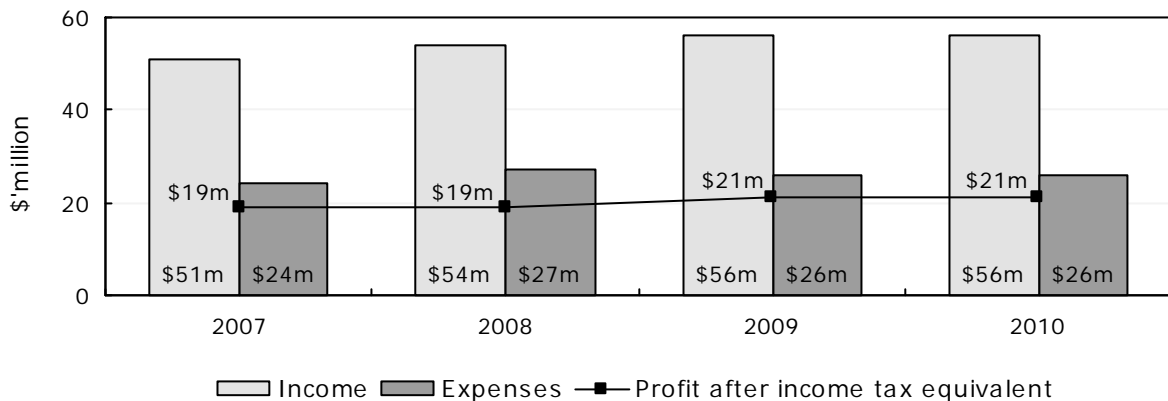
Expenses

Total expenses increased by \$800 000 to \$27 million. The increase is mainly attributable to increased computer operations and training costs associated with the implementation of the new online lotteries system.

Profit after income tax equivalent

Profit after income tax equivalent decreased by \$800 000 to \$20.6 million.

The following chart shows the income, expenses and profit after income tax equivalent for the four years to 2010.

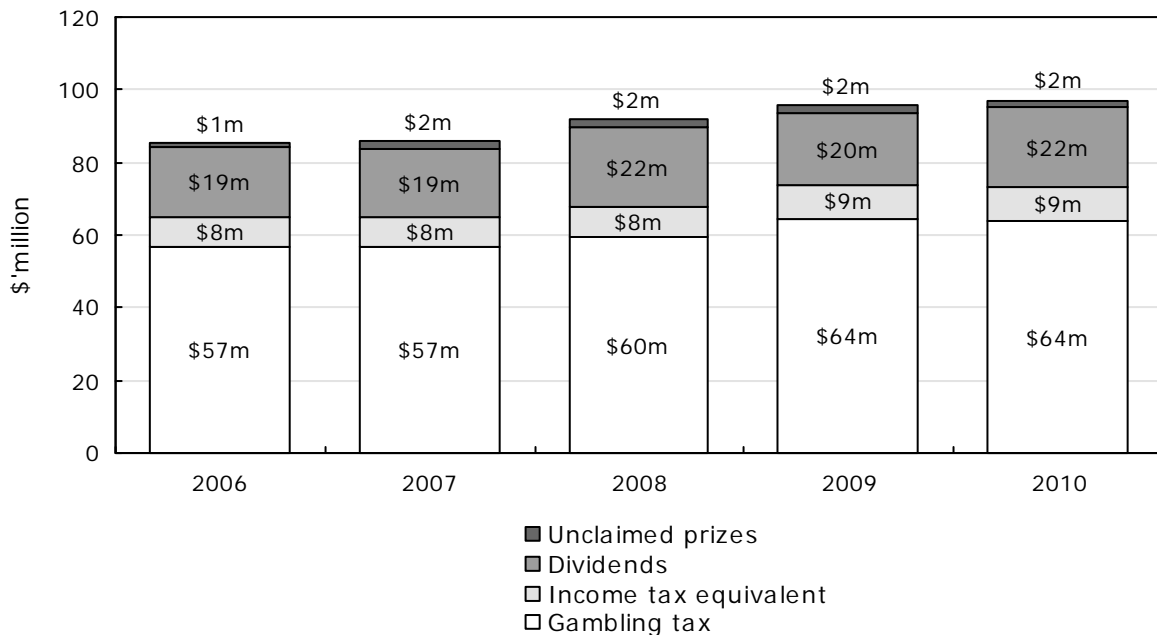


Distributions to government

The Commission makes payments to the Government in accordance with the requirements of the *State Lotteries Act 1966* and the TIs which are detailed in notes 2(k) and 24 to the financial statements. Essentially these payments comprise a gambling tax, an income tax equivalent payment, a dividend and 50 percent of unclaimed prizes.

In 2009-10 the distribution provided for government amounted to \$97 million, an increase of \$1.8 million over the previous year. This reflects an increase in amounts provided for gambling tax of \$200 000, an increase in the dividend and income tax equivalent of \$2.2 million and a decrease in unclaimed prizes of \$500 000.

The following chart analyses the distributions provided to government for the five years to 2010.



Statement of Financial Position

Assets

Total assets decreased by \$53 million to \$86 million. This decrease reflects:

- a decrease in cash and cash equivalents of \$21 million due to reductions in funds held to settle prize payments, the provision for distributions to the Government and capital expenditure
- a decrease in receivables of \$42 million. The decrease is mainly attributable to the recognition of a receivable due from the interstate bloc members with respect to a South Australian Division 1 Oz Lotto prize of \$17 million at 30 June 2010 compared with a \$53 million Oz Lotto prize won on 30 June 2009. The prizes had not been paid to the winner and settlement not received from interstate Bloc members as at 30 June 2010 and 2009 respectively
- an increase in the value of property, plant and equipment of \$10 million which relates mainly to the acquisition of the new online lotteries system which was implemented in May 2010.

Liabilities

Total liabilities decreased by \$52 million to \$62 million principally due to:

- a decrease in prizes payable of \$46 million which reflects the recognition of a \$17 million Division 1 prize payable at 30 June 2010 compared to a \$53 million prize payable at 30 June 2009 as detailed above
- a decrease in undistributed funds at 30 June 2010 of \$5 million. Refer note 24 to the financial statements.

Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2010.

	2010	2009	2008	2007	2006
	\$'million	\$'million	\$'million	\$'million	\$'million
Net cash flows					
Operating	(10)	21	4	-	6
Investing	(11)	(1)	(1)	(1)	(1)
Financing	-	-	(1)	(2)	(1)
Change in cash	(21)	20	2	(3)	4
Cash at 30 June	50	71	51	49	52

The cash balance at 30 June represents funds held to meet the Commission's liability for unpaid prizes of \$31 million, net of settlements receivable from interstate Bloc members of \$17 million, unclaimed prizes reserve of \$9 million, the prize reserve fund of \$7 million and distributions due to the Government of \$8 million.

**Statement of Comprehensive Income
for the year ended 30 June 2010**

	Note	2010	2009
		\$'000	\$'000
INCOME:			
Sales revenue	5	390 704	393 705
Cost of sales	6	341 378	344 770
Gross margin		49 326	48 935
Interest revenue		2 242	2 902
Other revenues	7	4 579	4 706
Net gain on disposal of non-current assets	8	-	2
Total income		56 147	56 545
EXPENSES:			
Employee benefits expenses	9	8 029	8 313
Supplies and services	10	16 542	15 049
Depreciation and amortisation expense	11	2 163	2 559
Total expenses		26 734	25 921
PROFIT BEFORE INCOME TAX EQUIVALENT		29 413	30 624
Income tax equivalent expense		8 824	9 187
PROFIT AFTER INCOME TAX EQUIVALENT		20 589	21 437
TOTAL COMPREHENSIVE RESULT		20 589	21 437

The profit after income tax equivalent and total comprehensive result are attributable to the SA Government as owner

**Statement of Financial Position
as at 30 June 2010**

	Note	2010 \$'000	2009 \$'000
CURRENT ASSETS:			
Cash and cash equivalents	13	50 089	70 814
Receivables	14	19 753	61 845
Inventories		699	482
Total current assets		70 541	133 141
NON-CURRENT ASSETS:			
Property, plant and equipment	15	15 552	5 828
Intangible assets	16	3	44
Total non-current assets		15 555	5 872
Total assets		86 096	139 013
CURRENT LIABILITIES:			
Payables	17	41 693	93 799
Employee benefits	18	869	820
Other current liabilities	19	8898	10 103
Total current liabilities		51 460	104 722
NON-CURRENT LIABILITIES:			
Payables	17	1 068	100
Employee benefits	18	1 363	1 173
Other non-current liabilities	19	8 586	8 020
Total non-current liabilities		11 017	9 293
Total liabilities		62 477	114 015
NET ASSETS		23 619	24 998
EQUITY:			
Funds retained for capital purposes		636	636
Asset revaluation surplus		849	5 474
Reserves		22 134	18 888
Retained earnings		-	-
TOTAL EQUITY		23 619	24 998

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	21
Contingent assets and liabilities	22

**Statement of Changes in Equity
for the year ended 30 June 2010**

	Funds retained for capital purposes \$'000	Asset revaluation surplus \$'000	Building maint- enance reserve \$'000	Capital asset reserve (note 20) \$'000	Keno Prize reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2008	636	5 474	94	16 793	10	-	23 007
Profit after income tax equivalent for 2008-09	-	-	-	-	-	21 437	21 437
Total comprehensive result for 2008-09	-	-	-	-	-	21 437	21 437
Transfers:							
From retained earnings	-	-	-	2 000	3 290	(5 290)	-
To retained earnings	-	-	(29)	(1 456)	(1 814)	3 299	-
Dividend contribution to SA Government	-	-	-	-	-	(19 446)	(19 446)
Balance at 30 June 2009	636	5 474	65	17 337	1 486	-	24 998
Profit after income tax equivalent for 2009-10	-	-	-	-	-	20 589	20 589
Total comprehensive result for 2009-10	-	-	-	-	-	20 589	20 589
Transfers:							
From retained earnings	-	-	-	2 000	2 749	(4 749)	-
To retained earnings	-	(4 625)	-	(1 503)	-	6 128	-
Dividend contribution to SA Government	-	-	-	-	-	(21 968)	(21 968)
BALANCE AT 30 JUNE 2010	636	849	65	17 834	4 235	-	23 619

All changes in equity are attributable to SA Government as owner

Statement of Cash Flows for the year ended 30 June 2010

		2010	2009
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
CASH INFLOWS:			
Receipts from customers		367 268	361 388
Interest received		2 239	3 090
Cash generated from operations		369 507	364 478
CASH OUTFLOWS:			
Prizes paid		(239 579)	(220 119)
Payments to suppliers and employees		(28 172)	(23 950)
GST paid to ATO		(9 962)	(9 523)
Distribution to the Hospitals Fund and Recreation and Sport Fund:			
Gambling tax	24	(67 227)	(60 573)
Dividends	24	(23 977)	(18 808)
Unclaimed prizes	24	(1 804)	(2 296)
Distribution to the Hospitals Fund for income tax equivalent	24	(8 867)	(8 178)
Cash used in operations		(379 588)	(343 447)
Net cash (used in) provided by operating activities	23	(10 081)	21 031
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		-	6
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(10 644)	(1 583)
Net cash used in investing activities		(10 644)	(1 577)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
		(20 725)	19 454
CASH AND CASH EQUIVALENTS AT 1 JULY			
		70 814	51 360
CASH AND CASH EQUIVALENTS AT 30 JUNE			
	23	50 089	70 814

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Establishment and function of the Lotteries Commission of South Australia**
The Lotteries Commission of South Australia (SA Lotteries), established under the *State Lotteries Act 1966*, commenced operations on 15 May 1967 with the primary function of promoting and conducting lotteries in South Australia.
2. **Summary of significant accounting policies**
 - (a) **Statement of compliance**
The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provisions of the PFAA.

SA Lotteries has early-adopted AASB 2009-12, which relates mainly to terminology changes (refer note 3).
 - (b) **Basis of preparation**
The preparation of the financial statements requires:
 - the use of certain accounting estimates and requires management to exercise its judgment in the process of applying SA Lotteries' accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes

(b) Basis of preparation (continued)

- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures that have been included in this financial report:
 - (a) Revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.
 - (b) Expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income and note 10). (The term 'consultant' is defined in APF II, APS 4.6).
 - (c) Employee TVSP information.
 - (d) Employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.
 - (e) Commission members and remuneration information, where a Commission member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

SA Lotteries' Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and are presented in Australian currency.

The accounting policies set out below have been applied consistently in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented.

(c) Reporting entity

The reporting entity comprises the Lotteries Commission of South Australia only.

(d) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of AASB 2009-12 and/or where specific revised accounting standards and APSs have required change.

The restated comparative amounts do not replace the original financial statements for the preceding period.

(e) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

(f) Taxation

Tax equivalent regime

In accordance with TI 22, SA Lotteries is required to pay to the State Government an income tax equivalent. The income tax liability is based on the State taxation equivalent regime which applies the accounting profits method. This requires that the corporate income tax rate be applied to profit. The current income tax equivalent liability (included in undistributed funds liability) relates to the income tax equivalent expense outstanding for the current period.

SA Lotteries is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalent and local government rate equivalent.

GST

SA Lotteries, as a gambling operator, is required to pay GST of one eleventh of net gambling revenue (NGR), defined as gross sales less total monetary prizes, direct to the ATO. The GST on NGR is treated as a cost of sales.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables that include GST.

GST (continued)

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

(g) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to SA Lotteries will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Note 27 discloses income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

- Sales revenue for Saturday X Lotto, Monday/Wednesday X Lotto, Oz Lotto, Powerball, Keno, Super 66 and The Pools is recognised as at the date of the draw or competition. For these games, sales revenue as at 30 June for draws or competitions subsequent to that date is treated as sales in advance. Sales revenue for Instant Scratchies is recognised as tickets are sold.
- Interest revenue is recognised on a time proportionate basis as it accrues, taking into account the effective yield on the financial asset.
- Revenues from services, fees and charges are derived from the provision of goods and services predominantly to agents. This revenue is recognised upon delivery of the goods or services to the recipients.

(h) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from SA Lotteries will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Note 27 discloses expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Employee benefits expenses

Employee benefits expenses include all costs related to employment, including salaries and leave entitlements. These are recognised when incurred.

Superannuation expenses charged in the Statement of Comprehensive Income represent:

- defined contributions made by SA Lotteries to the superannuation plans in respect of current services of current employees
- defined benefits accrued during the reporting period.

Note 2(o) provides further details.

Supplies and services

Supplies and services generally represent the day-to-day running costs, including maintenance and occupancy costs, incurred in the normal operations of SA Lotteries. These items are recognised as an expense in the reporting period in which they are incurred.

Depreciation and amortisation of non-current assets

All non-current assets having a limited useful life are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to leasehold improvements and intangible assets (software), while depreciation is applied to tangible assets such as property, plant and equipment.

Depreciation and amortisation of non-current assets (continued)

Assets' residual values, useful lives and depreciation/amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, which is a change in accounting estimate.

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land is not depreciated.

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

<i>Class of assets</i>	<i>Estimated useful life</i>
	<i>Years</i>
Buildings	22
Plant and equipment	3-10
Former Online Lotteries system	2-5
Current Online Lotteries system	7
Leasehold improvements	up to 10
Intangibles (software)	3

(i) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. SA Lotteries has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle, even when they are not expected to be realised within 12 months after the reporting date, have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

(j) Assets

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Note 27 discloses financial assets where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and the Statement of Cash Flows includes cash on hand, deposits held at call and other short-term, highly liquid investments that are readily converted to cash, are subject to insignificant risk of changes in value and are used in the cash management function on a day-to-day basis.

Short-term deposits are held with SAFA in At Call Deposit and Cash Management Fund accounts. Bank balances are held with Westpac Banking Corporation in At Call Deposit accounts.

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from agents and other parties, prize settlements receivable from Blocs, and prepayments. Receivables (other than prepayments) arise in the normal course of selling goods and services to agents and other parties and through prize settlement arrangements with other Bloc members.

Agent debtors and sundry receivables

Agent debtors and sundry receivables are generally receivable within seven days and 14 days respectively and are carried at amounts due.

Collectability of agent debtors and sundry receivables are reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that SA Lotteries will not be able to collect the debt.

Prize settlements receivable from Blocs

Saturday X Lotto, Monday/Wednesday X Lotto, Oz Lotto, Powerball, Super 66 and The Pools are games supported by inter-jurisdictional prize pooling arrangements. Lottery operators participating in individual games form Blocs for the relevant games. Amounts receivable from Blocs represent monies due from other jurisdictions for prizes won in South Australia. Settlement of amounts receivable from Bloc members are normally due 14 days after the date of the draw.

Inventories

Inventories are held for distribution and include Instant Scratchies tickets, online coupons and ticket rolls.

Inventories are measured at the lower of actual cost or their net realisable value.

Non-current asset acquisition and recognition

Non-current assets are initially recorded at cost, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation/amortisation.

All non-current assets with a value of \$2000 or more are capitalised.

Componentisation of the Online Lotteries system (a complex asset) has been performed as the asset's fair value at the time of acquisition was greater than \$1 million.

Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value). Revaluation of non-current assets or groups of assets is only performed when their fair value is greater than \$1 million and estimated useful life is greater than three years.

SA Lotteries obtains an independent valuation of such assets at least every five years. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

SA Lotteries has taken the exemption available under APF III, APS 3.8 to take asset revaluation adjustments to the asset revaluation surplus on a class basis rather than an individual asset basis.

Upon disposal or derecognition, any revaluation surplus is transferred to retained earnings.

Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. If there was an indication of impairment, the recoverable amount would be estimated. An amount by which the asset's carrying amount exceeds the recoverable amount would be recorded as an impairment loss. For revalued assets, an impairment loss would be offset against the asset revaluation surplus.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. SA Lotteries only has intangible assets with finite lives.

(k) Liabilities

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Note 27 discloses financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Payables

Payables include creditors, accrued expenses, prizes payable, undistributed funds (owing to SA Government), and employment on-costs.

Creditors and accrued expenses

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of SA Lotteries.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Prizes payable

Prizes payable represent amounts due to be paid to customers for prizes won in South Australia and settlements due to lottery operators in other States participating in inter-jurisdictional prize pooling arrangements.

Prizes payable (continued)

Amounts payable for prizes won in South Australia are generally available for settlement the day following the draw, or in the case of Instant Scratchies and minor Keno prizes, on the date of sale or draw. Division 1 and 2 prizes for Lotto type games are normally settled 14 days after the date of draw in accordance with the Lotteries Rules. Amounts payable to Blocs represent monies due to other lottery operators for prizes won in interstate jurisdictions. Settlement of amounts payable to Bloc members are normally due 14 days after the date of the draw.

Non-current prizes payable relate to outstanding annuity-style Instant Scratchies prizes where the total prize is payable in instalments over a number of years in accordance with the terms and conditions of each game. The liability is measured at the undiscounted amount expected to be paid.

Employment on-costs

Employment on-costs include superannuation contributions, payroll tax and workers compensation with respect to outstanding liabilities for salaries, long service leave and annual leave. Employment on-costs are settled when the respective employee benefit that they relate to is discharged.

Employee benefits

These benefits accrue for employees as a result of services provided up to the reporting date and remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries, annual leave and sick leave

The liability for salaries is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. No salaries or annual leave are expected to be payable later than 12 months.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

Long service leave

The liability for long service leave is recognised after an employee has completed 5.5 years of service. The benchmark for measurement of the long service leave liability has been revised from 6.5 years based on an actuarial assessment performed by DTF.

An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with SA Lotteries' experience of employee retention and leave taken.

The portion of the long service leave liability classified as current represents the amount that may be expected to be paid as leave taken or paid on termination of employment during SA Lotteries' normal operating cycle.

Unclaimed Prizes reserve

Other than a prize in a Special Appeal Lottery (note 2(l)), any prize in a lottery that has not been collected or taken delivery of within 12 months of the date of the draw or relevant day is forfeited to SA Lotteries and transferred into the Unclaimed Prizes reserve. Subsection 16C(4) of the *State Lotteries Act 1966* requires SA Lotteries to pay:

- 50 percent of the amount derived from unclaimed prizes in The Pools (and other sports lotteries or special lotteries) to the Recreation and Sport Fund
- 50 percent of the amount derived from unclaimed prizes in other lotteries to the Hospitals Fund.

The balance in the reserve is applied by SA Lotteries from time to time for the purposes of providing additional or increased prizes in a subsequent lottery or lotteries, providing prizes in promotional lotteries or making ex gratia payments.

The *State Lotteries Act 1966* provides for an ex gratia payment to a person who satisfies SA Lotteries that they are a winner of a prize in a lottery conducted by SA Lotteries, despite the fact that a prize has been forfeited to SA Lotteries, the winning ticket has been lost or destroyed or the period of notice of a claim for the prize has not been complied with.

Ex gratia payments are charged to the Unclaimed Prizes reserve. The next payment to either the Hospitals Fund or Recreation and Sport Fund is then reduced by an amount equivalent to 50 percent of the ex gratia payment, depending on the game played.

Distribution of funds to government

In accordance with subsection 16(3) of the *State Lotteries Act 1966*, SA Lotteries is required to pay to the Hospitals Fund the balance of surplus funds remaining after:

- payment of gambling tax and GST on NGR
- making allowances for operating and capital expenses
- applying the net proceeds and gambling tax of The Pools to the Recreation and Sport Fund
- in respect of Special Appeal Lotteries (note 2(l)), applying the net proceeds and unclaimed prizes less the GST on NGR to the beneficiary(s) of those lotteries
- retaining funds for certain designated purposes.

As detailed in note 2(f), SA Lotteries is required to make tax equivalent payments as a result of the application of the tax equivalent regime. In recognition of the provisions of the *State Lotteries Act 1966*, and in accordance with TI 22, the transfer of funds to the Hospitals Fund is reflected in the financial statements in the form of:

- (i) a gambling tax of 41 percent on NGR in respect of all lotteries conducted by SA Lotteries except sports lotteries, special lotteries and special appeal lotteries
- (ii) an income tax equivalent payment (calculated on the accounting profits method), recorded as an expense item in the Statement of Comprehensive Income
- (iii) a dividend, represented by net profit after income tax equivalent payment, and increased/decreased by funds retained for certain designated purposes
- (iv) unclaimed prizes.

The composition of all amounts due and payable to government on account of the Hospitals Fund and Recreation and Sport Fund is detailed in note 24.

(l) Special Appeal Lotteries

With effect from 30 April 2007, the *State Lotteries Act 1966* was amended to facilitate the conduct of Special Appeal Lotteries for approved state-based causes and disasters. The beneficiary(s), as approved by the Minister, receives the net proceeds less GST on NGR plus unclaimed prizes in respect of the Special Appeal Lotteries.

No Special Appeal Lotteries were conducted during the financial year.

(m) Foreign currency

Exchange differences arising up to the date of purchase are included in the measurement of the purchase and are reported in the Statement of Comprehensive Income.

(n) Operating leases

SA Lotteries has an accommodation lease agreement for its Head Office premises at 24-25 Greenhill Road, Wayville and operating lease agreements for remote computer sites at Kidman Park and Glenside. In respect of these operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased assets.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

(o) Superannuation

SA Lotteries has an established superannuation plan for its employees, being the Lotteries Commission of South Australia Superannuation Plan (the Plan), which is a sub-plan of the Mercer Super Trust. The Plan provides lump sum benefits on retirement, death, disablement and withdrawal. Some categories of members receive only defined contribution, accumulation style benefits. The defined benefit section of the Plan is closed to new members. All new members receive accumulation only benefits. The defined contribution (accumulation style) section receives fixed contributions from SA Lotteries and SA Lotteries' obligation is limited to these contributions. The withdrawal benefit for defined benefit members may be taken immediately or deferred until preservation age.

The liability for the defined benefit section of the Plan has been determined via an actuarial valuation by Stuart Mules, FIAA (Mercer Investment Nominees Limited) using the projected unit credit method. The report was dated 8 July 2010.

Actuarial gains and losses are recognised in full, directly in profit and loss in the period in which they occur, and are presented in the Statement of Comprehensive Income.

The superannuation expense of the defined benefit section of the Plan is recognised as and when the contributions become payable and consist of current service cost, interest cost, actuarial gains and losses, and past service cost.

(o) Superannuation (continued)

The defined benefit superannuation plan asset/liability recognised in the Statement of Financial Position represents the surplus/deficit of the fair value of the defined benefit superannuation plan assets over the present value of the defined benefit obligation to members. The expected payment to settle the obligation has been determined using national government bond market yields with terms and conditions that match, as closely as possible, to estimated cash outflows.

SA Lotteries also contributes to other externally managed superannuation plans. These contributions are expensed when they fall due and SA Lotteries' obligation is limited to these contributions.

(p) Funds retained for capital purposes

SA Lotteries has retained funds which represent the historical cost of the investment in land and buildings at 24-26 Payneham Road, Stepney.

(q) Asset revaluation surplus

This surplus is used to record increments and decrements in relation to the fair value of land and buildings and the Online Lotteries system to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is disposed or derecognised.

(r) Reserves

Building maintenance reserve

This reserve was established to meet future major building maintenance costs.

Capital asset reserve

This reserve was established to contribute to the financing of the cost of replacement of the Online Lotteries system hardware and software, and the purchase of other non-current assets.

Keno Prize reserve

This reserve was established to meet Keno Spot 10 prizes. The reserve has been funded from retained earnings as a proportion of all Keno Spot 10 gross sales through SA Lotteries' agents and ACTTAB Limited. To the extent possible, the value of the Keno Spot 10 prize won is transferred from the reserve to retained earnings and paid to the Hospitals Fund.

(s) Unrecognised contractual commitments

Commitments include those from capital and operating commitments arising from contractual sources and are disclosed at their nominal value.

(t) Insurance

SA Lotteries has arranged through SAICORP, a division of SAFA, to insure all major risks of the organisation. The excess payable under this arrangement varies depending on each class of insurance held.

3. New and revised accounting standards and policies

AASB 8 does not apply to SA Lotteries for the financial reporting period beginning 1 July 2009. Accordingly, SA Lotteries has removed all information disclosed about segments in these financial statements.

Except for early adoption of AASB 2009-12, which mainly relates to terminology changes, the AASs and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted for the reporting period ended 30 June 2010. SA Lotteries has assessed the impact of the new and amended standards and Interpretations and considers there will be no impact on the accounting policies or the financial statements of SA Lotteries.

4. Related party

SA Lotteries is controlled by the SA Government. Transactions and balances between SA Lotteries and related parties (ie other SA Government controlled entities) are disclosed in note 27.

5. Sales revenue

	2010	2009
	\$'000	\$'000
Saturday X Lotto	125 764	131 280
Monday/Wednesday X Lotto	37 133	36 718
Oz Lotto	44 530	58 789
Powerball	48 673	35 414
Keno	92 566	90 753
Instant Scratchies	40 189	38 886
Super 66	1 184	1 171
The Pools	665	694
Total sales revenue	390 704	393 705

Sales revenue includes agents' commission.

6. Cost of sales

Prizes	233 407	236 931
Gambling tax on net gambling revenue	64 492	64 277
Agents' commission	29 179	29 310
GST on net gambling revenue paid to ATO	14 300	14 252
Total cost of sales	341 378	344 770

7. Other revenues		2010	2009
	Note	\$'000	\$'000
Agents' fees and charges		3577	3 748
Easiplay Club service fees		374	351
Sundry		628	607
Total other revenues		4 579	4 706
8. Net gain (loss) on derecognition of non-current assets			
Proceeds from derecognition		-	6
Net book value of assets derecognised		-	(4)
Net gain on derecognition of non-current assets		-	2

Assets are derecognised on disposal or when no future economic benefits are expected from the asset's use or disposal.

9. Employee benefits expenses			
Salaries (including annual leave)		6 419	5 938
Long service leave		204	155
Employment on-costs - superannuation contributions	26(j)	677	737
Decrease in carrying value of defined benefit superannuation plan net asset/liability	26(e)	102	868
Employment on-costs - other		490	466
Commission members' fees		137	149
Total employee benefits expenses		8 029	8 313

Remuneration of employees

The table covers all employees who received remuneration of \$100 000 or more during the year. Remuneration reflects all costs of employment including salaries, superannuation contributions, FBT, any other salary sacrifice benefits, and payment of leave entitlements on ceasing employment. Employer contributions for employees who are members of the defined benefit section of the Plan were reduced from 1 July 2007 and subsequently increased from 5 January 2009 in accordance with actuarial advice and Commission endorsement.

The number of employees whose remuneration received or receivable falls within the following bands:		2010	2009
		Number	Number
\$100 000 - \$109 999		6	3
\$110 000 - \$119 999		1	-
\$140 000 - \$149 999		1	2
\$150 000 - \$159 999		1	-
\$160 000 - \$169 999		1	1
\$170 000 - \$179 999		1	1
\$280 000 - \$289 999		-	1
\$310 000 - \$319 999		1	-
Total		12	8
		2010	2009
Total remuneration received or receivable by employees whose remuneration was \$100 000 or more		\$'000	\$'000
		1 718	1 232

Commission members

The following persons held the position of Member of the Lotteries Commission of South Australia for the full financial year unless otherwise stated:

H J Ohff, PhD, BA(Hons), BComm, FIEAust, CPEng, (Presiding Member)
 A E Heyworth, BA(Acc), MBA (AGSM), SF Fin, FAICD - appointed 8 February 2010
 W R Jackson, BEc, FASA
 A E Lindsay, BA(Hons), LLB(Hons)
 S J Mackenzie, BComm (Acc), LLB(Hons)
 S K Shirley, BEc, FCA, CPA - term expired 7 February 2010

Commission members' remuneration

The total remuneration received and receivable by Commission members includes fees, superannuation contributions, FBT and professional indemnity insurance paid on behalf of Commission members.

The number of Commission members whose remuneration received or receivable falls within the following bands:		2010	2009
		Number	Number
\$0 - \$9999		1	-
\$20 000 - \$29 999		1	1
\$30 000 - \$39 999		3	3
\$40 000 - \$49 999		1	1
		2010	2009
The total remuneration received or receivable by Commission members		\$'000	\$'000
		165	175

Commission members' remuneration (continued)

No Commission member has entered into a contract with SA Lotteries since the end of the previous financial year and there were no material contracts with Commission members' interests at the end of the financial year.

Key management personnel compensation

The key management personnel are the Commission members and the senior management team (including the Chief Executive) who have responsibility for the strategic direction and management of SA Lotteries.

The compensation of key management personnel included in	2010	2009
employee benefits expenses is as follows:	\$'000	\$'000
Short-term employee benefits	951	936
Post-employment benefits*	191	298
Long-term employee benefits	18	14
Total key management personnel compensation	<u>1 160</u>	<u>1 248</u>

* Post-employment benefits include an allocation of the change in the defined benefit superannuation plan liability to key management personnel based on the share of the defined benefit obligation.

TVSPs

No employees were paid TVSPs during the reporting period.

10. Supplies and services

	Note	2010	2009
		\$'000	\$'000
Marketing and promotions		6 176	6 468
Computer operations		3 235	2 800
Tickets, coupons, terminal rolls and ribbons		1 937	1 506
Operating leases		835	653
Other occupancy costs		626	613
Temporary staff and contractors		483	400
Agent distribution costs		271	245
Consultancies		8	295
Motor vehicle fleet costs		243	212
Insurance		124	113
External audit fees	12	129	108
Internal audit fees		223	152
Training costs		670	114
Gambling tax - other		79	67
Other		1 503	1 303
Total supplies and services		<u>16 542</u>	<u>15 049</u>

Consultancies

	2010		2009	
The number and dollar amount of consultancies	Number	\$'000	Number	\$'000
paid/payable (included in supplies and services)				
that fell within the following bands:				
Below \$10 000	2	8	-	-
\$10 000 - \$50 000	-	-	3	56
Above \$50 000	-	-	1	239
Total paid/payable to consultants engaged	<u>2</u>	<u>8</u>	<u>4</u>	<u>295</u>

11. Depreciation and amortisation expense

	2010	2009
	\$'000	\$'000
Depreciation:		
Buildings	38	38
Plant and equipment	155	176
Online Lotteries system	1 681	2 035
Total depreciation	<u>1 874</u>	<u>2 249</u>
Amortisation:		
Leasehold improvements	248	249
Intangible assets - software	41	61
Total amortisation	<u>289</u>	<u>310</u>
Total depreciation and amortisation	<u>2 163</u>	<u>2 559</u>

12. Auditor's remuneration

Audit services

Audit fees payable for the financial year	153	134
Over under accrual	(24)	(26)
External audit fees expense	<u>129</u>	<u>108</u>

The Auditor-General is the auditor of SA Lotteries.

Other services

No other services were provided by the Auditor-General.

13. Cash and cash equivalents	2010	2009
	\$'000	\$'000
Bank balances and cash on hand	8 089	(395)
Short-term deposits	42 000	71 209
Total cash and cash equivalents	<u>50 089</u>	<u>70 814</u>

Bank balances comprise unrepresented cheques net of outstanding deposits and cash on hand.

Short-term deposits are with SAFA.

Interest rate risk

Cash on hand is non-interest bearing. Bank balances and short-term deposits earn a floating interest rate based on daily bank deposit rates. The weighted average interest rate earned was 3.75 percent (5.11 percent).

Net fair values

The carrying amount of cash and cash equivalents represents fair value.

14. Receivables	2010	2009
	\$'000	\$'000
Agent debtors	2 251	6 298
Prize settlements receivable from Blocs	16 622	54 917
Sundry receivables	363	280
Prepayments	517	350
Total receivables	<u>19 753</u>	<u>61 845</u>

Interest rate risk

All receivables are non-interest bearing.

Credit risk

Credit risk represents the loss that would be recognised if parties owing monies to SA Lotteries at the reporting date fail to honour their obligations. SA Lotteries minimises its credit risk in relation to agents by undertaking its sales transactions with a large number of agents and, in accordance with policy, requiring those agents to remit outstandings on a twice weekly basis. It is not anticipated that counterparties will fail to discharge their obligations. In addition, there is no concentration of credit risk.

Net fair values

The carrying amount of receivables approximates net fair value due to being receivable on demand.

15. Property, plant and equipment	2010	2009
	\$'000	\$'000
Land and buildings:		
Land at fair value	700	700
Buildings at fair value	650	650
Accumulated depreciation	(114)	(76)
Total land and buildings	<u>1 236</u>	<u>1 274</u>
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	2 111	2 248
Accumulated depreciation	(1 661)	(1 880)
Total plant and equipment	<u>450</u>	<u>368</u>
Online Lotteries system:		
Online Lotteries system at cost (deemed fair value)	12 981	3 885
Accumulated depreciation	(310)	(1 973)
Online Lotteries system at fair value	-	8 619
Accumulated depreciation	-	(7 781)
Total Online Lotteries system	<u>12 671</u>	<u>2 750</u>
Leasehold improvements:		
Leasehold improvements at cost (deemed fair value)	2 476	2 470
Accumulated amortisation	(1 281)	(1 034)
Total leasehold improvements	<u>1 195</u>	<u>1 436</u>
Total property, plant and equipment	<u>15 552</u>	<u>5 828</u>

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2009-10 and 2008-09.

	Carrying amount at 1 July	Additions	Assets derecognised (incl disposals)	Depreciation and amortisation	Carrying amount at 30 June
	\$'000	\$'000	\$'000	\$'000	\$'000
2010					
Land	700	-	-	-	700
Buildings	574	-	-	(38)	536
Plant and equipment	368	237	-	(155)	450
Online Lotteries system	2 750	11 602	-	(1 681)	12 671
Leasehold improvements	1 436	7	-	(248)	1 195
Total	<u>5 828</u>	<u>11 846</u>	<u>-</u>	<u>(2 122)</u>	<u>15 552</u>

Reconciliation of property, plant and equipment (continued)

	Carrying amount at 1 July \$'000	Additions \$'000	Assets derecognised (incl disposals) \$'000	Depreciation and amortisation \$'000	Carrying amount at 30 June \$'000
2009					
Land	700	-	-	-	700
Buildings	612	-	-	(38)	574
Plant and equipment	364	184	(4)	(176)	368
Online Lotteries system	3 406	1 379	-	(2 035)	2 750
Leasehold improvements	1 685	-	-	(249)	1 436
Total	6 767	1 563	(4)	(2 498)	5 828

Valuation of property, plant and equipment

The valuation of the 24-26 Payneham Road, Stepney property was performed by Simon Hickin AAPI, Certified Practising Valuer, an independent valuer from Jones Lang LaSalle, as at 30 June 2007. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use and was determined on an in-use value, assuming a fully tenanted (subject to a notional five plus five year lease back) basis.

	Note	2010 \$'000	2009 \$'000
The carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost is:			
Land and buildings		346	357
Plant and equipment		450	368
Online Lotteries system		12 671	2 453
Leasehold improvements		1 195	1 436
Total carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost		14 662	4 614

Impairment

There were no indications of impairment of property, plant and equipment assets at 30 June 2010.

16. Intangible assets

Software:

Software at cost	182	182
Accumulated amortisation	(179)	(138)
Total intangible assets	3	44

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2009-10 and 2008-09:

Carrying amount at 1 July	44	105
Additions	-	-
Amortisation	(41)	(61)
Carrying amount at 30 June	3	44

Impairment

There were no indications of impairment of intangible assets at 30 June 2010.

17. Payables

Current:

Creditors and accrued expenses	3 241	2 877
Prizes payable	29 623	76 325
GST payable	455	1 339
Undistributed funds	8 253	13 155
Employment on-costs	121	103
Total current payables	41 693	93 799

Non-current:

Prizes payable	960	-
Employment on-costs	108	100
Total non-current payables	1 068	100
Total payables	42 761	93 899

Based on an actuarial assessment by DTF, the proportion of long service estimated to be taken as leave (rather than leave paid out on cessation of employment) has not changed from the 2009 proportion of 45 percent. The rate is used in the employment on-cost calculation.

Interest rate risk

All payables are non-interest bearing.

Net fair values

The carrying amount of payables represents fair values due to the amounts being payable on demand.

18. Employee benefits		2010	2009
Current:	Note	\$'000	\$'000
Annual leave		666	556
Long service leave		95	74
Accrued salaries		108	190
Total current employee benefits		<u>869</u>	<u>820</u>
Non-current:			
Long service leave		935	847
Defined benefit superannuation plan liability	26(d)	428	326
Total non-current employee benefits		<u>1 363</u>	<u>1 173</u>
Total employee benefits		<u>2 232</u>	<u>1 993</u>
The total current and non-current employee liability (ie aggregate employee benefit (above) plus related employment on-costs) is:	17	<u>2 461</u>	<u>2 196</u>

Based on an actuarial assessment conducted by DTF the benchmark for measurement of the long service leave liability has changed from the 2009 benchmark of 6.5 years to 5.5 years in 2010. The net financial effect of the change in the current financial year is an increase in employee benefits plus related employment on-costs liability and employee benefits expenses of \$21 000.

19. Other liabilities		2010	2009
Current:		\$'000	\$'000
Prize Reserve Fund ^(a)		7 434	8 700
Unearned revenue - sales in advance		1 464	1 403
Total current other liabilities		<u>8 898</u>	<u>10 103</u>
Non-current:			
Unclaimed prizes reserve ^(b)		8 586	8 020
Total non-current other liabilities		<u>8 586</u>	<u>8 020</u>
Total other liabilities		<u>17 484</u>	<u>18 123</u>
(a) Prize Reserve Fund:			
Balance at 1 July		8 700	6 759
Allocated to prize reserve fund		11 021	10 511
Applied to additional or increased prizes		(12 287)	(8 570)
Balance at 30 June		<u>7 434</u>	<u>8 700</u>

SA Lotteries sets aside a proportion of the total amount of net sales (gross sales revenue less agents' commission) for X Lotto, Oz Lotto, Powerball, Super 66 and The Pools in the prize reserve fund in accordance with the Rules of each game. These funds are available for distribution at any time as additional or increased prizes in subsequent lottery draws in the respective games or as prizes in respect of missed prize entries for previous lottery draws.

(b) Unclaimed Prizes Reserve:		2010	2009
		\$'000	\$'000
Balance at 1 July		8 020	6 705
Unclaimed monies forfeited		3 220	4 305
		<u>11 240</u>	<u>11 010</u>
Monies provided for distribution to the Hospitals Fund		(1 608)	(2 151)
Monies provided for distribution to the Recreation and Sport Fund		(2)	(1)
Applied to additional or increased prizes in subsequent lottery draws, prizes in promotional lotteries or ex gratia payments		(1 044)	(838)
Balance at 30 June		<u>8 586</u>	<u>8 020</u>

20. Capital asset reserve			
Capital asset reserve comprises:			
Capital fund account		2 761	12 607
Capital fund assets (at written down value)		15 073	4 730
		<u>17 834</u>	<u>17 337</u>
Capital Fund account:			
Balance at 1 July		12 607	12 170
Transfer from retained earnings		2 000	2 000
Assets financed		(11 846)	(1 563)
Balance at 30 June		<u>2 761</u>	<u>12 607</u>
Capital Fund assets:			
Written down value at 1 July		4 730	4 623
Assets financed		11 846	1 563
Depreciation		(1 503)	(1 452)
Written down value of assets disposed of		-	(4)
Written down value at 30 June		<u>15 073</u>	<u>4 730</u>

21. Unrecognised contractual commitments	2010	2009
Capital commitments	\$'000	\$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	2 557	10 809
Later than one year but not longer than five years	-	2 557
Total capital commitments	<u>2 557</u>	<u>13 366</u>

SA Lotteries' capital commitments are for the replacement online lotteries system hardware and software (2010 and 2009) and replacement of the statewide telecommunications infrastructure (2009 only).

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

Within one year	758	669
Later than one year but not longer than five years	2 148	2 238
Later than five years	-	-
Total operating lease commitments	<u>2 906</u>	<u>2 907</u>

Representing:

Non-cancellable operating leases	<u>2 906</u>	<u>2 907</u>
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The 10 year accommodation operating lease at 24-25 Greenhill Road (Head Office) is non-cancellable with rent payable monthly in advance. Contingent rental provisions within the lease agreement require lease payments to be increased by three percent per annum with a rent review after five years. The current five-year rent review has not been finalised. The option for renewal of a further term of five years is available prior to the expiration of the current term.

The operating lease for the remote computer site at Kidman Park is non-cancellable with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by five percent per annum.

The operating lease for the remote computer site at Glenside is non-cancellable with rent payable monthly in advance. Rent payable is fixed for the term of the lease agreement.

Other commitments	2010	2009
Other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:	\$'000	\$'000
Within one year	2 480	4 214
Later than one year but not longer than five years	6 428	8 391
Later than five years	1 125	1 725
Total other commitments	<u>10 033</u>	<u>14 330</u>

SA Lotteries' other commitments are for existing and new agreements relating to Online Lotteries system software, hardware, communications and associated services and other fixed services.

22. Contingent assets and liabilities

SA Lotteries is not aware of any contingent assets.

A claim for damages was received by SA Lotteries on 15 July 2008 for alleged loss of potential winnings. At this time it is not possible to estimate the dollar effect of this claim or whether the claim will be successful. No proceedings have been served on SA Lotteries.

Other than this claim, SA Lotteries is not aware of any contingent liabilities.

SA Lotteries has made no guarantees.

23. Cash flow reconciliation	2010	2009
Reconciliation of cash and cash equivalents:	\$'000	\$'000
Statement of Financial Position	<u>50 089</u>	<u>70 814</u>
Statement of Cash Flows	<u>50 089</u>	<u>70 814</u>

Reconciliation of net profit after income tax equivalent to net cash (used in) provided by operating activities:

Profit after income tax equivalent	20 589	21 437
Dividend contribution provided	(21 968)	(19 446)
Unclaimed prizes distribution provided	(1 610)	(2 152)
Non-cash items:		
Depreciation and amortisation expense	2 163	2 559
Net loss on derecognition of non-current assets	-	(2)
Increase in carrying value of defined benefit superannuation plan net liability	102	868
Changes in assets/liabilities:		
Decrease (Increase) in receivables	42 092	(59 245)
(Increase) Decrease in inventories	(217)	22
(Decrease) Increase in payables (including undistributed funds)	(52 340)	71 399
Increase in employee benefits	137	251
Increase in other liabilities	971	5 340
Net cash (used in) provided by operating activities	<u>(10 081)</u>	<u>21 031</u>

Financing facility		2010	2009
SA Lotteries has the following arrangement with SAFA:		\$'000	\$'000
Working capital facility		8 000	-
Amount used		-	-
Unused working capital facility		<u>8 000</u>	<u>-</u>

The working capital facility was established on 22 June 2010 as a general operations contingency measure only.

24. Distribution of funds to SA Government		Balance	Distribution	Distribution	Balance
		01.07.09	provided	(paid)	30.06.10
	Note	\$'000	\$'000	\$'000	\$'000
Gambling tax	6,10	8 566	64 571	(67 227)	5 910
Dividend and income tax equivalent		4 250	30 792	(32 844)	2 198
Unclaimed prizes		339	1 610	(1 804)	145
Totals 2009-10		<u>13 155</u>	<u>96 973</u>	<u>(101 875)</u>	<u>8 253</u>
Totals 2008-09		<u>7 881</u>	<u>95 129</u>	<u>(89 855)</u>	<u>13 155</u>
Comprising:					
Distribution to Hospitals Fund:					
Gambling tax		8 553	64 425	(67 076)	5 902
Dividend and income tax equivalent		4 241	30 694	(32 826)	2 109
Unclaimed prizes		339	1 608	(1 802)	145
Totals		<u>13 133</u>	<u>96 727</u>	<u>(101 704)</u>	<u>8 156</u>
Distribution to Recreation and Sport Fund:					
Gambling tax		13	146	(151)	8
Dividend		9	98	(18)	89
Unclaimed prizes		-	2	(2)	-
Totals		<u>22</u>	<u>246</u>	<u>(171)</u>	<u>97</u>

25. Financial risk management

SA Lotteries is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk.

Risk management is carried out by all areas of the organisation and risk management policies and practices are in accordance with the Australian Risk Management Standards and on the internal written policy approved by the Commission.

SA Lotteries has non-interest bearing assets (cash on hand, receivables and inventories) and liabilities (payables and other liabilities) and interest bearing assets (bank balances and short-term deposits). The maturity of financial assets and liabilities is disclosed separately in the relevant notes: current items mature in less than 12 months; non-current items mature between one and five years.

SA Lotteries' exposure to cash flow interest risk is minimal. SA Lotteries is exposed to price risk for changes in interest rates that relate to investments at fair value.

SA Lotteries' exposure to credit risk is minimal. SA Lotteries has policies and procedures in place to ensure that transactions occur with agents with appropriate credit history. SA Lotteries has no significant concentration of credit risk.

Liquidity risk arises where an organisation is unable to meet its financial obligations as and when they fall due. SA Lotteries has consistent and stable cash flows from operations, which means its exposure to liquidity risk is minimal. The continued existence of SA Lotteries in its present form, and with its present segment/service, is dependent on State Government policy to maintain SA Lotteries' asset base. SA Lotteries' exposure to liquidity risk is insignificant based on past experience and current expectations regarding risk.

26. Superannuation		2010	2009
(a) Expense (Income) recognised in the Statement of Comprehensive Income	Note	\$'000	\$'000
Amounts recognised as expense (income) in respect of the defined benefit superannuation plan as follows:			
Current service cost		308	285
Interest cost		283	310
Expected return on plan assets		(357)	(372)
Actuarial loss		179	979
Superannuation expense		<u>413</u>	<u>1 202</u>
The expense (income) is recognised in the following item in the Statement of Comprehensive Income:			
Employee benefits expenses	26(e)	<u>413</u>	<u>1 202</u>

(b) Reconciliation of the present value of the defined benefit obligation		2010	2009
	Note	\$'000	\$'000
Present value of defined benefit obligation at 1 July		5 717	5 385
Current service cost		308	285
Interest cost		283	310
Contributions by plan participants		244	249
Actuarial losses (gains)		254	(241)
Benefits paid		(107)	(196)
Taxes, premiums and expenses paid		(111)	(106)
Transfers in		-	31
Present value of defined benefit obligation at 30 June		<u>6 588</u>	<u>5 717</u>

(c) Reconciliation of the fair value of defined benefit plan assets		2010	2009
Fair value of plan assets at 1 July		5 391	5 927
Expected return on Plan assets		357	372
Actuarial gains (losses)		75	(1 220)
Employer contributions		311	334
Contributions by plan participants		244	249
Benefits paid		(107)	(196)
Taxes, premiums and expenses paid		(111)	(106)
Transfers in		-	31
Fair value of plan assets at 30 June		<u>6 160</u>	<u>5 391</u>

The fair value of plan assets includes no investments over which SA Lotteries retains ownership control relating to:

- any of SA Lotteries' own financial instruments; or
- any property occupied by, or other assets used by, SA Lotteries.

(d) Reconciliation of the asset recognised in the Statement of Financial Position		2010	2009
Defined benefit obligation		6 588	5 717
Fair value of Plan assets		<u>6 160</u>	<u>5 391</u>
Deficit		<u>(428)</u>	<u>(326)</u>
Net superannuation liability		<u>(428)</u>	<u>(326)</u>

The amount included in the Statement of Financial Position arising from SA Lotteries' net superannuation asset/liability in respect of its defined benefit plan is shown in note 18.

Employee benefits (non-current):	18		
Defined benefit superannuation plan liability		<u>428</u>	<u>326</u>

(e) Movement in asset recognised in the Statement of Financial Position		2010	2009
Net superannuation (liability) asset at 1 July		(326)	542
Expense recognised in Statement of Comprehensive Income		(413)	(1 202)
Employer contributions		<u>311</u>	<u>334</u>
Net movement		<u>(102)</u>	<u>(868)</u>
Net superannuation liability at 30 June		<u>(428)</u>	<u>(326)</u>

(f) Plan assets		Percentage invested*		Plan assets	
The percentage invested in each asset class		2010	2009	2010	2009
at the reporting date:		Percent	Percent	\$'000	\$'000
Australian equity		29	32	1 786	1 725
Overseas equity		32	27	1 971	1 456
Fixed interest and bonds		12	10	739	539
Property		10	12	616	647
Alternative assets**		10	8	616	431
Cash		7	11	432	593
Total plan assets		<u>100</u>	<u>100</u>	<u>6 160</u>	<u>5 391</u>

* Asset allocation as at 30 June 2010 was not available. The asset allocation at 31 May 2010 has been used as an approximation of the allocation as at the reporting date.

** Alternative assets generally comprise those investments which do not fit within the traditional broad asset classes (such as shares, property, fixed interest and cash).

(g) Expected rate of return on plan assets	
The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets in each class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax, investment fees, and asset-based administration fees.	

(g) Expected rate of return on plan assets (continued)

The expected rate of return for each asset class at 30 June is as follows:	Expected rate of return	
	2010 Percent	2009 Percent
Australian equity	7.5	7.5
Overseas equity	6.7	6.7
Fixed interest and bonds	4.7	4.7
Property	6.1	6.1
Alternative assets	5.7	5.7
Cash	3.8	3.8
Weighted average expected return	<u>6.75</u>	<u>6.75</u>

(h) Actual return on plan assets

	2010 \$'000	2009 \$'000
Actual return on plan assets	<u>432</u>	<u>(848)</u>

(i) Principal actuarial assumptions

The principal actuarial assumptions at the reporting date (expressed as weighted averages):	2010 Percent p.a.	2009 Percent p.a.
Discount rate (active members)	4.5	5
Expected rate of return on plan assets (active members)	6.75	6.75
Expected salary increase rate	2.5 for 2 years 3.5 thereafter	2.5 for 3 years 3.5 thereafter

(j) Contributions

Contributions paid/payable by SA Lotteries to superannuation plans:	2010 \$'000	2009 \$'000
Defined benefit members	294	317
Defined contribution (accumulation) members	378	414
Private funds	5	6
Total contributions	<u>677</u>	<u>737</u>

(k) Expected employer contributions

The estimated employer contributions expected to be paid to the plan during the year beginning after the reporting date	2010	2009
	<u>289</u>	<u>291</u>

The estimated employer contributions are based on a contribution rate of 14.4 percent of defined benefit members' salaries (refer note 26(m)(ii)).

(l) Historical information

	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
Present value of defined benefit obligation	6 588	5 717	5 385	6 323	5 852
Fair value of Plan assets	<u>6 160</u>	<u>5 391</u>	<u>5 927</u>	<u>7 405</u>	<u>6 640</u>
(Deficit) Surplus in plan	<u>(428)</u>	<u>(326)</u>	<u>542</u>	<u>1 082</u>	<u>788</u>
Experience adjustments gain (loss):					
Plan assets	75	(1 220)	(1 110)	655	566
Plan liabilities	<u>(86)</u>	<u>379</u>	<u>540</u>	<u>(561)</u>	<u>(170)</u>

(m) Funding arrangements for employer contributions

(i) Surplus (Deficit)

The following is a summary of the most recent financial position of the Plan calculated in accordance with AAS 25.

Defined benefit members:	As at 30.06.09
Accrued benefits	4 807
Net market value of plan assets	<u>4 653</u>
Net deficit	<u>(154)</u>

Accumulation members and additional accumulation

accounts for defined benefit members:	
Assets and benefits	<u>2 402</u>

(The Plan is subject to a triennial review and is externally managed. The last full actuarial investigation was conducted as at 30 June 2009 by Stuart Mules, FIAA, of Mercer (Australia) Pty Ltd. The report was dated 31 May 2010.)

(ii) Current contribution rates

As at 30 June 2010, the current contribution rates, in accordance with actuarial advice and Commission endorsement, are:

- 14.4 percent of defined benefit members' salaries effective from 6 July 2009
- at the Superannuation Guarantee rate for accumulation members.

(iii) *Funding method*

The method used to determine the employer contribution recommendations at the last actuarial review was the 'target' funding method. The method adopted affects the timing of the cost to SA Lotteries.

Under the 'target' funding method, the employer contribution rate is determined with the aim of maintaining the assets at or close to the value of accrued benefits and above the total of the vested benefits (leaving service benefits) by a margin sufficient to give security against adverse circumstances.

(iv) *Economic assumptions*

The long-term economic assumptions adopted for the last triennial actuarial review of the Plan as at 30 June 2009 were:

	<i>Weighted average assumptions</i>
	Percent p.a.
Expected rate of return on assets (discount rate)	6.75
Expected salary increase rate	2.5 for 3 years to 2011-12 3.5 thereafter

(n) *Nature of asset/liability*

SA Lotteries has recognised a liability in the Statement of Financial Position in respect of its defined benefit superannuation arrangements. If a surplus exists in the Plan, SA Lotteries is able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Plan's actuary.

SA Lotteries (the employer) may at any time by notice to the Trustee terminate its contributions. In this case the employer has a liability to pay the monthly contributions due prior to the effective date of the notice, but subject to any statutory obligations, there is no requirement for the employer to pay any further contributions, irrespective of the financial condition of the Plan.

The Plan does not impose a legal liability on SA Lotteries to cover any deficit that exists in the Plan if it is wound up. The Master Deed of the Mercer Super Trust and the Participation Agreement of the Plan state that if the Plan winds up, the remaining assets must be paid to members, dependants, former members, deceased members' dependants or legal personal representative in proportions the Trustee in its discretion determines are appropriate.

27. Transactions with SA Government

As required by APS 4.1 APF II the following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

	Note	SA Government		Non-SA Government		Total	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
INCOME:							
Sales revenue	5	-	-	390 704	393 705	390 704	393 705
Cost of sales:	6						
Prizes		-	-	(233 407)	(236 931)	(233 407)	(236 931)
Gambling tax on NGR		(64 492)	(64 277)	-	-	(64 492)	(64 277)
Agents' commission		-	-	(29 179)	(29 310)	(29 179)	(29 310)
GST on NGR paid to ATO		-	-	(14 300)	(14 252)	(14 300)	(14 252)
Total cost of sales		(64 492)	(64 277)	(276 886)	(280 493)	(341 378)	(344 770)
Interest revenue		1 835	2 902	407	-	2 242	2 902
Other revenues	7	30	22	4 549	4 684	4 579	4 706
Net gain on derecognition of non-current assets	8	-	-	-	2	-	2
Total income		(62 627)	(61 353)	118 774	117 898	56 147	56 545
EXPENSES:							
Employee benefits expenses	9	430	400	7 599	7 913	8 029	8 313
Supplies and services:	10						
Marketing and promotions		-	59	6 176	6 409	6 176	6 468
Computer operations		-	-	3 235	2 800	3 235	2 800
Tickets, coupons, terminal rolls and ribbons		-	-	1 937	1 506	1 937	1 506
Operating leases		132	-	703	653	835	653
Other occupancy costs		16	15	610	598	626	613
Temporary staff and contractors		-	-	483	400	483	400
Agent distribution costs		-	-	271	245	271	245
Consultancies		-	-	8	295	8	295
Motor vehicle fleet costs		234	211	9	1	243	212
Insurance		124	113	-	-	124	113
External audit fees		129	108	-	-	129	108
Internal audit fees		-	-	223	152	223	152
Training costs		-	-	670	114	670	114
Gambling tax - other		79	67	-	-	79	67
Other		19	57	1 484	1 246	1 503	1 303
Total supplies and services		733	630	15 809	14 419	16 542	15 049
Total expenses (excluding depreciation and amortisation)		1 163	1 030	23 408	22 332	24 571	23 362

27. Transactions with SA Government (continued)

	Note	SA Government		Non-SA Government		Total	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
FINANCIAL ASSETS:							
Receivables:	14						
Agent debtors		-	-	2 251	6 298	2 251	6 298
Prize settlements receivable from Blocs		-	-	16 622	54 917	16 622	54 917
Sundry receivables		171	161	192	119	363	280
Prepayments		-	-	517	350	517	350
Total receivables		<u>171</u>	<u>161</u>	<u>19 582</u>	<u>61 684</u>	<u>19 753</u>	<u>61 845</u>
FINANCIAL LIABILITIES:							
Payables:	17						
Current:							
Creditors and accrued expenses		282	187	2 959	2 690	3 241	2 877
Prizes payable		-	-	29 623	76 325	29 623	76 325
GST payable		-	-	455	1 339	455	1 339
Undistributed funds		8 253	13 155	-	-	8 253	13 155
Employment on-costs		49	42	72	61	121	103
Total current payables		<u>8 584</u>	<u>13 384</u>	<u>33 109</u>	<u>80 415</u>	<u>41 693</u>	<u>93 799</u>
Non-current:							
Prizes payable		-	-	960	-	960	-
Employment on-costs		54	50	54	50	108	100
Total non-current payables		<u>54</u>	<u>50</u>	<u>1 014</u>	<u>50</u>	<u>1 068</u>	<u>100</u>
Total payables		<u>8 638</u>	<u>13 434</u>	<u>34 123</u>	<u>80 465</u>	<u>42 761</u>	<u>93 899</u>

MOTOR ACCIDENT COMMISSION

FUNCTIONAL RESPONSIBILITY

Establishment

The Motor Accident Commission (the Commission) is a statutory authority established pursuant to the *Motor Accident Commission Act 1992* (MAC Act).

Functions

The main function of the Commission is to provide compulsory third party (CTP) insurance to motor vehicle users in South Australia.

The principal objectives of the Commission in providing CTP insurance are to:

- achieve and maintain a sufficient level of solvency in the Compulsory Third Party Fund (the CTP Fund)
- minimise premium charges having regard to the Commission's objective of achieving and maintaining a sufficient level of solvency in the CTP Fund
- deal with claims for compensation in accordance with law as expeditiously as possible.

Pursuant to section 18 of the MAC Act, the Minister must prepare, in consultation with the Commission, a Charter, which may limit the functions or powers of the Commission.

The Commission's Charter specifies that the Commission is empowered to undertake the following classes of insurance:

- CTP insurance (in accordance with the *Motor Vehicles Act 1959*)
- financial risk insurance.

Financial risk insurance is in 'run-off' mode.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 28(3) of the MAC Act and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts and financial statements of the Commission in respect of each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed with respect to the financial statements and internal controls.

During 2009-10, specific areas of audit attention included:

- investment assets
- investment income
- claims payable
- premiums
- management agreements (CTP)

- provision for outstanding claims
- accounts payable
- receivables.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Motor Accident Commission as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Motor Accident Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Motor Accident Commission have been conducted properly and in accordance with law.

Communication of audit matters

The review of the auditable areas (including financial statements verification) indicated that the financial controls of the Commission were satisfactory. No matters arose during the audit that required management letter communication to the Commission.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the Commission's financial statements

	2010 \$'million	2009 \$'million
UNDERWRITING RESULT		
Net premium	471	430
Net claims	(431)	(528)
Underwriting expenses	(84)	(101)
Underwriting loss	(44)	(199)
INVESTMENT RESULT		
Net investment revenue	66	(7)
Investment market value movements	146	(2)
Revenue from investment activities	212	(9)
Total comprehensive result	168	(208)
NET CASH INFLOWS FROM OPERATING ACTIVITIES	19	28
ASSETS		
Current assets	172	131
Non-current assets	2 209	1 974
Total assets	2 381	2 105
LIABILITIES		
Current liabilities	598	587
Non-current liabilities	1 545	1 448
Total liabilities	2 143	2 035
EQUITY	238	70

The Commission's financial performance is significantly influenced by two inter-related aspects of its business as outlined below:

- Underwriting result — underwriting operations are influenced by premium income, the number of claims and the estimated costs of settling those claims. The underwriting result is determined as premium revenue less claims expense (after the cost and recoveries associated with reinsuring a portion of the insurance portfolio's risk with third parties) and other underwriting costs.
- Investment result — investment operations is an integral part of any insurance business as the estimated return on invested funds is a significant component of the pricing strategy employed by the business.

AASB 1023 requires that 'market value accounting' be adopted in the accounting for and valuation of investments. This means that the investment result includes not only interest and related income received, but also changes in the market values of investments held at balance date. Changes in the market values of investments can be subject to wide fluctuations and it is important to emphasise that investment market value movements recognised in the Commission's financial statements are unrealised. That is, until such time as the investments are sold, no gain or loss is actually received or incurred by the Commission.

Statement of Comprehensive Income

Underwriting result

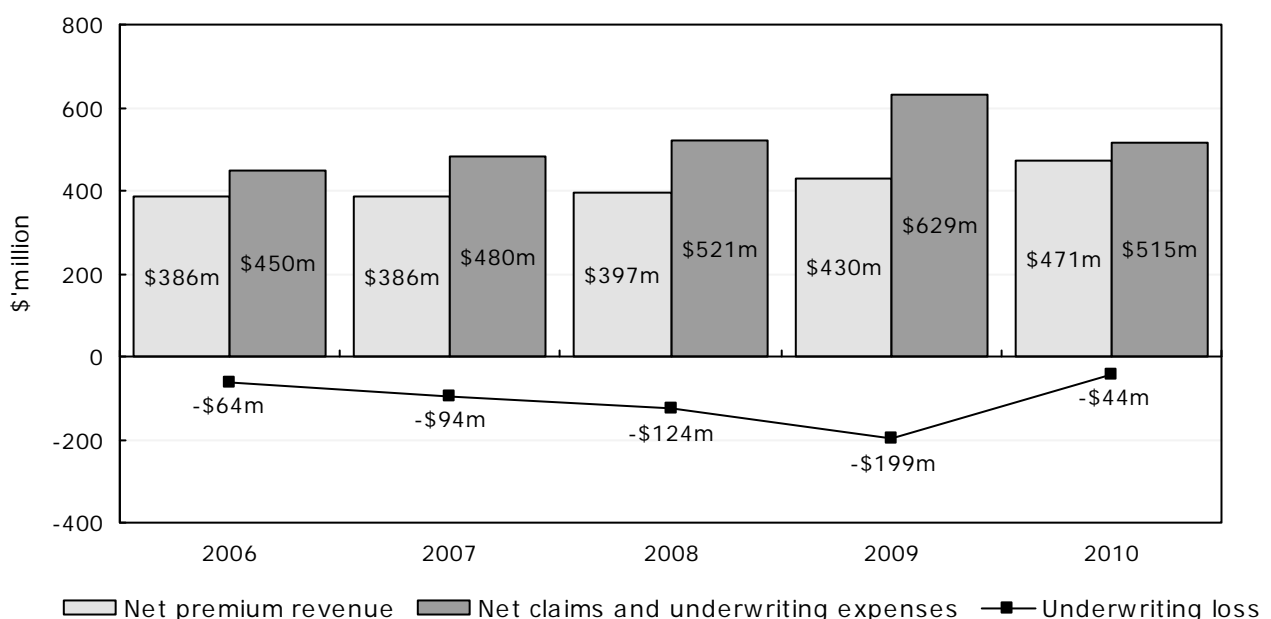
The underwriting loss reduced by \$155 million in 2010 to a loss of \$44 million. The main components of this result are outlined below.

Net premium revenue increased by \$41 million to \$471 million. This reflects the approved average increase in premiums of 7 percent for the 2009-10 financial year. Net premium revenue has increased steadily over the past three years. In 2007 it remained the same as 2006 due to a decrease in premiums charged in that year. Details of premium increases over the five years to 2010 are provided under the heading 'Solvency level'.

Claims expense is a combination of actual claim payments and the movement in outstanding claims provision. The claims expense for 2010 was \$435 million (\$530 million) and comprised gross claim payments of \$327 million (\$338 million) coupled with the increase in the outstanding claims provision of \$108 million (\$192 million) which is explained further under the heading 'Outstanding claims'.

Other underwriting expenses decreased by \$17 million primarily as a result of a decrease in unexpired risk expense of \$24.4 million and reduced collection charges, down \$600 000, offset by increased levies and charges, up \$4.5 million, and increased management charges, up \$4 million. Levies and charges are paid to DTF and collection charges are paid to the Department for Transport, Energy and Infrastructure. Note 9 provides an explanation of unexpired risk expense.

An analysis of the underwriting result for the Commission for the five years to 2010 is presented in the following chart.



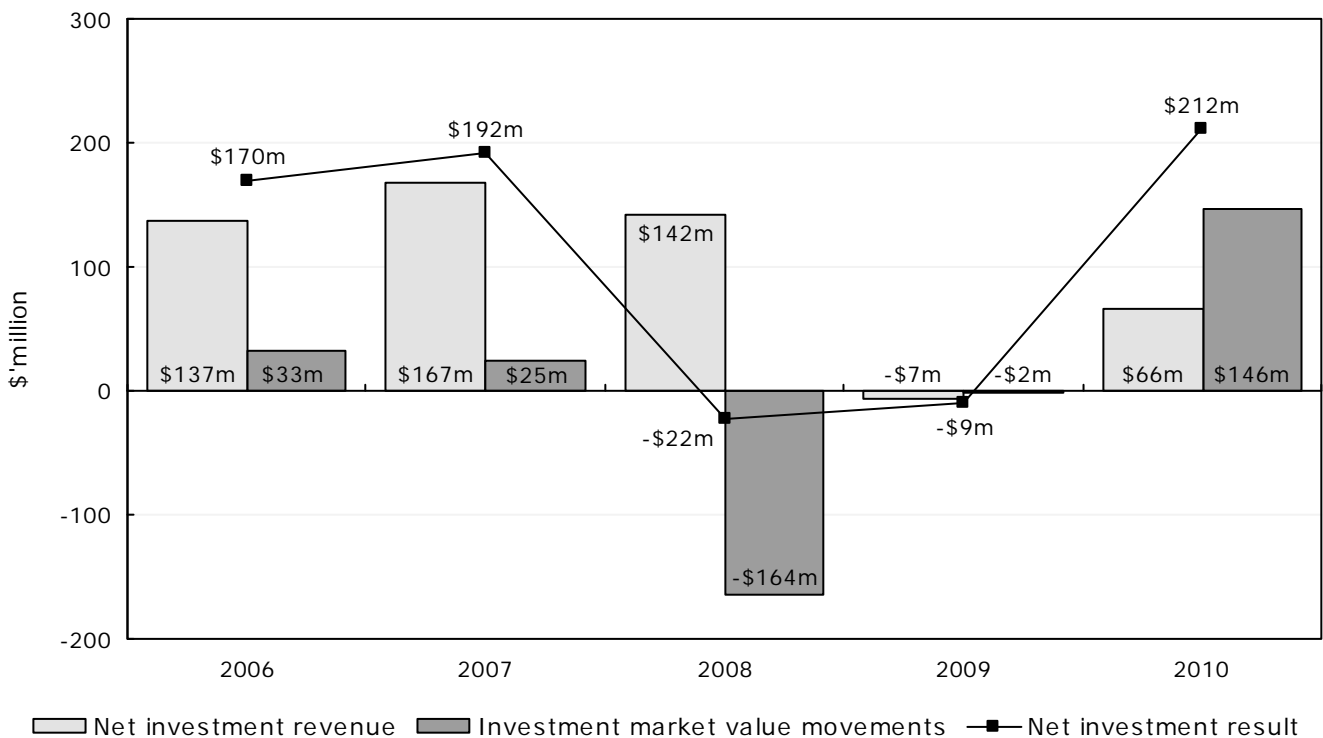
The underwriting loss incurred in 2009-10 is the lowest for the five year period.

Investment result

The net investment result is a combination of net investment revenue and investment market value movements. The net investment result this financial year was a surplus of \$212 million compared with a loss of \$9 million in 2008-09. This reflected the turnaround in performance of investment markets in 2009-10 following the poor results experienced by investment markets in the previous two years. Net investment revenue was a surplus of \$66 million compared to a loss of \$7 million in 2008-09. The investment market value movement was an increase of \$146 million compared to a decrease of \$2 million the previous year.

The Commission uses Funds SA, the State Government investment body, to manage the majority of its investment portfolio. These arrangements have been in place since 2008-09. This means that the Commission holds investments in unit trusts within Funds SA where the majority of income is derived through movement in the value of unit holdings rather than through direct receipt of interest and dividend income. The change in investment income components can be seen in the chart below.

An analysis of the investment result for the Commission for the five years to 2010 is shown in the following chart.



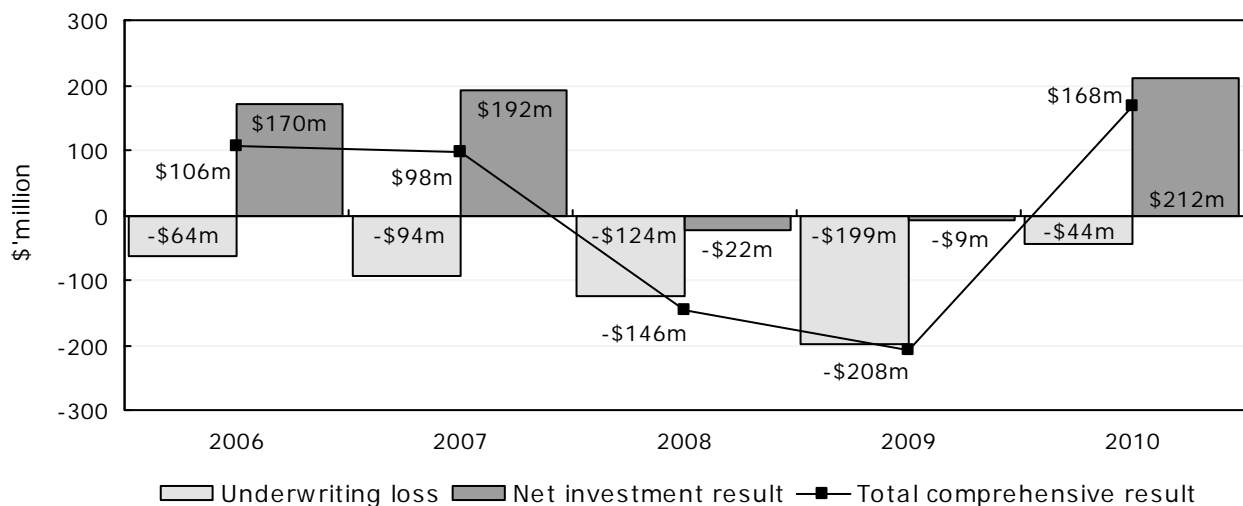
It can be seen from the graph that the positive net investment results for the years, 2006, 2007 and 2010 far outweighed the losses incurred in 2008 and 2009.

In 2010 the Commission achieved a return on its investment portfolio of 10.2 percent (negative 0.5 percent) which compares with its internal benchmark of 8.6 percent (negative 1.2 percent). Benchmark data is provided by the Commission and is unaudited.

Total comprehensive result

The Commission's total comprehensive result was a profit of \$168 million compared to a loss of \$208 million in 2009. This result highlights the importance of strong investment markets and the investment result to the overall operating result. In 2006 and 2007, increasing underwriting losses were well covered by increasing net investment returns. In 2008 and 2009 the underwriting loss again increased but this was compounded by the net investment losses arising from falls in investment markets. In 2010 the underwriting loss decreased significantly and net investment returns also showed significant improvement which resulted in the total comprehensive result showing a turnaround of \$376 million.

The importance of strong investment returns to the operating result of the Commission can be seen from the following chart.



Statement of Financial Position

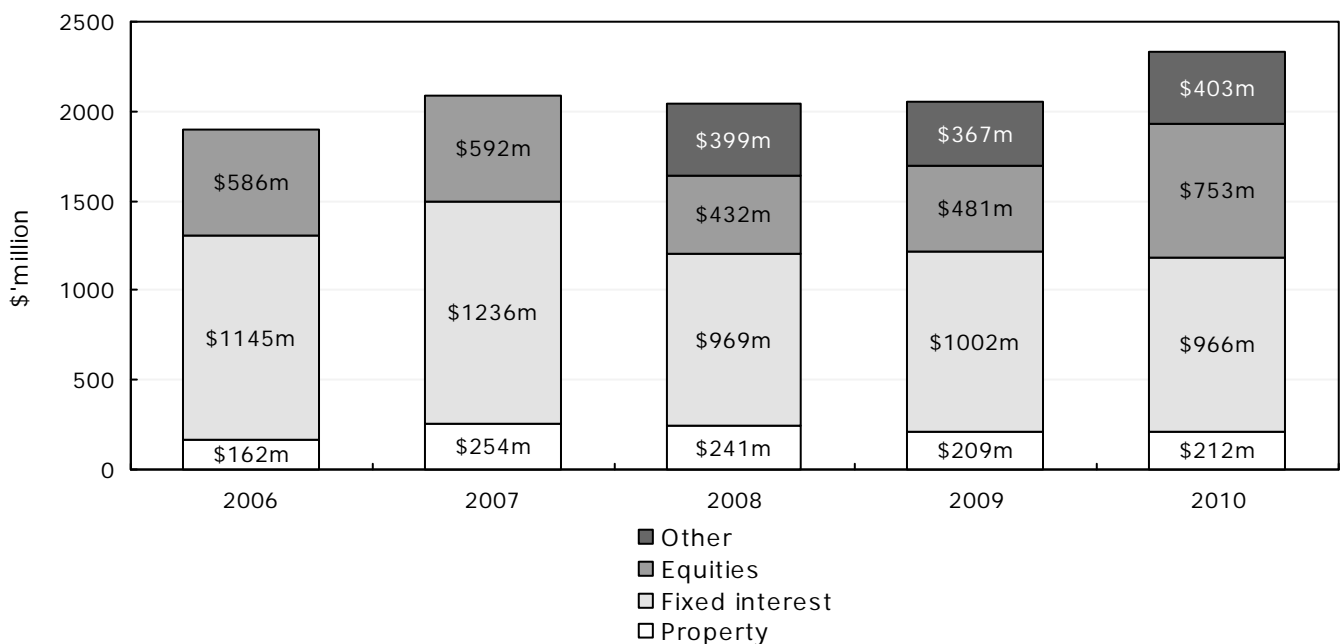
Investments

The total value of investment assets increased by \$441 million over the five years to 2010 with investments totalling \$2.3 billion as at 30 June 2010. The Commission does not directly hold investments such as equities but rather has interests in Funds SA's pooled investment portfolios. The Commission is responsible for setting the investment objectives and strategic asset allocation for the various investment sectors. Funds SA is responsible for managing the investment portfolios in accordance with the agreed asset allocations and reporting investment performance to the Commission on a monthly basis.

In July 2009 the Commission approved a new strategic investment allocation with an increased focus on growth assets (from 35 percent to 45 percent) and a resulting decrease in defensive assets. The change in investment direction is aimed at increasing the returns on funds invested to more closely match its expected liability commitments.

The change in investment allocation can be seen in the investment holdings as at 30 June 2010 when fixed interest investments accounted for 42 percent (49 percent), equity 32 percent (23 percent), property (including property trusts) 9 percent (10 percent) and other investments, which included diversified strategies income investment and inflation linked securities, 17 percent (18 percent) of the investment portfolio.

For the five years to 2010 a structural analysis of investment assets is shown in the following chart.



Outstanding claims

The primary liability of the Commission is for outstanding claims. The liability covers claims reported but not yet paid, incurred but not yet reported, the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance costs.

Calculation of the liability is an estimation process and a range of factors, including economic assumptions, affect the calculation. There is therefore a need for professional actuaries to undertake the calculation and for reporting purposes detailed disclosure of a range of the assumptions made in the calculation to be included in the notes to the financial statements.

The liability calculation is reviewed by independent actuaries for the Commission. Detail of the calculation is provided in notes 2(e) and 16 to the financial statements.

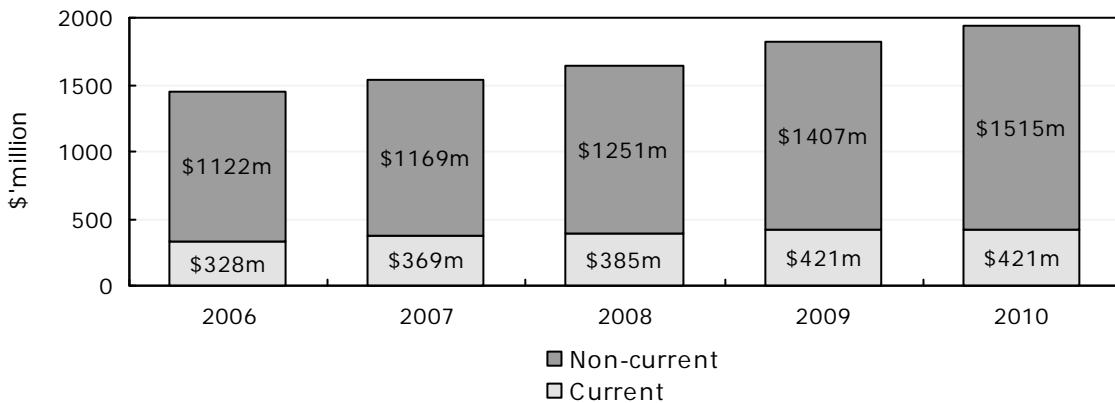
The provision for outstanding claims has increased by \$486 million over the last five years. In 2010 the provision increased by \$108 million to \$1.9 billion. The movement in the provision is a combination of the estimated cost of settling claims incurred in 2009-10, any changes in the estimated cost of settling claims incurred in previous years, together with any payments made to settle claims. Factors considered by the Actuary which impact the estimate of amounts required to settle claims include the:

- number of claims incurred
- length of time taken to settle the claim
- average amount of claim payments
- inflation and discount rates used.

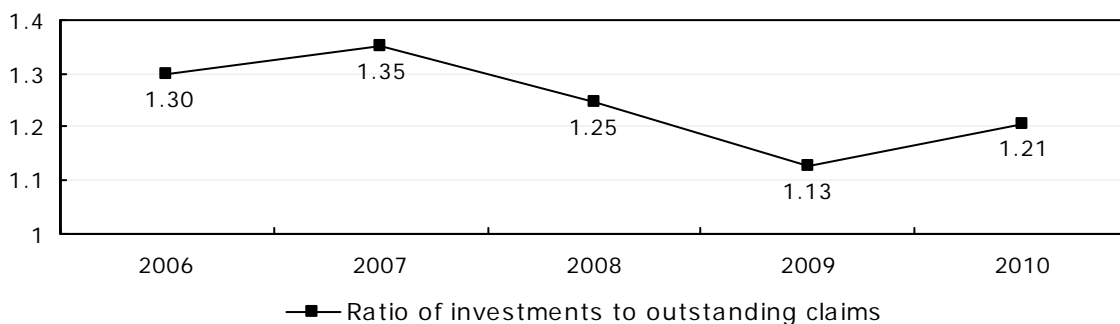
Also impacting on the calculation of the outstanding claims liability is the solvency requirements promulgated by the Treasurer pursuant to the MAC Act which requires a risk margin to be included in the provision to achieve an 80 percent probability that the provision is adequate. This requirement exceeds the Australian Prudential Regulation Authority (APRA) nominated target of 75 percent probability of sufficiency, as set out in Prudential Standard GPS 310. Refer to further commentary provided in the next section 'Solvency level'.

The 2009-10 provision includes \$265 million (\$250 million) for the risk margin and an increase of \$12 million (\$40 million) related to decreases in the inflation and discount rates used.

The following chart sets out details of the outstanding claims liability for the five years to 2010.



The ratio of investments to outstanding claims liability is shown in the following chart. The ratio shows that the value of the Commission's assets is sufficient to cover the value of its outstanding claims. The ratio increased in 2010 which reflects the increased value of investment assets.



Solvency level

Subsection 14(3) of the MAC Act requires the Commission to seek to achieve and maintain a sufficient level of solvency for the CTP Fund in accordance with a formula determined by the Treasurer.

The primary aim of establishing a benchmark level of solvency is to ensure that the CTP Fund can reasonably be expected to meet all of its liabilities as they fall due and essentially reflects the target level of reserves deemed by the Treasurer to be appropriate for the CTP Fund to provide comfort that the scheme will endure future market turbulence with minimal risk of falling into a negative net assets position.

The formula specifies that the CTP Fund will have a sufficient level of solvency if its assets exceed the sum of:

- the Fund's liabilities
- 10 percent of the outstanding claims liabilities provision
- 10 percent of the premium liabilities provision
- 10 percent of the investments in equities and property.

The Treasurer also requires that the provisions for outstanding claims liabilities and premium liabilities include a prudential margin which will be calculated by reference to an 80 percent probability that the provisions will be adequate as reported in actuarial reports to the Commission and also that the calculation of these provisions comply with the requirements of:

- AASB 1023
- Professional Standard 300 'Valuations of General Insurance Claims' issued by the Institute of Actuaries of Australia
- APRA Prudential Standard GPS 310 in respect of the outstanding claims liabilities and premium liabilities (with the exception that the risk margins adopted are to be at the 80 percent probability of sufficiency compared with the 75 percent probability APRA requires).

As at 30 June 2010 the target level of assets, as determined by application of the formula, was \$2451 million. The assets of the CTP Fund as at that date were \$2381 million or 97.1 percent of the target level of solvency, a deficiency of \$70 million against the target. This compares to 91.3 percent, a deficit of \$200 million the previous year.

The following chart shows the level of solvency achieved over the past five years. The chart highlights that in the three years prior to 2009 the level of solvency was achieved, although there was a downward trend in 2008. The downward trend continued in 2009 when the required level of solvency was not achieved due to poor investment market performance coupled with the premium increase approved by the Treasurer being lower than that recommended by the independent Third Party Premium Committee (TPPC). In 2010 investment performance improved and premiums also increased which contributed to the improved solvency level. Refer to the table below for more details on recent premium increases.



While not meeting the solvency target in 2010, the Commission had net assets at 30 June 2010 of \$239 million, an increase of \$168 million over the previous year. Other key characteristics of the Commission that assist to ensure that the CTP Fund can reasonably be expected to meet all of its liabilities as they fall due include the:

- annual income stream and cash flow from the receipt of statutory premium income
- liquidity of investments allowing redemption of a high proportion of investments as required
- prudential margins built into the outstanding claims estimate.

As set out in note 25, the Commission has in place a strategic plan with a range of initiatives aimed specifically at reducing claim costs and increasing investment returns to return the Commission to the solvency target as quickly as possible.

Third party insurance premiums

The recent history regarding the implementation of premium changes recommended by the TPPC is outlined below:

	2010	2009	2008	2007	2006
	Percent	Percent	Percent	Percent	Percent
TPPC:					
Recommended rise (effective for the year ending 30 June)	17.6	10.9	6	(0.9)	(2.7)
Actual rise	7	6.3	2.4	(0.9)	(2.7)
Difference	10.6	4.6	3.6	-	-

As can be seen from the foregoing table, since 2008 the Treasurer has approved premium increases less than the premiums recommended by the TPPC.

Subsection 25(3a) of the MAC Act requires that subject to any direction of the Treasurer to the contrary, the Commission must not, while there is less than sufficient level of solvency in the CTP Fund, fix its third party insurance premiums at amounts less than those determined by the TPPC. Application of this subsection since its promulgation in 2002 has contributed to the solvency level being achieved in the period 2005 to 2008. In 2005-06 and 2006-07 a decrease in premiums charged was approved while in 2007-08, 2008-09 and 2009-10 an increase less than that recommended by the TPPC was implemented.

The risk of decreasing premiums or implementing a less than recommended increase is that it places additional reliance on achieving good investment returns. If this is not achieved or indeed when there is a significant downturn in investment performance, there may be little margin in the solvency position to absorb the impact of the downturn. In 2008 and 2009 poor investment returns were coupled with less than recommended premium increases which resulted in the solvency requirement not being achieved in 2009. In 2010 investment returns increased significantly, however this alone has not been enough to return the CTP Fund to its sufficient level of solvency.

Under the provisions of the MAC Act, two of the principal objectives of the Commission in providing CTP insurance are to achieve and maintain a sufficient level of solvency in the CTP Fund and to minimise premium charges having regard to the Commission's objective of achieving and maintaining a sufficient level of solvency in the CTP Fund. The TPPC considers these two objectives when making its premium recommendation which is determined based on the circumstances prevailing at the time in relation to expected premium income, projected claim costs and investment returns. For the year commencing 1 July 2010 the TPPC recommended an increase in premiums for class 1 vehicles of 7.2 percent which was approved by the Treasurer.

Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2010.

	2010	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000
Net cash flows					
Operating	19 014	27 683	(39 414)	(11 212)	(24 783)
Investing	(45)	(104)	(12)	-	(37)
Change in cash	18 969	27 579	(39 426)	(11 212)	(24 820)
Cash at 30 June	56 975	38 006	10 427	49 853	61 065

The analysis of cash flows shows that the Commission's cash position has increased in 2010 as a result of cash provided by operating activities.

**Statement of Comprehensive Income
for the year ended 30 June 2010**

	Note	CTP		MAC	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Premium revenue	5	475 952	434 467	475 952	434 467
Outwards reinsurance expense		(4 897)	(4 424)	(4 897)	(4 424)
NET PREMIUM		471 055	430 043	471 055	430 043
Claims expense	6	(434 895)	(529 636)	(434 895)	(529 636)
Reinsurance and other recoveries	5	3 649	1 755	3 649	1 757
NET CLAIMS	20	(431 246)	(527 881)	(431 246)	(527 879)
Unexpired risk expense	9	11 723	(12 700)	11 723	(12 700)
Other underwriting expenses	7	(95 705)	(88 164)	(95 976)	(88 051)
UNDERWRITING LOSS		(44 173)	(198 702)	(44 444)	(198 587)
Investment revenue	5	71 743	(2 991)	71 775	(2 948)
Other revenue	5	458	-	461	33
Investment management fee		(5 716)	(4 153)	(5 716)	(4 153)
NET INVESTMENT REVENUE		66 485	(7 144)	66 520	(7 068)
NET RESULT BEFORE MARKET VALUE MOVEMENTS		22 312	(205 846)	22 076	(205 655)
Investment market value movements	5	146 304	(2 622)	146 304	(2 622)
TOTAL COMPREHENSIVE RESULT		168 616	(208 468)	168 380	(208 277)

Total comprehensive result is attributable to the SA Government as owner

**Statement of Financial Position
as at 30 June 2010**

	Note	CTP		MAC	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
CURRENT ASSETS:					
Cash		3 979	3 480	4 975	4 006
Receivables	8	7 406	6 166	7 419	6 246
Reinsurance and other recoveries	10	2 341	2 396	2 341	2 396
Other financial assets	11	139 095	100 934	139 095	100 934
Prepayments		18 174	17 056	18 174	17 056
Total current assets		170 995	130 032	172 004	130 638
NON-CURRENT ASSETS:					
Receivables	8	300	-	-	-
Reinsurance and other recoveries	10	13 987	14 335	13 987	14 335
Other financial assets	11	2 040 104	1 786 216	2 040 104	1 786 216
Investment property	12	155 125	172 900	155 125	172 900
Property, plant and equipment	13	-	-	111	103
Total non-current assets		2 209 516	1 973 451	2 209 327	1 973 554
Total assets		2 380 511	2 103 483	2 381 331	2 104 192
CURRENT LIABILITIES:					
Payables	14	8 372	6 169	8 314	5 833
Unearned premium	15	166 728	156 177	166 728	156 177
Outstanding claims	16	420 698	421 128	420 700	421 130
Unexpired risk liability	9	2 105	2 925	2 105	2 925
Provisions	18	-	-	224	197
Total current liabilities		597 903	586 399	598 071	586 262
NON-CURRENT LIABILITIES:					
Unearned premium	15	1 642	1 839	1 642	1 839
Outstanding claims	16	1 514 968	1 406 960	1 515 036	1 407 032
Unexpired risk liability	9	27 964	38 867	27 964	38 867
Provisions	18	-	-	112	66
Total non-current liabilities		1 544 574	1 447 666	1 544 754	1 447 804
Total liabilities		2 142 477	2 034 065	2 142 825	2 034 066
NET ASSETS		238 034	69 418	238 506	70 126
EQUITY:					
Retained earnings		238 034	69 418	238 506	70 126
TOTAL EQUITY		238 034	69 418	238 506	70 126

Total equity is attributable to the SA Government as owner

Commitments	21
Contingent assets and liabilities	26

Statement of Changes in Equity for the year ended 30 June 2010

	CTP \$'000	MAC \$'000
Retained earnings at 30 June 2008	277 886	278 403
Total comprehensive result for 2008-09	(208 468)	(208 277)
Retained earnings at 30 June 2009	69 418	70 126
Total comprehensive result for 2009-10	168 616	168 380
Retained earnings at 30 June 2010	238 034	238 506

All changes in equity are attributable to the SA Government as owner

Statement of Cash Flows for the year ended 30 June 2010

		CTP		MAC	
		2010 Inflows (Outflows) \$'000	2009 Inflows (Outflows) \$'000	2010 Inflows (Outflows) \$'000	2009 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note				
Cash receipts in the course of operations		619 169	533 662	619 172	533 800
Cash payments in the course of operations		(602 134)	(507 403)	(601 654)	(507 659)
Dividends received		-	1 297	-	1 297
Interest and other investment income		1 464	245	1 496	245
Net cash inflows from operating activities	24	18 499	27 801	19 014	27 683
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payment for property, plant and equipment		-	-	(45)	(104)
Net cash outflows from investing activities		-	-	(45)	(104)
NET INCREASE IN CASH HELD		18 499	27 801	18 969	27 579
CASH AT 1 JULY		37 480	9 679	38 006	10 427
CASH AT 30 JUNE	2(q),24	55 979	37 480	56 975	38 006

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- Activities of the Motor Accident Commission**
The Motor Accident Commission of South Australia's (MAC or the Commission) principal activity is the underwriting of Compulsory Third Party (CTP) Insurance in South Australia. In addition, the inwards reinsurance business is managed in run-off.
- Statement of significant accounting policies**
 - Basis of preparation**
The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSS promulgated under the provision of the PFAA.

(a) Basis of preparation (continued)

Except for AASB 2009-12, which the Commission has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commission for the reporting year ending 30 June 2010.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for other financial assets and investment properties which are valued in accordance with the valuation policy applicable.

(b) Premium revenue

The earned portion of premiums received and receivable, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. Unearned premium is determined by apportioning the premiums written prior to year-end on a daily pro-rata basis.

(c) Investment income

Fees and discounts are amortised over the period to which they relate. Interest and dividends are taken to income on an earned basis. Investment income is reported after deducting costs and expenses relating to management, operation and maintenance of the investment portfolio.

(d) Outwards reinsurance

Premiums paid to reinsurers are recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance is treated at balance date as a prepayment.

(e) Claims

Claims expense and a liability for outstanding claims are recognised in respect of the direct insurance and inwards reinsurance businesses. The liability covers claims reported but not yet paid, incurred but not reported (IBNR) claims, the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance recoveries. Claims outstanding are based on average or individual claim file estimates, with IBNRs and settlement costs calculated using statistics from past experience and trends.

(i) CTP claims

The liability for outstanding CTP claims is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at balance date and a margin is included to provide sufficient confidence that the provision is adequate. The outstanding claims liability is subject to actuarial assessment.

A risk margin is added to the outstanding claims provision to increase the probability that the net liability is adequately provided to a sufficiency level of 80 percent.

(ii) Other claims

In the insurance and inwards reinsurance businesses, delays occur in the notification of information normally used in the calculation of claims provisions. The directors, having due consideration for the nature of the risks involved and any material event that would adversely affect the operating results, have provided an amount for claims in the accounts that is sufficient to cover known events and at the same time, assist to maintain prudential reserves.

(f) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable used in the calculation of claims provisions are brought to account where they can be reliably measured. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

(g) Unexpired risk

AASB 1023 requires an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the actuaries as at 30 June 2010.

In order to meet the Liability Adequacy Test (LAT), additional provisioning has been included at a probability of sufficiency of 80 percent.

(h) Collection charges

Costs incurred in obtaining and recording policies of insurance are recognised as collection costs and have been brought to account during the financial year as they do not represent a future benefit.

(i) Levies and charges

A liability for levies and charges is recognised on business written to balance date. Levies and charges payable by MAC are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment.

(j) Receivables**(i) Trade debtors**

Trade debtors principally relate to premiums collected by Department for Transport, Energy and Infrastructure, an agent of MAC, not yet passed over to the CTP Fund. The settlement of these amounts occurs within seven working days.

(ii) Investment debtors

Investment debtors consist of interest and rental due on other investments.

The collectability of debts is assessed at balance date and specific allowance is made for any doubtful debts. The carrying amount of receivables approximates fair value due to being receivable on demand.

(k) Other financial assets

AASB 1023 requires that assets backing insurance liabilities are to be measured at fair value with any changes in value taken to the Statement of Comprehensive Income. All assets of an investment nature held by the CTP Fund are considered to be for the purpose of backing insurance liabilities.

(i) Unit trusts

The bulk of MAC's investment portfolio is held with Funds SA, the SA Government investment body. These investments are held via unit trusts in a range of asset classes. Market quotations are used as the valuation basis for these units.

(ii) Property securities

By market quotations as at 30 June 2010.

(iii) Other investments

Other investments are valued based on current economic conditions, market interest rates and the latest available information on the investments as considered appropriate by the directors.

(l) Investment properties

Investment properties are properties which are held for long-term rental yields or for capital appreciation or both. Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties. The 2010 revaluations were based on independent assessments made by members of the Australian Property Institute.

Changes in fair value are recognised in the Statement of Comprehensive Income. Rental income is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

(m) Employee benefits

A liability for employee benefits has been accrued as at 30 June 2010.

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Wages, salaries, annual leave and sick leave

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

Long service leave

The liability for long service leave is recognised after an employee has completed 5.5 years (6.5 years) of service. (The impact of this change in recognition criteria is an increase in the liability of \$10 000). An actuarial assessment of long service leave undertaken by DTF, based on a significant sample of employees throughout the South Australian public sector, determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the MAC's experience of employee retention and leave taken.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave and are accounted for under payables.

Superannuation

MAC makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

(n) Taxation

MAC is an income tax exempt organisation pursuant to section 24AK of the ITAA.

MAC is liable for payroll tax, FBT, GST, emergency services levy, land tax and local government rates.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO. If GST is not payable to, or recoverable from, the ATO, the commitment and contingencies are disclosed on a gross basis.

(o) Property, plant and equipment

MAC has adopted the fair value method of valuing its property, plant and equipment assets. Plant and equipment and building fitout are recorded at cost and depreciated over their estimated useful lives. The rates of depreciation are detailed below. Land and buildings are treated as investments and are consequently not subject to depreciation.

The useful lives of all major assets held by MAC are reassessed on an annual basis.

Depreciation/amortisation for non-current assets is determined as follows:

<i>Asset class</i>	<i>Depreciation method</i>	<i>Depreciation rate</i>
		<i>Percent</i>
Plant and equipment	Diminishing value	20
Building fitout	Straight-line	Over the remaining useful life
Other	Straight-line	10

(p) Payables

Payables include creditors, accrued expenses and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period and that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of MAC.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or the date the invoice is first received.

Employee benefit on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

The carrying amount of payables approximates fair value due to amounts owing being payable on demand.

(q) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call.

3. Changes in accounting policies

The Commission did not voluntarily change any of its accounting policies during the year.

Except for AASB 2009-12, which MAC has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by MAC for the reporting period ending 30 June 2010. MAC has assessed the impact of the new and amended standards and Interpretations and consider there will be no impact on the accounting policies or the financial statements.

4. Net result	CTP		MAC	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net result is arrived at after crediting and charging the following specific items:				
Credits:				
Interest received/receivable	2 822	1 014	2 854	1 057
Dividends received/receivable	-	556	-	556
Charges (recoveries):				
Amounts set aside to provide for:				
Employee benefits	-	-	103	74
Depreciation of property, plant and equipment	-	-	35	21
Bad and doubtful debts	(2)	(128)	(2)	(128)
5. Revenue				
Premium revenue:				
Direct	475 952	434 467	475 952	434 467
	<u>475 952</u>	<u>434 467</u>	<u>475 952</u>	<u>434 467</u>
Reinsurance and other recoveries:				
Other	3 649	1 755	3 649	1 757
	<u>3 649</u>	<u>1 755</u>	<u>3 649</u>	<u>1 757</u>
Investment revenue:				
Dividends	-	556	-	556
Interest	2 822	1 014	2 854	1 057
Rentals	13 698	14 127	13 698	14 127
Profit (Loss) - investments realised	55 223	(18 688)	55 223	(18 688)
	<u>71 743</u>	<u>(2 991)</u>	<u>71 775</u>	<u>(2 948)</u>
Investment market value movements - unrealised gains (losses):				
Fixed interest	60 001	102 242	60 001	102 242
Equities	79 740	(73 440)	79 740	(73 440)
Properties	3 379	(35 109)	3 379	(35 109)
Other	3 184	3 685	3 184	3 685
	<u>146 304</u>	<u>(2 622)</u>	<u>146 304</u>	<u>(2 622)</u>
Other revenue:				
Foreign exchange gains	-	-	3	19
Other	458	-	458	14
	<u>458</u>	<u>-</u>	<u>461</u>	<u>33</u>
Total revenue	<u>698 106</u>	<u>430 609</u>	<u>698 141</u>	<u>430 687</u>
6. Claims expense				
Claims paid*	327 318	337 460	327 318	337 460
Claims provision adjustment	95 114	152 372	95 114	152 372
Adjustment for economic assumptions	12 463	39 804	12 463	39 804
	<u>434 895</u>	<u>529 636</u>	<u>434 895</u>	<u>529 636</u>

* Claims paid includes supplies and services paid or payable to SA Government entities as follows:

	2010 \$'000	2009 \$'000
Ambulance and helicopter rescue services	6 095	6 096

7. Other underwriting expenses	CTP		MAC	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Management expenses*	32 831	29 190	33 102	29 077
Levies and charges**	51 374	46 896	51 374	46 896
Collection charges**	11 500	12 078	11 500	12 078
	<u>95 705</u>	<u>88 164</u>	<u>95 976</u>	<u>88 051</u>

* Management expenses includes supplies and services paid or payable to SA Government entities as follows:

	2010 \$'000	2009 \$'000
Audit services	112	112
Road safety supplies and services	1 857	1 227

** In relation to levies and charges and collection charges, the entire amount was paid or payable to SA Government entities.

8. Receivables

	CTP		MAC	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Current:				
Trade debtors	5 921	5 961	5 930	5 970
Other debtors	-	-	2	69
	<u>5 921</u>	<u>5 961</u>	<u>5 932</u>	<u>6 039</u>
Investment debtors	1 535	257	1 537	259
Allowance for doubtful debts	(50)	(52)	(50)	(52)
	<u>1 485</u>	<u>205</u>	<u>1 487</u>	<u>207</u>
	<u>7 406</u>	<u>6 166</u>	<u>7 419</u>	<u>6 246</u>
Non-current:				
Payroll advance	300	-	-	-
	<u>7 706</u>	<u>6 166</u>	<u>7 419</u>	<u>6 246</u>

Investment debtors consists of interest and rent due on investments.

Other debtors generally arise from transactions outside the usual operating activities of the Commission.

Movement in the allowance for doubtful debts

Carrying amount at 1 July	(52)	(205)	(52)	(205)
Increase in the allowance	(3)	-	(3)	-
Amounts written off	-	25	-	25
Amounts recovered during the year	5	128	5	128
Carrying amount at 30 June	<u>(50)</u>	<u>(52)</u>	<u>(50)</u>	<u>(52)</u>

9. Unexpired risk

AASB 1023 requires a LAT which is an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the Actuaries as at 30 June 2010.

	CTP		MAC	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Central estimate of present value of future claims	143 600	145 700	143 600	145 700
Risk margin	35 900	36 400	35 900	36 400
Present value of expected future claims	<u>179 500</u>	<u>182 100</u>	<u>179 500</u>	<u>182 100</u>
Unearned premium liability	168 370	158 016	168 370	158 016
Related reinsurance asset	(765)	(652)	(765)	(652)
Prepaid licence fees	(18 174)	(17 056)	(18 174)	(17 056)
	<u>149 431</u>	<u>140 308</u>	<u>149 431</u>	<u>140 308</u>
Unexpired risk liability	<u>30 069</u>	<u>41 792</u>	<u>30 069</u>	<u>41 792</u>

In order to meet the LAT, additional provisioning for the premium liability has been included at a probability of sufficiency of 80 percent (80 percent) which results in a risk margin of 25 percent (25 percent). This risk margin is based on the Actuaries' knowledge of industry practice for CTP insurance portfolios which they consider are appropriate for MAC. As MAC has only one class of insurance, no allowance has been made for diversification of insurance classes.

	CTP		MAC	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Unexpired risk liability:				
Balance at 1 July	41 792	29 092	41 792	29 092
Unexpired risk expense	(11 723)	12 700	(11 723)	12 700
Balance at 30 June	<u>30 069</u>	<u>41 792</u>	<u>30 069</u>	<u>41 792</u>
Unexpired risk liability:				
Current	2 105	2 925	2 105	2 925
Non-current	27 964	38 867	27 964	38 867
Total liability	<u>30 069</u>	<u>41 792</u>	<u>30 069</u>	<u>41 792</u>

10. Reinsurance and other recoveries receivable

Expected future recoveries (undiscounted)	19 759	20 061	19 759	20 061
Discount to present value*	(3 431)	(3 330)	(3 431)	(3 330)
Reinsurance and other recoveries receivable	<u>16 328</u>	<u>16 731</u>	<u>16 328</u>	<u>16 731</u>
Reinsurance and other recoveries receivable:				
Current	2 341	2 396	2 341	2 396
Non-current	13 987	14 335	13 987	14 335
	<u>16 328</u>	<u>16 731</u>	<u>16 328</u>	<u>16 731</u>

* Refer note 16(b) for details of the inflation and discount rates used in the determination of this discounting adjustment.

11. Other financial assets

Investments are held primarily with Funds SA via unit trusts in a range of asset classes.

	CTP		MAC	
	2010	2009	2010	2009
Current:	\$'000	\$'000	\$'000	\$'000
Fixed interest:				
Cash and deposits	52 000	34 000	52 000	34 000
Cash - unit trust	62 548	48 520	62 548	48 520
Fixed interest - unit trust	17 030	18 399	17 030	18 399
Property:				
Sales/purchase deposits	7 517	15	7 517	15
Total current other financial assets	<u>139 095</u>	<u>100 934</u>	<u>139 095</u>	<u>100 934</u>
Non-current:				
Fixed interest:				
Fixed interest - unit trust	834 488	901 571	834 488	901 571
Equities:				
Australian equities - unit trust	389 230	319 025	389 230	319 025
International equities - unit trust	363 352	162 370	363 352	162 370
Property:				
Securities	49 537	36 127	49 537	36 127
Other:				
Diversified strategies (income) - unit trust	269 216	110 023	269 216	110 023
Inflation linked securities - unit trust	65 308	193 031	65 308	193 031
Internal inflation linked - unit trust	68 973	64 069	68 973	64 069
Total non-current other financial assets	<u>2 040 104</u>	<u>1 786 216</u>	<u>2 040 104</u>	<u>1 786 216</u>
Total other financial assets	<u>2 179 199</u>	<u>1 887 150</u>	<u>2 179 199</u>	<u>1 887 150</u>

12. Investment property

At fair value:

Balance at 1 July	172 900	206 790	172 900	206 790
Acquisitions	-	-	-	-
Disposals	(21 820)	-	(21 820)	-
Capitalised subsequent expenditure	666	1 219	666	1 219
Net gain (loss) from fair value adjustments	3 379	(35 109)	3 379	(35 109)
Balance at 30 June	<u>155 125</u>	<u>172 900</u>	<u>155 125</u>	<u>172 900</u>

Amounts recognised in the Statement of

Comprehensive Income for investment property:

Rental income	20 329	19 618	20 329	19 618
Direct operating expenses	(6 631)	(5 491)	(6 631)	(5 491)
Total amount recognised	<u>13 698</u>	<u>14 127</u>	<u>13 698</u>	<u>14 127</u>

Valuation basis

Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties. The 2010 revaluations were based on independent assessments made by members of the Australian Property Institute.

Leasing arrangements

	CTP		MAC	
	2010	2009	2010	2009
Commitments under non-cancellable operating leases at the reporting date are receivable as follows:	\$'000	\$'000	\$'000	\$'000
Not later than one year	13 742	17 501	13 742	17 501
Later than one year but no later than five years	34 106	44 484	34 106	44 484
Later than five years	13 433	21 603	13 433	21 603
	<u>61 281</u>	<u>83 588</u>	<u>61 281</u>	<u>83 588</u>

These operating leases are not recognised in the Statement of Financial Position as assets.

The non-cancellable leases are property leases with numerous tenants for a variety of terms where the rent payable is monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by various methods including CPI, fixed increases and to market. Options exist to renew some of the leases at the end of the term of those leases. Our property managers have provided information regarding the likely renewal of leases in the multiple leased premises. Our valuers have provided calculations to determine the commitments under non-cancellable operating leases as at 30 June 2010. In determining those figures, our valuers have based their calculations on the requirements of AASB 117.

13. Property, plant and equipment

	CTP		MAC	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Building fitout	-	-	94	58
Accumulated depreciation	-	-	(35)	(10)
	-	-	59	48
Plant and equipment	-	-	87	87
Accumulated depreciation	-	-	(46)	(44)
	-	-	41	43
Other	-	-	13	13
Accumulated depreciation	-	-	(2)	(1)
	-	-	11	12
Total property, plant and equipment	-	-	111	103
Building fitout:				
Carrying amount at 1 July	-	-	48	4
Additions	-	-	36	59
Disposals	-	-	-	(4)
Depreciation	-	-	(25)	(11)
Carrying amount at 30 June	-	-	59	48
Plant and equipment:				
Carrying amount at 1 July	-	-	43	27
Additions	-	-	9	23
Disposals	-	-	(2)	-
Depreciation	-	-	(9)	(7)
Carrying amount at 30 June	-	-	41	43
Other:				
Carrying amount at 1 July	-	-	12	-
Additions	-	-	-	13
Depreciation	-	-	(1)	(1)
Carrying amount at 30 June	-	-	11	12

14. Payables

Current:				
Trade creditors	-	-	2	11
Other creditors and accruals	8 372	6 169	8 312	5 822
	8 372	6 169	8 314	5 833

15. Unearned premium

Current	166 728	156 177	166 728	156 177
Non-current	1 642	1 839	1 642	1 839
	168 370	158 016	168 370	158 016

16. Outstanding claims

(a) Expected future claims payments (undiscounted)	1 990 481	1 879 665	1 990 551	1 879 739
Risk margin applied (undiscounted)	315 316	297 537	315 316	297 537
Discount to present value:				
Central estimate	(319 552)	(301 420)	(319 552)	(301 420)
Risk margin applied	(50 579)	(47 694)	(50 579)	(47 694)
Liability for outstanding claims	1 935 666	1 828 088	1 935 736	1 828 162
Current	420 698	421 128	420 700	421 130
Non-current	1 514 968	1 406 960	1 515 036	1 407 032
Liability for outstanding claims	1 935 666	1 828 088	1 935 736	1 828 162

(b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:

	CTP		MAC	
	2010 Percent	2009 Percent	2010 Percent	2009 Percent
For the succeeding year:				
Inflation rate	6.5	6.5	6.5	6.5
Discount rate	4.9	5.1	4.9	5.1
For subsequent years:				
Inflation rate	6.5	6.5	6.5	6.5
Discount rate	4.9	5.1	4.9	5.1

16. Outstanding claims (continued)

(c) The weighted average expected term to settlement of the outstanding claims from balance date is estimated to be:

CTP		MAC	
2010 Years	2009 Years	2010 Years	2009 Years
3.9	3.8	3.9	3.8

The method of calculating outstanding claims is set out in detail in note 2(e).

The claims provision as at 30 June 2010 for the CTP Fund has been reviewed by the Fund actuaries, Mr L C Brett, BSc, FIA, FIAA and Mr B A Watson, BSc, FIAA of Brett & Watson Pty Ltd. The directors have adopted a central estimate plus a risk margin as determined by the actuaries to achieve an 80 percent probability that the provision will prove to be adequate. A risk margin of 16 percent (16 percent) has been applied and is based on the actuaries knowledge of industry practice for CTP insurance portfolios. As MAC only includes one class of insurance, no allowance has been made for diversification of insurance classes.

For inwards reinsurance, the directors have adopted an internal valuation of the estimated outstanding liability.

Claims development

	Accident year ending 30 June								Total \$'000
	2003 \$'000	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000	
Net ultimate claims cost estimate:									
At end of accident year	281 748	338 640	326 705	354 460	382 329	426 940	444 156	459 249	
One year later	323 292	313 058	343 157	355 875	386 338	394 295	426 282		
Two years later	328 682	302 311	331 398	352 055	378 015	397 754			
Three years later	306 755	312 080	353 662	364 139	380 349				
Four years later	311 494	308 606	359 694	379 637					
Five years later	308 554	321 533	358 224						
Six years later	305 794	308 436							
Seven years later	297 012								
Current estimate of net ultimate claims cost	297 012	308 436	358 224	379 637	380 349	397 754	426 282	459 249	
Cumulative payments	(264 254)	(252 150)	(244 390)	(217 221)	(159 011)	(96 549)	(51 654)	(20 697)	
Net undiscounted claims liability for the eight most recent accident years	32 758	56 286	113 834	162 416	221 338	301 205	374 628	438 552	1 701 017
Discount to present value	(7 132)	(11 759)	(16 943)	(21 984)	(28 679)	(41 757)	(58 488)	(79 379)	(266 121)
Net discounted claims liability for the eight most recent accident years	25 626	44 527	96 891	140 432	192 659	259 448	316 140	359 173	1 434 896
Reconciliation:									
Claims handling expenses									140 915
Risk margin									78 791
Net discounted claims liability for accident years 2001-02 and prior									264 736
Net outstanding claims liability									1 919 338
Gross outstanding claims liability on the Statement of Financial Position									1 935 666
Reinsurance and other recoveries on outstanding claims liability									(16 328)
Net outstanding claims liability									1 919 338

Estimated timing of the net cash outflows resulting from recognised insurance liabilities is provided below. This is provided instead of a maturity analysis for financial liabilities showing remaining contractual liabilities.

<i>Payments per year</i>	1 year and less \$'000	2-4 years \$'000	5-9 years \$'000	10-14 years \$'000	15-19 years \$'000	20-24 years \$'000	2010 Total \$'000
Liabilities	418 358	936 721	426 943	113 424	23 190	702	1 919 338

17. Insurance contracts risk management

A key risk from operating in the CTP insurance industry is the exposure to insurance risk arising from underwriting CTP insurance contracts. CTP insurance policies transfer risk to the insurer by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events. The risk is that the actual amount of claims to be paid in relation to CTP insurance policies will be different to the amount estimated at the time CTP premiums are determined. MAC is exposed to this risk because the price for a policy must be set before the losses relating to the insurance cover are known. Hence the insurance business involves inherent uncertainty. MAC also faces other risks relating to the conduct of the CTP insurance business including financial and capital risks.

A fundamental part of the overall risk management strategy is the effective governance and management of the risks that impact the amount, timing and uncertainty of cash flows arising from insurance policies.

Risk management objectives and policies for mitigating insurance risk

The risk management activities can be broadly separated into underwriting (acceptance and pricing of risk), claims management and investment management. The objective of these risk management functions is to secure the longer term financial performance of the CTP Insurance Scheme.

The key policies in place to mitigate risks arising from underwriting CTP insurance policies include the following:

Pricing

Actuarial models are used which combine historical and projected data to calculate premiums and monitor claims patterns. The data used includes historical pricing, investment behaviours and claims experience and analysis and takes account of current market and scheme trends. All data used is subject to thorough verification and reconciliation processes.

A recommendation in relation to the premiums which MAC may charge is made by an independent body, the Third Party Premiums Committee (TPPC), taking into account actuarial models and having regard to MAC's obligation to seek to achieve and maintain a sufficient level of solvency in the CTP Fund. The CTP premiums to be charged for each financial year are ultimately determined by Cabinet.

Whilst premiums are set based on assumptions regarding the behaviour of claims and investments during the year, actual claims and investment behaviour often varies from these assumptions and the results achieved by MAC can therefore be affected by a range of factors over which MAC has limited or no control, including variations in claims experience and investment earnings and directions by the Minister to charge premiums other than those recommended by the TPPC.

Reinsurance

The use of reinsurance is to limit exposure to large single claims and accumulation of claims that arise from the same event or the accumulation of similar events. This includes the monitoring of reinsurers' credit risk to control exposure to potential reinsurance counterparty default. All reinsurers are required contractually to have a minimum security Standard and Poor's rating of 'A-'. MAC's reinsurance broker monitors the Standard and Poor's rating of all panel reinsurers.

Claims management

Claim determination is managed by Allianz on behalf of MAC by their employees who possess the requisite degree of experience and competence. It is MAC policy to respond and settle claims quickly whenever possible and to pay claims fairly, in accordance with the law and in line with community and government expectations.

Investment management

Assets and liabilities are managed so as to correlate the expected pattern of claims payments with the assets that are held to back insurance liabilities. Further information regarding investment related risks is contained in the notes to the accounts.

Risk reduction

MAC looks to reduce the frequency and severity of claims by investing in community road safety initiatives.

18. Provisions	CTP		MAC	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Employee benefits:				
Current	-	-	224	197
Non-current	-	-	112	66
Total employee benefits	-	-	336	263

19. Additional financial instrument disclosures

(1) **Categorisation of financial instruments**

The total carrying amount for all financial assets is equal to the fair value of these assets. Investments in property securities are classed as level 1 assets being the fair value that reflects unadjusted quoted prices in active markets for identical assets. All assets held in unit trusts are classed as level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quote price.

(2) **Derivative financial instruments**

Derivatives are defined as financial contracts whose value depend on, or is derived from assets, liabilities, reference rates or indices. They are used to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively.

MAC's investment Fund Manager may from time to time use derivatives to manage portfolio risks and to facilitate the implementation of effective investment strategies.

(3) **Foreign exchange risk**

As part of a diversified investment strategy, MAC has investments in funds investing in international markets. MAC's Fund Manager for international equities hedges a portion of the international equities investments to Australian dollars and MAC's Fund Manager for global listed property securities hedges 100 percent of these investments back to Australian dollars.

(4) Interest rate risk

Interest rate risk is the risk that movement in interest rates will cause the value of fixed interest securities to deviate from expectations. MAC manages interest rate risk by using an appropriate asset/liability matching strategy and ensuring that asset allocations for different investment products are consistent with the time horizon of each. The risk is also managed through the use of specialist cash and fixed income investment managers.

MAC's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

2010	Floating interest rate \$'000	Non- interest bearing \$'000	2010 Total \$'000
Financial assets:			
Cash and deposits	56 975	-	56 975
Receivables	-	7 419	7 419
Cash - unit trust*	-	62 548	62 548
Fixed interest - unit trust*	-	851 518	851 518
Australian equities - unit trust*	-	389 230	389 230
International equities - unit trust*	-	363 352	363 352
Other - unit trust*	-	403 497	403 497
Property securities	-	49 537	49 537
Sales/purchase deposits	7 517	-	7 517
Total financial assets	64 492	2 127 101	2 191 593
Weighted average interest rate (percent)	4.15		
Financial liabilities:			
Creditors	-	8 314	8 314
Total financial liabilities	-	8 314	8 314
Net financial assets	64 492	2 118 787	2 183 279

* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

2009	Floating interest rate \$'000	Non- interest bearing \$'000	2009 Total \$'000
Financial assets:			
Cash and deposits	38 006	-	38 006
Receivables	-	6 246	6 246
Cash - unit trust*	-	48 520	48 520
Fixed interest - unit trust*	-	919 970	919 970
Australian equities - unit trust*	-	319 025	319 025
International equities - unit trust*	-	162 370	162 370
Other - unit trust*	-	367 123	367 123
Property securities	-	36 127	36 127
Sales/purchase deposits	-	15	15
Total financial assets	38 006	1 859 396	1 897 402
Weighted average interest rate (percent)	4.81		
Financial liabilities:			
Creditors	-	5 833	5 833
Total financial liabilities	-	5 833	5 833
Net financial assets	38 006	1 853 563	1 891 569

* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

<i>Reconciliation of net financial assets</i>	2010 \$'000	2009 \$'000
Net financial assets	2 183 279	1 891 569
Reinsurance and other recoveries receivable	16 328	16 731
Prepayments	18 174	17 056
Investments - property assets	155 125	172 900
Property, plant and equipment	111	103
Unearned income	(168 370)	(158 016)
Outstanding claims	(1 935 736)	(1 828 162)
Unexpired risk provision	(30 069)	(41 792)
Provisions	(336)	(263)
Net assets	238 506	70 126

(5) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The carrying amounts of financial assets included in the Statement of Financial Position represent MAC's maximum exposure to credit risk to these assets. MAC minimises concentrations of credit risk by undertaking transactions in a large number of investments through underlying fund managers. MAC is not materially exposed to any individual counterparty.

(6) Market risk

In addition to the effects of movements in interest rates, the CTP Fund is exposed to market risks influencing investment valuations.

Market risk represents the risk that investment returns generated by different financial markets will be volatile and will deviate from long-term expectations over the short/medium term. Market risk analysis is conducted on a regular basis and is conducted on a total portfolio basis.

In managing market risks, MAC aims to reduce the impact of short-term fluctuations on the reported result for the period. Over the longer term, sustained variations in economic variables will have an ongoing impact on the reported results. MAC manages the risk of financial market volatility through ensuring a diversity of exposures to different financial markets and submarkets.

The estimated financial impact of changes in interest rates and in the value of equities is shown in the following table. It should be noted that the financial impact on MAC's reported total comprehensive result and equity are the same.

	Movement in variable Percent	Financial impact	
		2010 \$'000	2009 \$'000
Interest rates	(1.0)	27 845	29 531
	(0.5)	13 560	14 605
	0.5	(12 837)	(14 283)
	1.0	(24 949)	(28 243)
Australian equity markets	(10)	(38 923)	(31 903)
	(5)	(19 462)	(15 951)
	(1)	(3 892)	(3 190)
	5	19 462	15 951
International equity markets	10	38 923	31 903
	(10)	(36 335)	(16 237)
	(5)	(18 168)	(8 118)
	(1)	(3 634)	(1 624)
	5	18 168	8 118
	10	36 335	16 237

(7) Liquidity and cash flow risk

Liquidity risk is the risk that MAC will not be able to meet its financial obligations as they fall due. The liquidity risks associated with the need to satisfy requests for redemptions are mitigated by maintaining sufficient cash reserves to satisfy usual levels of demand without incurring unacceptable losses. MAC ensures that a very high proportion of the CTP Fund is invested in securities that are actively traded and highly liquid. Liquidity risks are minimised through trading with approved exchanges and counterparties.

20. Net claims incurred

Current period claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

2010	CTP			MAC		
	Current year \$'000	Prior years \$'000	2010 Total \$'000	Current year \$'000	Prior years \$'000	2010 Total \$'000
Direct business						
Gross claims incurred and related expenses - undiscounted	558 380	(102 468)	455 912	558 380	(102 468)	455 912
Reinsurance and other recoveries - undiscounted	(3 526)	(225)	(3 751)	(3 526)	(225)	(3 751)
Net claims incurred - undiscounted	554 854	(102 693)	452 161	554 854	(102 693)	452 161
Discount and discount movement - gross claims incurred	(97 400)	76 383	(21 017)	(97 400)	76 383	(21 017)
Discount and discount movement - reinsurance and other recoveries	715	(613)	102	715	(613)	102
Net discount movement	(96 685)	75 770	(20 915)	(96 685)	75 770	(20 915)
Total net claims incurred	458 169	(26 923)	431 246	458 169	(26 923)	431 246

20. Net claims incurred (continued)
2009

	CTP			MAC		
	Current year \$'000	Prior years \$'000	2010 Total \$'000	Current year \$'000	Prior years \$'000	2010 Total \$'000
Direct business						
Gross claims incurred and related expenses - undiscounted	540 060	(85 233)	454 827	540 060	(85 233)	454 827
Reinsurance and other recoveries - undiscounted	(3 360)	3 727	367	(3 360)	3 727	367
Net claims incurred - undiscounted	536 700	(81 506)	455 194	536 700	(81 506)	455 194
Discount and discount movement - Gross claims incurred	(92 008)	166 817	74 809	(92 008)	166 817	74 809
Discount and discount movement - reinsurance and other recoveries	653	(2 775)	(2 122)	653	(2 775)	(2 122)
Net discount movement	(91 355)	164 042	72 687	(91 355)	164 042	72 687
Net claims incurred	445 345	82 536	527 881	445 345	82 536	527 881
Non-CTP business						
Gross claims incurred and related expenses - undiscounted	-	-	-	-	-	-
Reinsurance and other recoveries - undiscounted	-	-	-	-	(2)	(2)
Net claims incurred	-	-	-	-	(2)	(2)
Total net claims incurred	445 345	82 536	527 881	445 345	82 534	527 879

21. Commitments

	CTP		MAC	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Operational expenditure commitments				
Sponsorship expenditure*:				
Contracted but not provided for and payable:				
Not later than one year	1 163	1 215	1 163	1 215
Later than one year but no later than five years	1 250	2 264	1 250	2 264
	2 413	3 480	2 413	3 480

* The amounts indicated above are contract amounts and do not allow for CPI adjustments.

Management agreements

MAC's contractual arrangements with Allianz Australia Insurance Limited (AAL) for the provision of the claims management operations of the CTP Fund expire on 31 December 2012. The initial contract arrangement with AAL commenced on 1 July 2003. The base management fee payable each year to AAL until the contract period concludes has been supplemented with an incentive fee arrangement. AAL is part of Allianz AG.

22. Auditor's remuneration

	CTP		MAC	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Amounts received or due and receivable for auditing the accounts of MAC:				
Auditor-General's Department	101	101	112	112

The auditors provided no other services to MAC during the financial year.

23. Employee benefits

	CTP		MAC	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Aggregate liability for employee benefits including on-costs:				
Current:				
Employee benefits provision:				
Annual leave	-	-	224	197
On-costs	-	-	49	38
	-	-	273	235
Non-current:				
Employee benefits provision:				
Long service leave	-	-	112	66
	-	-	112	66
	-	-	385	301

24. Cash flow reconciliation

(1) Reconciliation of cash				
Cash	3 979	3 480	4 975	4 006
Deposits at call	52 000	34 000	52 000	34 000
	55 979	37 480	56 975	38 006
(2) Reconciliation of net cash inflows (outflows) from operating activities				
Total comprehensive result	168 616	(208 468)	168 380	(208 277)
Non-cash items:				
Depreciation	-	-	35	21
Loss on disposal of assets	-	-	2	10
Amounts set aside to provisions	(2)	(128)	(2)	(128)
(Profit) Loss on sale and revaluation to market value of investments	(195 298)	21 310	(195 301)	21 320
(Decrease) Increase in taxes payable and provisions	-	-	(25)	30
Net cash outflows from operating activities before changes in assets and liabilities	(26 684)	(187 286)	(26 911)	(187 024)

(2) Reconciliation of net cash inflows (outflows) from operating activities (continued)	CTP		MAC	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Change in assets and liabilities:				
Increase in investments	(62 254)	(6 225)	(62 251)	(6 175)
Increase in receivables	(1 389)	(1 726)	(1 226)	(2 017)
(Decrease) Increase in payables and provisions	(9 509)	12 683	(8 929)	12 532
Increase in outstanding claims	107 981	194 641	107 977	194 653
Increase in unearned premium	10 354	15 714	10 354	15 714
Net cash inflows from operating activities	18 499	27 801	19 014	27 683

25. Sufficient level of solvency

Subsection 14(3) of the *Motor Accident Commission Act 1992* (MAC Act) defines as one of the principal objectives of the Commission, the objective of achieving and maintaining a sufficient level of solvency in the CTP Fund. A revised formula to calculate a sufficient level of solvency was issued by the Treasurer on 17 May 2006 and subsequently published in the SA Government Gazette. The formula specifies that the Fund will have a sufficient level of solvency if its assets exceed the sum of the Fund's liabilities plus 10 percent of the outstanding claims liabilities, 10 percent of the premium liabilities provision and 10 percent of the investments in equities and property.

Under the formula, provisions for outstanding claims liabilities and premium liabilities include prudential margins which are calculated by reference to an 80 percent probability of sufficiency that the provisions will be adequate.

As at 30 June 2010, the sufficient solvency target was \$2450.5 million (\$2304.1 million) which compares to the Fund's assets of \$2380.5 million (\$2103.5 million) and this equates to 97.1 percent (91.3 percent) of the required level of sufficient solvency.

In recent years, there has been significant movement in MAC's solvency, which demonstrates the volatility of the CTP Fund on an annual basis and its dependence on strong investment market returns to achieve and maintain sufficient solvency.

The sufficient solvency target has created a prudential reserve for MAC which has effectively allowed it to weather the financial storm of the past few years and still remain in a strong net asset position (\$238.5 million). The sufficient solvency target has therefore fulfilled its role of underpinning the long-term viability of the CTP Fund.

Having easily met the sufficient solvency target for a number of years, recent year results reaffirm the need to return to and maintain sufficient solvency, whilst accepting that short-term fluctuations in the attainment of this target can and will occur.

In that regard, the MAC Board has approved a strategic plan aimed specifically at reducing claim costs and increasing investment returns along with a range of other strategic initiatives to improve scheme profitability and return MAC to its sufficient solvency target as quickly as possible. It is anticipated that the achievement of successful outcomes against this plan, some of which are outside of MAC's direct control, will go a long way towards MAC again achieving and maintaining its sufficient solvency target.

The accounts are prepared on a going concern basis after consideration of the following issues:

- the CTP Fund reports positive net assets as at 30 June 2010
- the CTP Fund's investment strategy ensures adequate liquidity to meet liabilities as and when they fall due
- the CTP Fund's investment strategy is designed to assist in maintaining sufficient solvency
- MAC is supported by a government guarantee pursuant to subsection 21(1) of the MAC Act.

26. Contingent assets and liabilities

Insurance underwriting by its very nature has liabilities contingent upon certain events occurring which give rise to a claim under the policy of insurance. All of the known and expected claims in respect of events that have occurred up to balance date have been accounted for in the preparation of these financial statements. Occasionally certain claims may require legal judgment to determine a suitable settlement. The result of such legal arbitration may result in a liability to the Commission different to that incorporated in these accounts.

27. External consultants used during the financial year

	2010 \$'000	2009 \$'000
Total amount paid or due and payable to external consultants during the financial year	2 528	1 996
The number and value of consultancies were:	2010 Number	2009 Number
Below \$10 000	15	9
Between \$10 000 and \$50 000	5	4
Above \$50 000	6	6

28. Directors' remuneration

The names of each person holding the position of director of the Commission during the financial year are:

J H Brown	T R Groom	Y Sneddon
R A Cook	R A Korotcoff	D J Watkins
A M Gallacher	B G Rowse	K A Weir

Total income paid or payable, or otherwise made available, to all Directors of the Commission from the Commission	2010 \$'000	2009 \$'000
	396	396

The number of directors of MAC whose income from the Commission falls within the following bands:	2010 Number	2009 Number
\$0 - \$9 999	2	1
\$40 000 - \$49 999	2	2
\$50 000 - \$59 999	4	4
\$90 000 - \$99 999	1	1

Directors of the Commission receive remuneration in the form of statutory fees. In accordance with DPC Circular 16, government employees who act as a director do not receive any remuneration from the Commission during the financial year.

Superannuation and retirement benefits

Directors of MAC are not paid superannuation or retirement benefits for their activities associated with the Commission other than the amount set aside by the Commission in compliance with the superannuation guarantee charge of \$33 000 (\$32 000).

29. Employees' and executives' remuneration

	2010 \$'000	2009 \$'000
Salaries and wages	2 236	2 196
Long service leave	53	31
Annual leave	50	43
Employment on-costs:		
Superannuation	241	226
Other	165	171
Board fees	363	364
Total employee benefit expense	<u>3 108</u>	<u>3 031</u>

Total income in respect of the financial year received, or due and receivable, from MAC by executive officers of the Commission whose income is \$100 000 or more	1 523	1 063
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The number of MAC executive officers whose remuneration from MAC falls within the following bands:	2010 Number	2009 Number
\$100 000 - \$109 999	4	2
\$120 000 - \$129 999	1	1
\$130 000 - \$139 999	1	1
\$160 000 - \$169 999	1	1
\$170 000 - \$179 999	1	1
\$180 000 - \$189 999	1	-
\$250 000 - \$259 999	-	1
\$300 000 - \$309 999	1	-

30. Related parties

Apart from the details disclosed in this note, no director has entered into a contract with the Commission since the end of the previous financial year and there were no contracts involving directors' interests existing at year end.

Directors' transactions with the Commission

MAC sold CTP insurance to directors of the Commission or their director-related entities during the year within a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to other members of the public.

The directors of MAC may hold positions in other organisations in which MAC invests or provides funding in the ordinary course of business. The terms and conditions of those transactions with director-related entities are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

These transactions include the following and have been quantified below where transactions are considered likely to be of interest to the users of these financial statements:

R Cook, AM	South Australian Motor Sport Board (Clipsal 500)	\$39 000	Contribution to Clipsal 500 free public transport initiative
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MUSEUM BOARD

FUNCTIONAL RESPONSIBILITY

Establishment

The Museum Board (the Board) is established pursuant to the *South Australian Museum Act 1976*. The Board is responsible for the management of the South Australian Museum. For details of the Board's functions, refer to note 1 of the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA and subsection 16(2) of the *South Australian Museum Act 1976* provide for the Auditor-General to audit the accounts of the Museum Board for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed with respect to the financial statements and internal controls.

During 2009-10, specific areas of audit attention included:

- expenditure, including accounts payable and payroll
- revenue, including sponsorship arrangements
- budgetary control and management reporting
- property, plant and equipment.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Museum Board as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Museum Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters regarding sponsorship arrangements and the implementation of TIs 2 and 28, as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Museum Board have been conducted properly and in accordance with law.

Communication of audit matters

Issues arising during the course of the audit were detailed in a management letter to the Director of the South Australian Museum. The response to the management letter was generally considered to be satisfactory.

Implementation of TIs 2 and 28

In 2008-09, Audit recommended that the Board consult with DPC, which provides business support, with a view to seeking assistance to ensure compliance with TIs 2 and 28. In 2009-10, Audit sought comment on arrangements and time-frames, if any, that were in place between the Board and DPC with specific reference to TIs 2 and 28. The response stated that the matter has been discussed with DPC and assistance was requested. The matter is still pending and the Board has not received notification of specific timeframes to enable the matter to be progressed.

Other matter

A further matter raised in 2008-09 concerned the need for the Board to formalise and include the assessed value of in-kind sponsorships in agreements and to recognise the assessed values (if applicable) in the financial statements. At the time of the 2009-10 audit this matter had not been actioned. The Board has since responded detailing actions taken to address this matter.

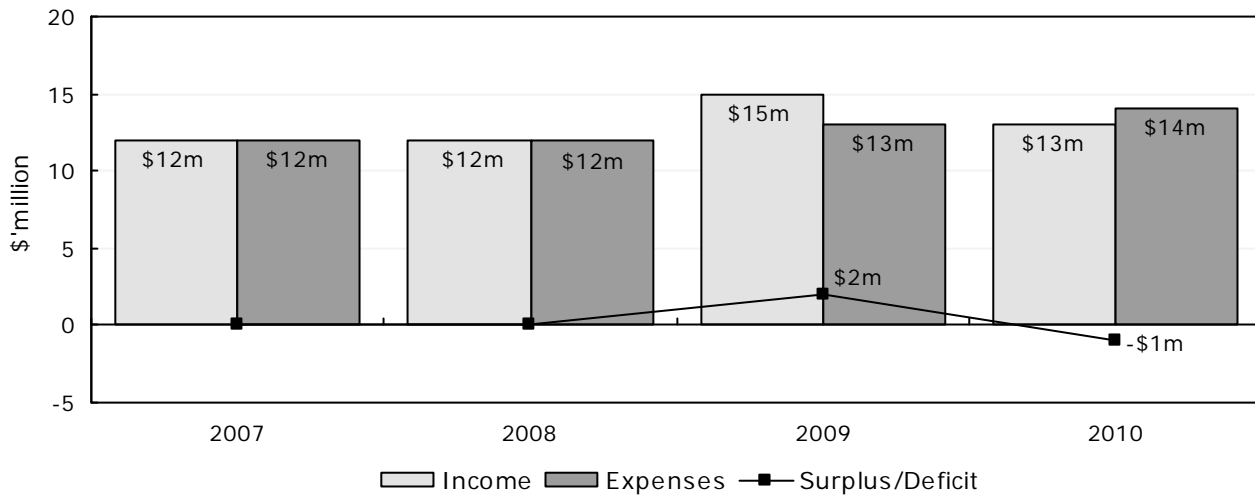
INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS**Highlights of the financial statements**

	2010 \$'million	2009 \$'million
EXPENSES		
Staff benefits	6	6
Other expenses	8	7
Total expenses	14	13
INCOME		
SA Government grants	9	11
Other revenue	4	4
Total income	13	15
Net result and total comprehensive result	(1)	2
NET CASH PROVIDED BY OPERATING ACTIVITIES	1	3
ASSETS		
Current assets	1	5
Non-current assets	184	182
Total assets	185	187
LIABILITIES		
Current liabilities	1	2
Non-current liabilities	1	1
Total liabilities	2	3
TOTAL EQUITY	183	184

Statement of Comprehensive Income**Net result**

The Board recorded a deficit of \$863 000 compared to a surplus of \$1.8 million last year. The change from a surplus to a deficit is mainly the result of a reduction in revenue from government of \$1.7 million and an increase in staff benefits of \$567 000.

The following chart shows the income, expenses and surpluses/deficits for the four years to 2010.



Statement of Financial Position

The total assets of the Board at 30 June 2010 were \$185 million, of which \$145 million (78 percent) relates to the Museum's heritage collections.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2010.

	2010 \$'million	2009 \$'million	2008 \$'million	2007 \$'million
Net cash flows				
Operating	1	3	-	1
Investing	(5)	(2)	-	(1)
Financing	-	-	-	-
Change in cash	(4)	1	-	-
Cash at 30 June	1	5	4	4

Increased expenditure on staff benefits, property, plant and equipment and purchase of investments, together with a reduction in government grants, are the principal reasons for the reduction in cash.

**Statement of Comprehensive Income
for the year ended 30 June 2010**

	Note	2010 \$'000	2009 \$'000
EXPENSES:			
Staff benefits	4	6 374	5 807
Supplies and services	6	3 579	3 371
Accommodation and facilities	7	2 484	2 271
Depreciation and amortisation	8	1 604	1 371
Grants		90	147
Net loss from the disposal of non-current assets	13	18	-
Total expenses		14 149	12 967
INCOME:			
Grants	9	541	700
Sale of goods		37	11
Fees and charges	10	483	723
Donations and bequests		1 084	239
Donations of heritage assets		235	256
Sponsorships	11	422	403
Interest and investment	12	178	174
Resources received free of charge	14	427	462
Recoveries		394	546
Other	15	183	188
Total income		3 984	3 702
NET COST OF PROVIDING SERVICES		10 165	9 265
REVENUES FROM SA GOVERNMENT:			
Recurrent operating grant		8 867	8 373
Capital grant		435	2 662
Total revenues from SA Government		9 302	11 035
NET RESULT		(863)	1 770
TOTAL COMPREHENSIVE RESULT		(863)	1 770

Net result and total comprehensive result are attributable to the SA Government as owner

**Statement of Financial Position
as at 30 June 2010**

	Note	2010 \$'000	2009 \$'000
CURRENT ASSETS:			
Cash	23	844	4 677
Receivables	16	524	533
Total current assets		1 368	5 210
NON-CURRENT ASSETS:			
Property, plant and equipment	17	37 721	36 653
Heritage collections	18	145 246	144 981
Investments	19	1 366	-
Total non-current assets		184 333	181 634
Total assets		185 701	186 844
CURRENT LIABILITIES:			
Payables	20	347	784
Staff benefits	21	899	790
Provisions	22	37	36
Total current liabilities		1 283	1 610
NON-CURRENT LIABILITIES:			
Payables	20	111	108
Staff benefits	21	1 115	1 089
Provisions	22	121	103
Total non-current liabilities		1 347	1 300
Total liabilities		2 630	2 910
NET ASSETS		183 071	183 934
EQUITY:			
Asset revaluation surplus		48 566	48 566
Retained earnings		134 505	135 368
TOTAL EQUITY		183 071	183 934

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	24
Contingent assets and liabilities	25

**Statement of Changes in Equity
for the year ended 30 June 2010**

	Asset revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2008	48 566	133 378	181 944
Error correction	-	220	220
Net result for 2008-09	-	1 770	1 770
Total comprehensive result for 2008-09	-	1 770	1 770
Balance at 30 June 2009	48 566	135 368	183 934
Net result for 2009-10	-	(863)	(863)
Total comprehensive result for 2009-10	-	(863)	(863)
Balance at 30 June 2010	48 566	134 505	183 071

All changes in equity are attributable to the SA Government as owner

**Statement of Cash Flows
for the year ended 30 June 2010**

	2010	2009
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
	Note	
CASH OUTFLOWS:		
Staff benefits	(6 205)	(5 654)
Supplies and services	(3 108)	(2 846)
Accommodation and facilities	(2 531)	(2 107)
Grants	(104)	(133)
Cash used in operations	(11 948)	(10 740)
CASH INFLOWS:		
Grants	640	764
Sale of goods	36	10
Fees and charges	508	613
Donations and bequests	1 084	239
Sponsorships	268	527
Interest and investment	152	188
Recoveries	525	413
Other	194	353
Cash generated from operations	3 407	3 107
CASH FLOWS FROM SA GOVERNMENT:		
Recurrent operating grant	8 867	8 373
Capital grant	435	2 662
Cash generated from SA Government	9 302	11 035
Net cash provided by operating activities	761	3 402
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchases of heritage collections	(29)	-
Purchases of property, plant and equipment	(3 181)	(2 215)
Purchases from investments	(1 617)	-
Cash used in investing activities	(4 827)	(2 215)
CASH INFLOWS:		
Proceeds from sale of investments	233	-
Proceeds from debtor	-	1
Cash generated from investing activities	233	1
Net cash used in investing activities	(4 594)	(2 214)
NET (DECREASE) INCREASE IN CASH	(3 833)	1 188
CASH AT 1 JULY	4 677	3 489
CASH AT 30 JUNE	844	4 677

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Museum Board

The functions of the Museum Board (the Board), as prescribed under the *South Australian Museum Act 1976*, are as follows:

- undertake the care and management of the Museum
- manage all lands and premises vested in, or placed under the control of, the Board
- manage all funds vested in, or under the control of the Board and to apply those funds in accordance with the terms and conditions of any instrument of trust or other instrument affecting the disposition of those monies
- carry out, or promote, research into matters of scientific and historical interest
- accumulate and care for objects and specimens of scientific or historical interest
- accumulate and classify data in regard to any such matters
- disseminate information of scientific or historical interest
- perform any other functions of scientific, educational or historical significance that may be assigned to the Board by Regulation.

2. Summary of significant accounting policies

2.1 Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provision of the PFAA.

Except for AASB 2009-12, which the Board has early adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2010. These are outlined in note 3.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in the financial statements:
 - (a) income, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
 - (b) expenses incurred as a result of engaging consultants
 - (c) staff TVSP information
 - (d) staff whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those staff
 - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Board's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and comparative information presented.

2.3 Sources of funds

The Board's principal source of funds consists of grants from the State Government. In addition, the Board also receives monies from sales, admissions, donations, bequests, sponsorships and other receipts, and uses the monies for the achievement of its objectives.

2.4 Income and expenses

Income and expenses are recognised in the Board's Statement of Comprehensive Income to the extent it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured. Income and expenses have been classified according to their nature, and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Income

Income from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Investment income is recognised when the Board obtains control over the funds. Income from the rendering of a service is recognised upon the delivery of the service to the customers. Government grants are recognised as income in the period in which the Board obtains control over the grants.

Resources received free of charge

Resources received free of charge are recorded as income and expenditure in the Statement of Comprehensive Income at their fair value.

Under an arrangement with Arts SA and Artlab Australia, divisions of DPC, Artlab Australia receives SA Government appropriation to perform conservation services on the Board's heritage collections. The value of this work performed is recognised as resources received free of charge in income and a corresponding amount included as conservation work expenditure in supplies and services (note 6).

Under an arrangement with the Services Division of DPC, financial services and human resources are provided free of charge to the Board. The value of these services is recognised as resources received free of charge in income and a corresponding amount included as a business services charge in supplies and services (note 6).

2.5 Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Board has a clearly identifiable operating cycle of 12 months. Assets and liabilities that will be realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.6 Cash

Cash in the Statement of Financial Position includes cash at bank and cash on hand.

For the purposes of the Statement of Cash Flows, cash is defined above. Cash is measured at nominal value.

2.7 Receivables

Receivables include amounts receivable from trade, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to other government agencies and the public. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

The ability to collect trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Board will not be able to collect the debt.

2.8 Investments

Investments are brought to account at cost in accordance with APF IV, APS 2.1.

2.9 Non-current asset acquisition and recognition

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given the consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at fair value.

All non-current assets with a value of \$10 000 or greater are capitalised.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

2.10 Valuation of non-current assets

All non-current assets are valued at written down current cost (a proxy for fair value) and a revaluation of non-current assets or a group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Land and buildings are re-valued every five years, and heritage collections are re-valued every five years. Previously, land and buildings were re-valued every three years, but in 2009-10 the Board's Asset Management Policy was revised, and the revaluation period for land and buildings was changed from three to five years. However, if at any time management considers the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

2.10 Valuation of non-current assets (continued)

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrement of the same asset class previously recognised as an expense, in which case the increase is recognised as income.

Any revaluation decrement is recognised as an expense, except to the extent that it offsets a previous revaluation increase of the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

Upon revaluation, the accumulated depreciation has been restated proportionately with the change in gross carrying amount of the asset so that the carrying amount, after revaluation, equals its revalued amount.

Upon disposal or de-recognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Land and buildings

Land and buildings have been valued at fair value. Valuations of land and buildings were determined as at 30 June 2008 by the Australian Valuation Office.

Plant and equipment

Plant and equipment, including computer equipment, on acquisition has been deemed to be held at fair value.

Heritage collections

The Board's collections were revalued as at 30 June 2006 using the valuation methodology outlined below in accordance with fair value principles adopted under AASB 116. These valuations were undertaken by both external valuers and internal specialists.

The collections were broadly valued on the following basis:

<i>Collection</i>	<i>Method of valuation</i>
Heritage collections	Net market valuation
Natural History collections	Cost of recovery

Heritage collection status applies to those collections where an established market exists. The net market valuation applied has been assessed either by valuation undertakings by staff and valuers or by applying valuations determined under the Taxation Incentives for the Arts Scheme.

Natural History collections have been valued at fair value on the basis of the cost of fieldwork, preparation and documentation to replace the material in its present condition.

Internal valuations were carried out by staff specialists in their related fields. These valuations were based on a knowledge of the particular collections, an understanding of valuation techniques and the markets that exist for the collection items. Independent external valuers were engaged to review the methodology adopted for valuation, to verify the valuations applied by internal specialists via sampling techniques, and to carry out independent valuations where required.

Heritage collections deemed to have market value are Australian ethnology, foreign ethnology, malacology, butterflies, industrial history collection, mineralogy, Museum library and rare books.

Natural History collections valued at cost of recovery are the Australian biological tissue bank, the Australian helminthological collection, entomology, arachnology, marine invertebrates, ichthyology, herpetology, ornithology and mammalogy.

The external valuations were carried out by the following recognised industry experts:

<i>Collection</i>	<i>Industry expert</i>
Australian ethnology	Macaulay Partners
Museum library and rare books	M Treloar and P Horn
Malacology (marine invertebrates)	W Rumble
Butterflies (terrestrial invertebrates)	L Mound
Mammalogy	R Schodde
Australian Polar collection	M Treloar

Collections deemed to be culturally sensitive, including human remains or items which are secret and sacred to Aboriginal communities, have not been included within the current valuation and are deemed to be at zero valuation. These collections are human biology, secret sacred, archives, palaeontology and archaeology.

2.11 Impairment of assets

All non-current assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For re-valued assets an impairment loss is offset against the asset revaluation surplus.

2.12 Depreciation of non-current assets

Depreciation is calculated on a straight-line basis to write-off the net cost or revalued amount of each non-current asset over its expected useful life, except for land and heritage collections, which are not depreciable. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings and improvements	20-100
Plant and equipment:	
Exhibition	10
Commercial vehicles	20-25
Other	5-15
Computer equipment	3-5

Exhibitions with a life of less than one year are expensed.

Heritage collections are kept under special conditions so that there is no physical deterioration and they are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised, as their service potential has not, in any material sense, been consumed during the reporting period.

2.13 Payables

Payables include creditors, accrued expenses and staff on-costs.

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Staff on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

2.14 Staff benefits

These benefits accrue for staff as a result of services provided up to the reporting date that remain unpaid. Long-term staff benefits are measured at present value and short-term benefits are measured at nominal amounts.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by staff is estimated to be less than the annual entitlement of sick leave.

(i) *Salaries, wages and annual leave*

Liabilities for salaries, wages and annual leave have been recognised as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

(ii) *Long service leave*

A liability for long service leave is recognised after a staff member has completed 5.5 years of service. An actuarial assessment of long service leave, undertaken by DTF based on a significant sample of employees throughout the South Australian public sector, determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Board's experience of staff retention and leave taken.

(iii) *On-costs*

Staff benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

(iv) *Superannuation*

The Board makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the relevant superannuation schemes. DTF centrally recognises the superannuation liability, for the schemes operated by the State Government, in the whole-of-government financial statements.

2.15 Workers compensation provision

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC

2.16 Leases

The Board has entered into a number of operating lease agreements for accommodation, vehicles and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

2.17 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific AASs and/or APSs has required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

2.18 Taxation

The Board is not subject to income tax. The Board is liable for payroll tax, FBT, GST and the emergency services levy.

Income, expenses and assets are recognised net of the amount of GST. The amount of GST incurred by the Board as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or part of an item of expense.

The net GST receivable/payable to the ATO is not recognised as a receivable/payable in the Statement of Financial Position as the Board is a member of an approved GST group of which Arts SA, a division of DPC, is responsible for the remittance and collection of GST. As such, there are no cash flows relating to GST transactions with the ATO in the Statement of Cash Flows.

2.19 State Government funding

The financial statements are presented under the assumption of ongoing financial support being provided to the Board by the State Government.

2.20 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2.21 Insurance

The Board has arranged, through SAICORP, a division of SAFA, to insure all major risks of the Board. The excess payable is fixed under this arrangement.

2.22 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

3. New and revised accounting standards

Details of the impact, where significant, on the Board's financial statements from new and amended AASs that are applicable for the first time in 2009-10 are detailed below.

Except for AASB 2009-12, which the Board has early-adopted, the AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Board for the period ending 30 June 2010. The Board has assessed the impact of the new and amended standards and Interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board.

4. Staff benefits

	2010	2009
	\$'000	\$'000
Salaries and wages	5 000	4 641
Long service leave	179	188
Annual leave	117	95
Staff on-costs - superannuation	588	590
Staff on-costs - other	275	259
TVSP payments	149	-
Board fees	34	27
Other staff related expenses	32	7
Total staff benefits	6 374	5 807

Museum Board

TVSPs	2010	2009
Amount paid to these employees:	\$'000	\$'000
TVSPs	149	-
Annual leave and long service leave paid during the period	36	-
	185	-
Recovery from DTF	(149)	-
Net cost to Museum	36	-

The number of employees who were paid TVSPs during the period were 2 (0).

Remuneration of staff	2010	2009
The number of staff whose remuneration of \$100 000 or more during the year, falls within the following bands:	Number	Number
\$100 000 - \$109 999	4	2
\$110 000 - \$119 999	3	1
\$120 000 - \$129 999	2	2
\$160 000 - \$169 999	1	1
Total	10	6

The table includes all staff who received remuneration of \$100 000 or more during the year. Remuneration of staff reflects all costs including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits. The total remuneration received by these staff members for the year was \$1.2 million (\$748 000).

5. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2009-10 financial year were:

- Museum Board (8 members)
- Aboriginal Advisory Committee (5 members)

Museum Board

Dr S Carthew	Mr J Ellice-Flint (Chairperson)	Mr A Simpson
Mr R Edwards	Ms E D Perry	
Ms N Buddle (term expired 13 December 2009)		
Mr P Ah Chee (term expired 13 December 2009)		
Ms N Stott Despoja (appointed 24 September 2009)		

Aboriginal Advisory Committee

Mr P Ah Chee	Mr L O'Brien	Ms E D Perry
Dr S Miller	Ms L O'Donohue	Mr M Turner

The number of members whose remuneration received or receivable falls within the following bands:	2010	2009
	Number	Number
\$0 - \$9 999	12	11
\$10 000 - \$19 999	1	2
Total	13	13

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees. The total remuneration received by members was \$34 000 (\$27 000).

Amounts paid to a superannuation plan for board/committee members were \$1650 (\$2000).

Related party disclosures

Board members or their related entities have transactions with the Board that occur within a normal customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonably expected the entity would have adopted if the transactions were undertaken with any other entity at arm's length in similar circumstances.

6. Supplies and services

Supplies and services provided by entities external to the SA Government:	2010	2009
	\$'000	\$'000
Cost of goods sold	-	6
Marketing	302	249
Administration	219	240
IT services and communications	161	86
Maintenance	38	52
Collections	42	41
Exhibitions	78	133
Research	685	619
Travel and accommodation	132	170
Contractors	185	153
Motor vehicle expenses	21	16
Minor equipment	92	70
Fees	175	158
Consultants	35	27
Entertainment	41	26
Other	217	182
Total supplies and services - non-SA Government entities	2 423	2 228

6. Supplies and services (continued)				
Supplies and services provided by entities within the SA Government:		2010		2009
		\$'000		\$'000
Insurance and risk management		343		325
Marketing		-		2
IT services and communications		190		161
Maintenance		42		24
Artlab conservation work		284		287
Business services charge		143		175
Collections		-		11
Research		45		48
Travel and accommodation		-		4
Motor vehicle expenses		45		60
Minor equipment		-		4
Other		64		42
Total supplies and services - SA Government entities		<u>1 156</u>		<u>1 143</u>
Total supplies and services		<u>3 579</u>		<u>3 371</u>
Payments to consultants				
The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:		2010		2009
		Number	\$'000	Number
				\$'000
\$0 - \$9 999		1	5	4
\$10 000 - \$50 000		2	30	1
Total paid/payable to the consultants engaged		<u>3</u>	<u>35</u>	<u>5</u>
				<u>27</u>
External auditor's remuneration				
External auditor's remuneration represents amounts paid/payable to the Auditor-General's Department for audit services. No other services were provided by the Auditor-General.				
		2010		2009
		\$'000		\$'000
Audit fees paid/payable to the Auditor-General's Department		27		26
Total audit fees - SA Government entities		<u>27</u>		<u>26</u>
7. Accommodation and facilities				
Accommodation and facilities provided by entities external to the SA Government:				
Accommodation		294		331
Facilities		329		198
Security		785		798
Total accommodation and facilities - non-SA Government entities		<u>1 408</u>		<u>1 327</u>
Accommodation and facilities provided by entities within the SA Government:				
Accommodation		334		395
Facilities		732		547
Security		10		2
Total accommodation and facilities - SA Government entities		<u>1 076</u>		<u>944</u>
Total accommodation and facilities		<u>2 484</u>		<u>2 271</u>
8. Depreciation and amortisation				
Buildings and improvements		1 312		1 312
Plant and equipment		292		53
Computer equipment		-		6
Total depreciation		<u>1 604</u>		<u>1 371</u>
9. Grants				
State Government grants		20		-
Other general grants		314		342
Commonwealth grants		207		358
Total grants		<u>541</u>		<u>700</u>
10. Fees and charges				
Admissions		172		335
Functions		69		83
Fees for service		141		107
Other		101		198
Total fees and charges		<u>483</u>		<u>723</u>
11. Sponsorships				
Sponsorship received/receivable from entities external to the SA Government:				
Cash sponsorships		392		388
In-kind sponsorships		30		15
Total sponsorships		<u>422</u>		<u>403</u>

12. Interest and investment income	2010 \$'000	2009 \$'000
Interest and investment income from entities external to the SA Government	85	-
Interest on deposit accounts from entities within the SA Government	93	174
Total interest income	178	174
13. Net loss from disposal of non-current assets		
Investments:		
Proceeds from sale of investments	233	-
Net book value of investments	(251)	-
	(18)	-
Total assets:		
Total proceeds from disposal	233	-
Total net book value of investments	(251)	-
Total net loss from disposal of non-current assets	(18)	-
14. Resources received free of charge		
Resources received free of charge from entities within the SA Government:		
Business services charge	143	175
Other	284	287
Total resources received free of charge - SA Government entities	427	462
Total resources received free of charge	427	462
15. Other income		
Other income received/receivable from entities external to the SA Government:		
Rent	-	2
Exhibition hire	39	10
Other	139	161
Total other income - non-SA Government entities	178	173
Other income received/receivable from entities within the SA Government		
Exhibition hire	-	4
Other	5	11
Total other income - SA Government entities	5	15
Total other income	183	188
16. Receivables		
Receivables from entities external to the SA Government:		
Receivables	369	506
Accrued income	28	-
Total receivables - non-SA Government entities	397	506
Receivables from entities within the SA Government		
Receivables	119	17
Accrued income	8	10
Total receivables - SA Government entities	127	27
Total receivables	524	533
Interest rate and credit risk		
Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables and accrued income are non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.		
(a) Maturity analysis of receivables - refer note 27.		
(b) Categorisation of financial instruments and risk exposure information - refer note 27.		
17. Property, plant and equipment	2010	2009
Land, buildings and improvements:	\$'000	\$'000
Land at valuation	7 440	7 440
Buildings and improvements at valuation	58 693	58 693
Accumulated depreciation	(34 065)	(32 753)
Total land, buildings and improvements	32 068	33 380
Plant and equipment:		
At cost (deemed fair value)	7 157	1 638
Work in progress	-	2 912
Accumulated depreciation	(1 504)	(1 278)
Total plant and equipment	5 653	3 272
Computer equipment:		
At cost (deemed fair value)	-	47
Accumulated depreciation	-	(46)
Total computer equipment	-	1
Total property, plant and equipment	37 721	36 653

Reconciliation of property, plant and equipment

	Carrying amount 01.07.09	Additions	Transfer out	Depreciation expense	Other changes	Carrying amount at 30.06.10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	7 440	-	-	-	-	7 440
Buildings and improvements	25 940	-	-	(1 312)	-	24 628
Works in progress	2 912	2 577	-	-	(5 489)	-
Plant and equipment	360	98	(2)	(292)	5 489	5 653
Computer equipment	1	-	(1)	-	-	-
Total	36 653	2 675	(3)	(1 604)	-	37 721

	Carrying amount 01.07.08	Additions	Adj. to opening balance	Depreciation expense	Other changes	Carrying amount at 30.06.09
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	7 440	-	-	-	-	7 440
Buildings and improvements	27 252	-	-	(1 312)	-	25 940
Works in progress	279	2 498	220	-	(85)	2 912
Plant and equipment	205	123	-	(53)	85	360
Computer equipment	7	-	-	(6)	-	1
Total	35 183	2 621	220	(1 371)	-	36 653

18. Heritage collections

	2010			2009		
	At valuation	At cost	Total	At valuation	At cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Social/Industrial history	239	-	239	239	-	239
Australian Aboriginal ethnographic	21 340	29	21 369	21 112	-	21 112
Foreign ethnology	7 035	-	7 035	7 027	-	7 027
Australian polar collection	3 744	-	3 744	3 744	-	3 744
Minerals	16 984	-	16 984	16 984	-	16 984
Malacology	4 110	-	4 110	4 110	-	4 110
Butterflies	35	-	35	35	-	35
Australian biological tissue bank	7 352	-	7 352	7 352	-	7 352
Australian helminthological collection	11 727	-	11 727	11 727	-	11 727
Entomology	31 686	-	31 686	31 686	-	31 686
Arachnology	4 795	-	4 795	4 795	-	4 795
Marine invertebrates	8 923	-	8 923	8 923	-	8 923
Ichthyology	1 819	-	1 819	1 819	-	1 819
Herpetology	4 200	-	4 200	4 200	-	4 200
Ornithology	8 939	-	8 939	8 939	-	8 939
Mammalogy	5 962	-	5 962	5 962	-	5 962
Fossil	719	-	719	719	-	719
Library	5 608	-	5 608	5 608	-	5 608
Total	145 217	29	145 246	144 981	-	144 981

Reconciliation of carrying amounts of heritage collections

	Balance 01.07.09	Additions	Balance 30.06.10	Balance 01.07.08	Additions	Balance 30.06.09
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Social/Industrial history	239	-	239	239	-	239
Australian Aboriginal ethnographic	21 112	257	21 369	20 895	217	21 112
Foreign ethnology	7 027	8	7 035	7 027	-	7 027
Australian polar collection	3 744	-	3 744	3 744	-	3 744
Minerals	16 984	-	16 984	16 945	39	16 984
Malacology	4 110	-	4 110	4 110	-	4 110
Butterflies	35	-	35	35	-	35
Australian biological tissue bank	7 352	-	7 352	7 352	-	7 352
Australian helminthological collection	11 727	-	11 727	11 727	-	11 727
Entomology	31 686	-	31 686	31 686	-	31 686
Arachnology	4 795	-	4 795	4 795	-	4 795
Marine invertebrates	8 923	-	8 923	8 923	-	8 923
Ichthyology	1 819	-	1 819	1 819	-	1 819
Herpetology	4 200	-	4 200	4 200	-	4 200
Ornithology	8 939	-	8 939	8 939	-	8 939
Mammalogy	5 962	-	5 962	5 962	-	5 962
Fossil	719	-	719	719	-	719
Library	5 608	-	5 608	5 608	-	5 608
Carry amount at 30 June	144 981	265	145 246	144 725	256	144 981

19. Investments	2010	2009
Investments with entities other than SAFA:	\$'000	\$'000
Non-current:		
Shares, convertible notes and other investments in companies	1 366	-
Total non-current investments	1 366	-
Total investments	1 366	-

The market value of investments as at 30 June 2010 is \$1.3 million.

20. Payables		
Current:		
Creditors and accruals	217	667
Staff on-costs	130	117
Total current payables	347	784
Non-current:		
Staff on-costs	111	108
Total non-current payables	111	108
Total payables	458	892
Payables to non-SA Government entities:		
Creditors and accruals	176	655
Total payables - non-SA Government entities	176	655
Payables to SA Government entities:		
Creditors and accruals	41	12
Staff on-costs	241	225
Total payables - SA Government entities	282	237
Total payables	458	892

As a result of an actuarial assessment performed by DTF, it was determined that the percentage of the proportion of long service leave, taken as leave, remains constant at 45 percent, and the average factor for the calculation of employer superannuation on-cost remains constant at 10.5 percent. These rates are used in the staff on-cost calculation.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Staff on-costs are settled when the respective staff benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

- (a) Maturity analysis of payables - refer note 27.
 (b) Categorisation of financial instruments and risk exposure information - refer note 27.

21. Staff benefits	2010	2009
Current:	\$'000	\$'000
Annual leave	513	453
Long service leave	235	215
Accrued salaries and wages	151	122
Total current staff benefits	899	790
Non-current:		
Long service leave	1 115	1 089
Total non-current staff benefits	1 115	1 089

The total current and non-current staff expense (ie aggregate staff benefit plus related on costs) for 2009-10 is \$1 million and \$1.2 million respectively.

As a result of an actuarial assessment undertaken by DTF, the benchmark for the measurement of the long service leave liability has changed from the 2009 benchmark of 6.5 years to 5.5 years.

The salary inflation rate remains constant at 4 percent.

22. Provisions	2010	2009
Current:	\$'000	\$'000
Provision for workers compensation	37	36
Total current provisions	37	36
Non-current:		
Provision for workers compensation	121	103
Total non-current provisions	121	103
Total provision	158	139

Reconciliation of the provision for workers compensation

Provision at 1 July	139	152
Increase (Decrease) in provision during the year	19	(13)
Provision for workers compensation at 30 June	158	139

23. Cash flow reconciliation**Reconciliation of cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank. Cash as at 30 June as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2010 \$'000	2009 \$'000
Deposits with Treasurer	833	4 666
Cash on hand	11	11
Cash as recorded in the Statement of Financial Position	<u>844</u>	<u>4 677</u>

Interest rate risk

Cash is recorded at its nominal amount. Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in a Section 21 Interest Bearing Deposit Account titled the 'Museum Board'. Deposits with the Treasurer are bearing a floating interest rate between 2.85 percent and 4.07 percent.

Reconciliation of net cash provided by operating activities to net cost of providing services

	2010 \$'000	2009 \$'000
Net cash provided by operating activities	761	3 402
Revenues from SA Government	(9 302)	(11 035)
Non-cash items:		
Depreciation and amortisation of property, plant and equipment	(1 604)	(1 371)
Donations of heritage collections	235	256
Transfers from property, plant and equipment	(3)	-
Net loss on sale of investments	(18)	-
Changes in assets and liabilities:		
Decrease in receivables	(108)	(139)
Decrease (Increase) in payables	28	(174)
Increase in staff benefits	(135)	(217)
(Increase) Decrease in provisions	(19)	13
Net cost of providing services	<u>(10 165)</u>	<u>(9 265)</u>

24. Unrecognised contractual commitments**Operating lease commitments**

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements, are payable as follows:

Not later than one year	24	209
Later than one year and not later than five years	3	32
Total operating lease commitments	<u>27</u>	<u>241</u>

The operating lease commitments comprise:

- Non-cancellable motor vehicle leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.

Capital commitments

Capital commitments under contract at the reporting date, but not recognised as liabilities in the financial report, are payable as follows:

	2010 \$'000	2009 \$'000
Not later than one year	-	2 600
Later than one year and not later than five years	573	-
Total capital commitments	<u>573</u>	<u>2 600</u>

Remuneration commitments

Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

	2010 \$'000	2009 \$'000
Not later than one year	171	221
Later than one year and not later than five years	139	294
Total remuneration commitments	<u>310</u>	<u>515</u>

Amounts disclosed include commitments arising from executive and other service contracts. The Board does not offer remuneration contracts greater than five years.

Other commitments

Not later than one year	552	813
Later than one year and not later than five years	105	258
Total other commitments	<u>657</u>	<u>1 071</u>

Other commitments (continued)

The Board's other commitments are for agreements for security and cleaning.

Contingent rental provisions within the contracts require the minimum contract payments to be increased by variable operating costs and wage rises. Options exist to renew the contracts for another 12 months.

25. Contingent assets and liabilities

The Museum Board is not aware of any contingent assets or liabilities as at 30 June 2010.

26. Events after balance date

There were no events after balance date that affect these financial statements in a material manner.

27. Financial instrument/financial risk management**27.1 Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

		2010		2009	
	Note	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets					
Cash and cash equivalents:					
Cash	23	844	844	4 677	4 677
Loans and receivables:					
Receivables ⁽¹⁾	16	524	524	533	533
Investments	19	1 366	1 265	-	-
Financial liabilities					
Financial liabilities - at cost:					
Payables ⁽¹⁾	20	217	217	667	667

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for staff on-costs which are determined via reference to the staff benefit liability to which they relate.

Credit risk

Credit risk arises when there is the possibility of the Board's debtors defaulting on their contractual obligations resulting in financial loss to the Board. The Board measures credit risk on a fair value basis and monitors risk on a regular basis.

The Board has minimal concentration of credit risk. The Board has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Board does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Board does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired.

27.2 Ageing analysis of financial assets

The following table discloses the ageing of financial assets, past due:

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
2010				
Not impaired:				
Receivables	468	40	16	524
2009				
Not impaired:				
Receivables	420	12	101	533

27.3 Maturity analysis of financial assets and liabilities

The following table discloses the maturity analysis of financial assets and financial liabilities.

	Contractual maturity			Carrying amount \$'000
	Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000	
2010				
Financial assets:				
Cash	844	-	-	844
Receivables	515	9	-	524
Financial assets	-	-	1 366	1 366
Total financial assets	<u>1 359</u>	<u>9</u>	<u>1 366</u>	<u>2 734</u>
Financial liabilities:				
Payables	217	-	-	217
Total financial liabilities	<u>217</u>	<u>-</u>	<u>-</u>	<u>217</u>
2009				
Financial assets:				
Cash	4 677	-	-	4 677
Receivables	533	-	-	533
Total financial assets	<u>5 210</u>	<u>-</u>	<u>-</u>	<u>5 210</u>
Financial liabilities:				
Payables	667	-	-	667
Total financial liabilities	<u>667</u>	<u>-</u>	<u>-</u>	<u>667</u>

PARLIAMENTARY SUPERANNUATION SCHEME

FUNCTIONAL RESPONSIBILITY

Establishment

The Parliamentary Superannuation Scheme (the Scheme) and the South Australian Parliamentary Superannuation Board (the Board) were established under the *Parliamentary Superannuation Act 1974*. The Board is responsible to the Treasurer.

Functions

The Board is responsible for administering the Scheme, which provides for benefit payments to persons who have served as members of Parliament.

Under the *Parliamentary Superannuation Act 1974*, the Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for the investment and management of the Parliamentary Superannuation Fund.

The Board utilises the services of DTF — State Superannuation Office to administer the Scheme.

For further details of the Scheme's administration and funding arrangements refer note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial report

Subsection 31(1) (b) of the PFAA provides for the Auditor-General to audit the accounts of the Scheme for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2009-10, areas of review included:

- receipting and banking of contributions
- pension payments
- liability for accrued benefits.

The investment and management of the Scheme assets is reviewed as part of the Funds SA audit.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Parliamentary Superannuation Scheme as at 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised over the Parliamentary Superannuation Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matter raised in relation to the implementation of TI 28 as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Parliamentary Superannuation Scheme have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Chairman, Parliamentary Superannuation Board.

Implementation of TI 28

TI 28 requires the Board to establish and maintain a robust and transparent financial management compliance program (FMCP). Although the Board has developed a FMCP, further documentation is required to ensure it is effective and appropriately manages risks. The Board has not clearly documented:

- who has the overall responsibility for the FMCP
- who has the responsibility for maintaining and updating the FMCP
- how applicable legislation, ie superannuation legislation, is being complied with
- how the controls listed in the FMCP are monitored for effectiveness
- the evaluation or review process of the program, for example by self assessment or by other means.

Further the FMCP has not been designed from a superannuation scheme perspective as it does not include areas such as benefit payments and contributions revenue.

The Board responded that the framework matrix established by the Board will be further enhanced to address the issues identified.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the financial report

	2010 \$'million	2009 \$'million
REVENUE		
Contribution revenue	4.0	4.1
Investment revenue	20.5	(24.4)
Total revenue	24.5	(20.3)
EXPENSES		
Benefits and other expenses	19.8	17.0
Total expenses	19.8	17.0
Transfer (to) from Consolidated Account	(7.0)	44.5
Operating result for the period	(2.3)	7.2
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(12.0)	40.6
ASSETS		
Investments	166.9	159.5
Other assets	0.4	0.2
Total assets	167.3	159.7

	2010 \$'million	2009 \$'million
LIABILITIES		
Liability for accrued benefits	169.1	158.8
Other liabilities	0.2	0.6
Total Liabilities	169.3	159.4
(DEFICIT) EXCESS OF NET ASSETS OVER LIABILITIES	(2.0)	0.3

Operating Statement

The operating result for the year was a deficit of \$2.3 million (surplus of \$7.2 million). The year's result took into account:

- benefits expenses of \$18.7 million (\$16.2 million)
- a transfer of \$7 million to the Consolidated Account (\$44.5 million transfer from the Consolidated Account to the Parliamentary Superannuation Scheme). In June 2009, the Treasurer approved the transfer from the Consolidated Account on the expectation of the value of assets being held as at 30 June being less than the value of the Scheme's accrued liabilities due to the worldwide downturn in investment markets. This was not required in 2010 due to the turnaround in investment markets and returns. A transfer was made out of the Scheme to maintain a balanced Scheme
- positive returns on investments of \$20.5 million (negative returns of \$24.4 million). Investment returns are further discussed in the audit commentary for Funds SA, elsewhere in Part B of this Report.

Statement of Financial Position

As at 30 June 2010, there was a deficit of net assets over liabilities of \$2 million (excess of \$300 000).

The estimated liability for accrued benefits increased by \$10.3 million to \$169.1 million for which assets of \$167.3 million were available to pay benefits. The expected future benefit payments were determined using the pensioner mortality assumptions of the 2007 triennial actuarial review of the South Australian Superannuation Scheme. Refer note 7 to the financial report for further explanation.

In comparison, vested benefits as at 30 June 2010 were \$187.6 million (\$184 million). Vested benefits represent benefits which members are entitled to receive had their membership been terminated at reporting date. Vested benefits are greater than accrued benefits as vested benefits are based on the involuntarily expiration of service. As a result members would be entitled to the benefits immediately.

FURTHER COMMENTARY ON OPERATIONS

Pensioners

The number of pensioners and pensions paid for the past four years were:

	2010	2009	2008	2007
Pensioners	118	105	109	107
Pensions paid (\$'000)	7 659	6 821	6 574	6 522

Contributions by members

The number of contributors and contributions received from members for the past four years were:

	2010	2009	2008	2007
Contributors	69	69	69	69
Contributions received (\$'000)	911	968	1 007	1 000

**Operating Statement
for the year ended 30 June 2010**

	Note	2010	2009
		\$'000	\$'000
REVENUE:			
Investment revenue		20 480	(24 437)
Other revenue		5	8
Contribution revenue:			
Contributions by members		911	968
Contributions by employers		3 061	3 099
Rollovers from other schemes		-	55
Total contribution revenue		3 972	4 122
Total revenue		24 457	(20 307)
EXPENSES:			
Direct investment expenses	4	907	617
Administration expenses	5	209	187
Benefits expenses	7	18 648	16 240
Total expenses		19 764	17 044
TRANSFER (TO) FROM CONSOLIDATED ACCOUNT	3	(7 000)	44 500
OPERATING RESULT FOR THE PERIOD		(2 307)	7 149

**Statement of Financial Position
as at 30 June 2010**

	Note	2010 \$'000	2009 \$'000
INVESTMENTS:			
Inflation linked securities		10 935	13 421
Internal inflation linked securities		3 890	4 395
Property A		16 926	11 326
Australian equities A		48 257	46 365
International equities A		41 837	38 759
Fixed interest		4 596	3 907
Diversified strategies growth A		9 231	9 616
Diversified strategies income		23 078	20 343
Cash		8 034	11 379
Socially responsible		127	18
		166 911	159 529
OTHER ASSETS:			
Cash and cash equivalents	11	409	223
Sundry debtors		9	8
		418	231
Total assets		167 329	159 760
CURRENT LIABILITIES:			
Sundry creditors		15	434
Benefits payable		266	207
Total liabilities		281	641
NET ASSETS AVAILABLE TO PAY BENEFITS	6	167 048	159 119
LIABILITY FOR ACCRUED BENEFITS	7	(169 070)	(158 834)
(DEFICIT) EXCESS OF NET ASSETS OVER LIABILITIES		(2 022)	285

Statement of Cash Flows for the year ended 30 June 2010

		2010	2009
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Contributions received:	Note		
Contributions by members		911	968
Contributions by employers		3 061	3 101
Rollovers from other schemes		-	55
		3 972	4 124
Other receipts		4	8
GST recoup from ATO		(1)	(1)
Benefits paid:			
Pension		(7 659)	(6 821)
Commutations		(1 114)	(1 038)
		(8 773)	(7 859)
Administration expenses		(208)	(187)
Transfer (to) from Consolidated Account	3	(7 000)	44 500
Net cash (used in) provided by operating activities	10	(12 006)	40 585
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		14 141	5 612
Payments to Funds SA		(1 949)	(46 226)
Net cash provided by (used in) investing activities		12 192	(40 614)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		186	(29)
CASH AND CASH EQUIVALENTS AT 1 JULY		223	252
CASH AND CASH EQUIVALENTS AT 30 JUNE	11	409	223

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

(a) *Parliamentary Superannuation Scheme*

The Parliamentary Superannuation Scheme (the Scheme) is a compulsory superannuation scheme which exists pursuant to the *Parliamentary Superannuation Act 1974* (the Act). The Act provides for the payment of superannuation benefits to persons who have served as members of Parliament and makes provisions for the families of such persons.

The *Parliamentary Superannuation (Scheme for New Members) Amendment Act 2005* (the Amendment Act) was proclaimed to come into operation on 15 September 2005. The Amendment Act amended the principal Act by closing the existing scheme (new scheme) now known as the PSS2 scheme. PSS1 (old scheme) was closed to new entrants in 1995. The current scheme is known as PSS3.

Contributions are deposited by the Treasurer into the Parliamentary Superannuation Fund (the Fund), established under section 13 of the Act. A separate division of the Fund has been established for the PSS3 scheme. The Fund is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

PSS1 and PSS2 members are entitled to pension based benefits determined in accordance with the Act to be a percentage of the members' salary. A member may elect to commute to a lump sum a percentage of their pension entitlement. PSS3 members are entitled to an accumulation style benefit.

(b) South Australian Parliamentary Superannuation Board

The Act charges the South Australian Superannuation Parliamentary Board (the Board), a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the Treasurer, has contracted the Under Treasurer to provide the administrative services, through a service level agreement.

Under the terms of the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by Funds SA for each division of the Fund.

(c) Superannuation Funds Management Corporation of South Australia

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Scheme, reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expense contained in these financial statements are related to the investment activities of Funds SA (a SA Government entity).

(d) Funding arrangements

Under subsection 39(1) of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the period ended 30 June 2010 payments were made from a Special Deposit Account.

For PSS1 and PSS2 members, section 14A of the Act requires every member of Parliament with less than 20 years and one month's service, to make contributions of 11.5 percent of their basic salary (including any additional salary) to the Treasurer. Subsection 14A(2) requires members of Parliament with 20 years and one month's service or over, to make contributions of 5.75 percent of their basic salary and 11.5 percent of any additional salary. PSS3 members can elect to make contributions based on a percentage of the combined value of their salary and any additional salary ranging from 0 percent to 10 percent under section 14B of the Act. A separate contribution account is maintained for each member. Members' contributions are paid to the Treasurer who deposits those contributions into the Parliamentary Superannuation Fund, with \$911 000 (\$968 000) being credited during the year ended 30 June 2010.

Employer contributions are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. For PSS1 and PSS2 members, the employer contribution is 2.75 times the member's contribution. For PSS3 members, the employer contribution is 9 percent of salary where the member has elected to contribute less than 4.5 percent of salary. Where a member has elected to contribute 4.5 percent or more of salary, the employer must contribute at a rate of 10 percent. A separate employer contribution account is maintained for each PSS3 member. These contributions are deposited into the Scheme, with \$3.1 million (\$3.1 million) being credited during the year ended 30 June 2010.

Since 30 June 1994, the Government has undertaken a process of funding its accrued past service liabilities and the scheme assets have broadly matched liabilities since 1997. The small size of the Scheme, the nature of the way member benefits accrue, the effect of elections and variations in investment performance mean that deficits and surpluses will arise from year to year.

2. Summary of significant accounting policies

(a) Basis of accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provision of the PFAA, except as provided below.

The principal standard applied in preparing this financial report is AAS 25. Other accounting standards are also applied where necessary except to the extent that they differ from AAS 25. In addition, a number of AASs have been issued or amended and may be applicable to the Scheme but are not yet effective. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

The financial report has been prepared on an accrual basis where this can reliably be measured. This is in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

The financial report is prepared in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$'000).

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value which are provided by Funds SA.

- (i) *Inflation linked securities*
The inflation linked securities portfolio invests in discretely managed portfolios and pooled funds, both of which are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.
- (ii) *Internal inflation linked securities*
Internally managed inflation linked securities, the returns of which are linked to movements in either the CPI or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer, Macquarie Bank Limited.
- (iii) *Property A*
Property A portfolio comprises two subsectors:
- *Listed property trusts*
These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.
 - *Unlisted property vehicles*
The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.
- (iv) *Australian equities A*
The Australian equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.
- (v) *International equities A*
The international equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.
- (vi) *Fixed interest*
Fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.
- (vii) *Diversified strategies growth A*
The diversified strategies growth A portfolio comprises investments in domestic and overseas private equity funds and domestic and overseas pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both domestic and international private equity valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (September 2009). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.
- (viii) *Diversified strategies income*
The diversified strategies income portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.
- (ix) *Cash*
The cash portfolio is externally managed. The investments are held in a cash management fund. Cash balances are supplied by the relevant financial institution and have been valued on the basis of principal plus accrued interest.
- (x) *Socially responsible investment*
The socially responsible investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

(c) Taxation

The Scheme is a constitutionally protected superannuation fund in terms of section 295-15 of the ITAA, Regulation 995-1.04 (Schedule 4) and is exempt from income tax.

(d) Operation of investment portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2010, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

- High growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital defensive
- Cash
- Socially responsible.

During the financial year all of the above investment options were available to PSS3 members. The assets of the remainder of the Scheme are invested in the growth option.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(e) GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Sundry debtors includes a refund from the ATO for GST paid on administration expenses.

(f) Revenue

Superannuation contributions and other revenue are recognised on an accrual basis where this can be reliably measured.

3. Transfers from Consolidated Account

The Treasurer approved a transfer of \$7 million from the Scheme Special Deposit Account into the Consolidated Account in 2009-10 (\$44.5 million from the Consolidated Account to the Parliamentary Superannuation Scheme).

4. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA and the investment managers. Funds SA advises the amount based on the Scheme's proportionate investment with the relevant investment managers.

5. Administration expenses

	2010	2009
	\$'000	\$'000
Administration expenses	196	173
Consultancy	-	3
Auditor's remuneration	13	11
	<u>209</u>	<u>187</u>

Administration expenses comprises the costs incurred by DTF in administering the Scheme, which are met in the first instance from DTF Operating Account. DTF seeks reimbursement from the Scheme.

Other expenses include Auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme for the reporting period totalled \$14 740 (\$14 300). No other services were provided by the Auditor-General's Department.

6. Net assets available to pay benefits

(a) PSS1 and PSS2 division

	2010	2009
	\$'000	\$'000
Funds held at 1 July	156 866	141 846
Contributions by members	905	962
Contributions by employers	2 571	2 710
Transfer (to) from Consolidated Account	(7 000)	44 500
Investment revenue	20 177	(24 064)
Other revenue	5	8
	<u>16 658</u>	<u>24 116</u>
Benefits paid	(8 191)	(8 303)
Administration expenses	(209)	(187)
Direct investment expenses	(892)	(606)
	<u>(9 292)</u>	<u>(9 096)</u>
Funds held at 30 June	<u>164 232</u>	<u>156 866</u>

(b) PSS3 division	2010 \$'000	2009 \$'000
Funds held at 1 July	2 253	2 187
Contributions by members	6	6
Contributions by employers	490	389
Rollovers from other schemes	-	55
Investment revenue	303	(373)
	799	77
Benefits paid	(221)	-
Direct investment expenses	(15)	(11)
	(236)	(11)
Funds held at 30 June	2 816	2 253
Total net assets	167 048	159 119

7. Liability for accrued benefits

The liability for accrued benefits is the Scheme's present obligation to pay benefits to members and has been calculated on the basis of the present value of expected future payments arising from membership of the Scheme up to the reporting date.

For PSS1 and PSS2 members, the accrued liabilities are the present value of expected future benefit payments arising from membership of the scheme up to 30 June 2010. For PSS3 members, the accrued liability is the balance of the employee and employer contribution accounts as at 30 June 2010.

The expected future benefit payments have been determined using the same pensioner mortality assumptions as the 2007 triennial review of the South Australian Superannuation Scheme. The review's salary promotion scale and economic assumptions have also been used, while general salary increases of 1.5 percent per annum above the Adelaide CPI have been allowed for. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate. A discount rate of 4.5 percent per annum above CPI of 2.5 percent has been applied.

The accrued superannuation liability as determined by State Superannuation Office of DTF is estimated at \$169.2 million (\$158.8 million) as at 30 June 2010.

	2010 \$'000	2009 \$'000
Liability for accrued benefits at 1 July	158 834	150 897
Benefits expense ⁽ⁱ⁾	18 648	16 240
Benefits paid/payable	(8 412)	(8 303)
Liability for accrued benefits at 30 June	169 070	158 834
Represented by:		
PSS1 and PSS2 division	166 254	156 620
PSS3 division	2 816	2 214
Liability for accrued benefits at 30 June	169 070	158 834

(i) This figure represents the change in liability for accrued benefits plus benefits paid/payable for the year.

8. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme, or any factor other than resignation from the Scheme. Vested benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date. The value of vested benefits is greater than the liability for accrued benefits, as vested benefits are based on the involuntary expiration of service, and this would result in an entitlement to benefits occurring immediately. The vested superannuation liability as at 30 June 2010 is estimated at \$187.6 million.

	2010 \$'000	2009 \$'000
Vested benefits - PSS1 and PSS2 division	184 806	181 852
Vested benefits - PSS3 division	2 816	2 214
	187 622	184 066

9. Guaranteed benefits

The entitlements of members are specified by the *Parliamentary Superannuation Act 1974*.

10. Reconciliation of operating result to net cash (used in) provided by operating activities

Operating result	(2 307)	7 149
Benefits expense	18 648	16 240
Benefits paid/payable	(8 412)	(8 303)
Investment revenue	(20 480)	24 437
Direct investment expenses	907	617
Increase in sundry debtors	(1)	(2)
(Decrease) Increase in sundry creditors	(420)	420
Decrease in contributions receivable	-	3
Increase in benefits payable	59	24
Net cash (used in) provided by operating activities	(12 006)	40 585

11. Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with DTF. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2010	2009
	\$'000	\$'000
Cash and cash equivalents	409	223

12. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income), property and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are one-third hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above.

(ii) Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations of different investment products are consistent with the time horizon of each
- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

(iii) Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Operating Statement, all changes in market conditions will directly affect investment revenue.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- Ensuring a diversity of exposures to different financial markets and submarkets.
- Ensuring asset allocations for different investment products are consistent with the time horizon of each.

(iv) Sensitivity analysis

The Funds SA Board has determined that the forecast risk/return profile provide a reasonably possible change in the value of the investments in each investment option in the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investments assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation percent	Changes in investment assets \$'000
2010			
High growth	Nominal standard deviation	14.70	140
Growth	Nominal standard deviation	11.90	19 555
Balanced	Nominal standard deviation	10.70	161
Socially responsible	Nominal standard deviation	12.50	16
Total			<u>19 872</u>
2009			
High growth	Nominal standard deviation	13.80	102
Growth	Nominal standard deviation	11.30	17 792
Balanced	Nominal standard deviation	10.00	132
Socially responsible	Nominal standard deviation	10.00	2
Total			<u>18 028</u>

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme's liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

(c) Liquidity risk (continued)

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemptions requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

	Less than three months \$'000	Total contractual cash flows \$'000	Carrying amount liabilities \$'000
2010			
Benefits payable	266	266	266
Sundry creditors	15	15	15
Vested benefits ⁽ⁱ⁾	187 755	187 755	187 755
Total	188 036	188 036	188 036
2009			
Benefits payable	207	207	207
Sundry creditors	434	434	434
Vested benefits ⁽ⁱ⁾	184 066	184 066	184 066
Total	184 707	184 707	184 707

(i) Vested benefits have been included in the less than three months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at fair value through profit or loss
(Level 1 and Level 3 are not relevant to the Scheme)

	Level 2 \$'000	Total \$'000
2010		
Unlisted managed investment schemes:		
Funds SA	166 911	166 911
	166 911	166 911
2009		
Unlisted managed investment schemes:		
Funds SA	159 529	159 529
	159 529	159 529

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

13. Related parties

(a) Board members

The following are members of the Board who served during the course of the 2009-10 financial year, along with the period served.

Robert Sneath	Chairman	1 July 2009 - 30 June 2010
Lyn Brewer	Member	6 May 2010 - 30 June 2010
Robert Schwarz	Member	1 July 2009 - 30 June 2010
Jack Snelling	Member	1 July 2009 - 6 May 2010

(b) Board members' remuneration

Board members do not receive fees for their board membership.

DEPARTMENT OF PLANNING AND LOCAL GOVERNMENT

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Planning and Local Government (the Department) is an administrative unit established under the PSA.

By proclamation pursuant to section 7 of the former *Public Sector Management Act 1995*, Planning SA was established as a separate administrative unit with effect from 1 July 2008. A subsequent proclamation changed the name of the new administrative unit to the Department of Planning and Local Government.

The employees and functions of Planning SA, including related administered items, were transferred from the Department of Primary Industries and Resources to the new administrative unit with effect from 1 July 2008.

The employees and functions of the Office for State/Local Government Relations, the Office for the Southern Suburbs and the Office for the Northern Suburbs including related administered items were transferred from the Department of Primary Industries and Resources to the new department with effect from 3 November 2008.

Functions

The Department is responsible for ensuring the sustainable development of land and to facilitate the relationship between State and Local Governments.

For more information about the Department's role and objectives refer note 1 of the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Department for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Department in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial statements and internal controls.

During 2009-10, specific areas of audit attention included:

- expenditure
- credit card use and processing
- payroll
- cash
- financial accounting
- payment of grants from the Planning and Development Fund
- revenue, including controlled and administered regulatory fees
- financial management compliance program.

The audit included consideration of control arrangements implemented by the Department and Shared Services SA (SSSA).

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Planning and Local Government as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Department of Planning and Local Government in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to payroll, revenue and expenditure outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Planning and Local Government have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Department. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and the related responses are detailed below.

Policies and procedures

The audit in 2008-09 recognised that the Department relied on the policies and procedures of the Department of Primary Industries and Resources during 2008-09 and recommended that the Department establish its own policies and procedures.

The 2009-10 review identified that the policies and procedures were either in draft format or not developed. It also identified instances where existing policies and procedures were not consistent with current business practices.

The Department responded that the majority of policies and procedures are in draft ready to be endorsed. In addition, the Department has established a Governance and Ethics Committee that is responsible for ensuring appropriate governance arrangements are in place and are regularly reviewed.

Payroll

The 2008-09 audit identified that bona fide certificates and leave returns were not controlled through a central register to confirm they were reviewed by pay point managers. In 2009-10 the Department implemented divisional bona fide and leave return registers. The review in 2009-10 identified:

- the registers were not implemented in all divisions
- the registers that were implemented were not consistent and did not record the dates bona fides and leave returns were returned to the designated administrative officers
- a number of bona fides and leave returns were outstanding and were not followed up by designated administrative officers.

Ineffective monitoring of bona fides and leave returns exposes the Department to the following risks:

- that bona fides certificates are not reviewed in a timely manner and errors identified are not forwarded to SSSA for correction
- that leave returns are not reviewed in a timely manner and hence leave taken by employees is not recorded.

As a result, Audit was unable to obtain assurance that the Department's payroll related transactions are valid, complete and accurately recorded.

In response to the audit findings the Department has reviewed the bona fide and leave returns registers and will provide regular support and guidance to officers responsible for maintaining the completeness and currency of the registers.

The review of the control environment at SSSA identified the following areas for improvement:

- SSSA has not documented policies and procedures relating to the Department's payroll processing.
- There is limited segregation of duties for key payroll functions.

SSSA responded that it will conduct an organisational review of user access to transaction systems with the aim of strengthening system security controls and improving segregation of duties. Further, it will develop procedures when required or as part of implementing change initiatives and service standardisation.

Revenue

The audit identified the following areas where controls related to revenue recording and receipting can be improved:

- There was no evidence of an independent review of fee rates entered into EDALA, the system used by the Department to record regulatory fees and development applications.
- The Department's sample review of the calculation of regulatory fees did not consider all manually calculated fees and was not performed for the complete financial year.
- A key reconciliation was not separately reviewed and system reports were not attached to the reconciliations to substantiate the balances addressed by the reconciliations.

Last year's Report included comment that the Department had not established procedures to ensure regulatory fees paid by councils were complete. Audit review in 2009-10 identified that the Department has not fully addressed this matter.

The Department responded that it is committed to improving internal controls related to revenue, indicating it:

- has developed a template that will evidence the review of fees entered into EDALA in 2010-11
- will review the sample size and methodology to ensure the review of the calculation of regulatory fees is appropriate and effective
- will create system reports for the reconciliation and will ensure the reconciliation is independently reviewed.

The Department also responded outlining the actions proposed to address the audit findings related to revenue collected from councils. It indicated that:

- a number of process improvements were made in 2009-10
- the Department has committed to follow-up outstanding fees due from councils
- the Department has identified that further changes to improve processes can be made and that it is committed to working with councils to achieve the improvements.

Expenditure

The audit of controls over expenditure noted:

- current processes do not ensure purchase orders are recorded in the accounts payable system to provide assurance the general ledger reflects all of the Department's expenditure
- the Department has not provided SSSA with a signature register to enable SSSA to verify the payment delegate's signature and therefore gain assurance that payments are authorised and valid.

The review also found the Department does not consistently evidence the purchase authority for transactions that do not require a purchase order. The exercise of purchase authority is required by TI 8.

The Department responded that it is currently implementing the across government e-procurement system, which will replace the Masterpiece purchase order system. It also advised it will use purchase orders for all purchases, other than those made with credit cards or standing orders, to evidence purchase authority as required by TI 8.

The review of the control environment at SSSA identified:

- SSSA has not documented policies and procedures specific to the Department's expenditure processing
- there is no independent review of all invoices processed in Masterpiece accounts payable
- there is limited assurance that all changes to the vendor masterfile are authorised and valid
- supporting documentation is not attached to the reconciliation of Masterpiece accounts payable and general ledger systems to substantiate the Masterpiece balances.

SSSA responded that:

- it will develop procedures when required or as part of implementing change initiatives and service standardisation
- the implementation of the e-procurement solution will include a review of all transactions processed in Masterpiece accounts payable
- function based teams will be implemented to segregate updating and reviewing the vendor masterfile
- system generated reports are now attached to the Masterpiece accounts payable and general ledger reconciliation.

Implementation of the revised TIs 2 and 28

The audit in 2008-09 identified that the Department's compliance policy was not finalised and formally endorsed. A follow-up review identified that the compliance policy was still not finalised and formally endorsed.

The Department responded that the risk management policy was recently endorsed and the risk management framework is currently in draft. It also advised that on completion and approval of the risk management framework, other governance policies, such as the compliance policy will be reviewed and finalised.

Merchant facilities - eCommerce data security compliance

DTF is the holder of the whole-of-government contract for merchant facilities with the Australia and New Zealand Banking Group (ANZ). ANZ is the appointed preferred supplier and the Department uses merchant facilities under this contract. To maintain merchant services the Department must comply with the global payment card industry (PCI) compliance requirements to protect cardholder data.

In July 2009 the ANZ wrote to DTF outlining specific PCI security and evidence requirements that DTF and agencies had to fulfil to maintain their merchant status. In February-March 2010 Audit conducted a high level PCI compliance assessment involving DTF and selected agencies, which included the Department.

The review concluded that the Department needed to include a compliance statement in contractual arrangements between the Department and any third party PCI providers, ensuring that the service provider is complying with PCI standards. Audit also recommended that the Department clarify with DTF and/or ANZ certain aspects of PCI training for staff, including the basic requirements of a formal PCI security awareness program. These matters were satisfactorily responded to by the Department.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

As 2009-10 is the first full year of operation for the Department meaningful comparisons can not be made between 2010 and 2009 results.

Highlights of the financial statements

	2010 \$'million	2009 \$'million
EXPENSES		
Employee benefit expenses	20	16
Supplies and services	7	8
Other expenses	1	1
Total expenses	28	25
INCOME		
Revenue from fees and charges	7	7
Other revenues	1	1
Total income	8	8
Net cost of providing services	20	17
REVENUES FROM SA GOVERNMENT	19	18
Net result and total comprehensive result	(1)	1
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(1)	2
ASSETS		
Current assets	5	6
Non-current assets	1	1
Total assets	6	7
LIABILITIES		
Current liabilities	4	3
Non-current liabilities	3	3
Total liabilities	7	6
TOTAL EQUITY	(1)	1

Statement of Comprehensive Income

The Department's main expenditure relates to employee benefits expenses. Fees and charges revenue relates mainly to fees collected pursuant to the *Development Act 1993*.

Statement of Financial Position

The majority of the Department's assets are cash. The majority of the Department's liabilities are employee benefits.

Statement of Cash Flows

The following table summarises the net cash flows for 2009-10.

	2010 \$'million	2009 \$'million
Net cash flows		
Operating	(1)	2
Investing	-	(1)
Financing	-	4
Change in cash	(1)	5
Cash at 30 June	4	5

Highlights of the financial statements - administered items

	2010	2009
	\$'million	\$'million
EXPENSES		
Grants and subsidies	172	160
Supplies and services	3	2
Other expenses	3	3
Total expenses	178	165
INCOME		
Revenues from fees and charges	21	19
Advances and grants	154	148
Other income	1	2
Total income	176	169
Net (cost of) revenue from providing services	(2)	4
REVENUES FROM SA GOVERNMENT	2	1
Net result and total comprehensive result	-	5
NET CASH PROVIDED BY OPERATING ACTIVITIES	1	5
ASSETS		
Current assets	19	19
Non-current assets	10	9
Total assets	29	28
LIABILITIES		
Total liabilities	2	1
TOTAL EQUITY	27	27

Statement of Administered Comprehensive Income

Administered revenue from advances and grants relates mainly to Commonwealth funding to the South Australian Local Government Grants Commission. Administered grants and subsidies expenditure relates mainly to payments by the Local Government Grants Commission to local government bodies.

Administered fees and charges relate mainly to regulatory fees collected by the Planning and Development Fund pursuant to the *Development Act 1993*.

Statement of Administered Financial Position

The majority of administered assets are cash and property, plant and equipment.

**Statement of Comprehensive Income
for the year ended 30 June 2010**

	Note	2010	2009
EXPENSES:		\$'000	\$'000
Employee benefit expenses	6	19 589	16 380
Supplies and services	7	7 333	7 624
Depreciation and amortisation expense	8	167	142
Grants and subsidies	9	479	282
Other expenses	10	273	161
Total expenses		27 841	24 589
INCOME:			
Revenue from fees and charges	12	6 882	6 656
Advances and grants	13	416	375
Sale of goods	14	55	73
Interest revenue	15	21	-
Other income	16	114	64
Total income		7 488	7 168
NET COST OF PROVIDING SERVICES		20 353	17 421
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	17	19 377	18 206
NET RESULT		(976)	785
TOTAL COMPREHENSIVE RESULT		(976)	785

Net result and total comprehensive result are attributable to the SA Government as owner

**Statement of Financial Position
as at 30 June 2010**

		2010	2009
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	18	3 920	4 806
Receivables	19	1 251	1 020
Total current assets		5 171	5 826
NON-CURRENT ASSETS:			
Receivables	19	4	4
Plant and equipment	20	689	653
Intangible assets	21	330	53
Total non-current assets		1 023	710
Total assets		6 194	6 536
CURRENT LIABILITIES:			
Payables	22	1 563	1 395
Employee benefits	23	2 187	1 922
Provisions	24	35	33
Total current liabilities		3 785	3 350
NON-CURRENT LIABILITIES:			
Payables	22	286	282
Employee benefits	23	2 872	2 697
Provisions	24	116	99
Other liabilities		3	-
Total non-current liabilities		3 277	3 078
Total liabilities		7 062	6 428
NET ASSETS		(868)	108
EQUITY:			
Retained earnings	25	(3 851)	(2 875)
Contributed capital	25	2 983	2 983
TOTAL EQUITY		(868)	108
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	27		
Contingent assets and liabilities	28		

Statement of Changes in Equity for the year ended 30 June 2010

	Note	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2008		-	-	-
Net Result for 2008-09		-	785	785
Total comprehensive result for 2008-09		-	785	785
Transactions with SA Government as owner:				
Equity contribution received		1 500	-	1 500
Contributed equity received as a result of an administrative restructure	26	1 483	-	1 483
Net liabilities transferred as a result of an administrative restructure	26	-	(3 308)	(3 308)
Balance at 30 June 2009		2 983	(2 523)	460
Change in accounting policy		-	(352)	(352)
Restated balance at 30 June 2009	25	2 983	(2 875)	108
Net Result for 2009-10		-	(976)	(976)
Total comprehensive result for 2009-10		-	(976)	(976)
Balance at 30 June 2010	25	2 983	(3 851)	(868)

All changes in equity are attributable to the SA Government as owner

**Statement of Cash Flows
for the year ended 30 June 2010**

		2010	2009
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employee benefit payments		(19 109)	(15 753)
Payments for supplies and services		(7 607)	(6 914)
Payments of grants and subsidies		(352)	(278)
GST paid to the ATO		(1 905)	(2 293)
Other payments		(89)	(25)
Cash used in operations		(29 062)	(25 263)
CASH INFLOWS:			
Fees and charges		6 834	6 898
Advances and grants		137	226
Sale of goods		84	44
Interest received		21	-
GST recovered from the ATO		2 041	1 384
Other receipts		78	40
Cash generated from operations		9 195	8 592
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		19 377	18 206
Cash generated from SA Government		19 377	18 206
Net cash (used in) provided by operating activities	29	(490)	1 535
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of plant and equipment		(134)	(568)
Purchase of intangibles		(262)	-
Cash used in investing activities		(396)	(568)
Net cash used in investing activities		(396)	(568)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Capital contributions from government		-	1 500
Cash received from restructuring activities		-	2 339
Cash generated from financing activities		-	3 839
Net cash provided by financing activities		-	3 839
NET (DECREASE) INCREASE IN CASH		(886)	4 806
CASH AT 1 JULY		4 806	-
CASH AT 30 JUNE	18	3 920	4 806

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2010

(Activities - refer note 5)	1		2		3	
	2010	2009	2010	2009	2010	2009
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses	17 210	14 761	243	136	188	112
Supplies and services	6 371	6 974	85	42	328	78
Depreciation and amortisation	112	128	-	-	55	12
Grants and subsidies	247	212	-	-	152	-
Other expenses	270	156	-	5	3	-
Total expenses	24 210	22 231	328	183	726	202
INCOME:						
Revenue from fees and charges	6 882	6 656	-	-	-	-
Advances and grants	416	375	-	-	-	-
Sale of goods	55	73	-	-	-	-
Interest revenue	21	-	-	-	-	-
Other income	114	64	-	-	-	-
Total income	7 488	7 168	-	-	-	-
NET COST OF PROVIDING SERVICES	16 722	15 063	328	183	726	202
REVENUES FROM SA GOVERNMENT:						
Revenues from SA Government	19 377	18 206	-	-	-	-
NET RESULT	2 655	3 143	(328)	(183)	(726)	(202)

(Activities - refer note 5)	4		Total	
	2010	2009	2010	2009
EXPENSES:	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses	1 948	1 371	19 589	16 380
Supplies and services	549	530	7 333	7 624
Depreciation and amortisation	-	2	167	142
Grants and subsidies	80	70	479	282
Other expenses	-	-	273	161
Total expenses	2 577	1 973	27 841	24 589
INCOME:				
Revenue from fees and charges	-	-	6 882	6 656
Advances and grants	-	-	416	375
Sale of goods	-	-	55	73
Interest revenue	-	-	21	-
Other income	-	-	114	64
Total income	-	-	7 488	7 168
NET COST OF PROVIDING SERVICES	2 577	1 973	20 353	17 421
REVENUES FROM SA GOVERNMENT:				
Revenues from SA Government	-	-	19 377	18 206
NET RESULT	(2 577)	(1 973)	(976)	785

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Planning and Local Government

The Department of Planning and Local Government (the Department) is the pre-eminent State Government land use agency committed to the sustainable development of South Australia. It also leads the State Government's relationship with local government and recognises the important role councils play in delivering local services and infrastructure.

To meet the challenge to make South Australia an attractive place to live, work and invest, the Department's focus is on strategic leadership and presentation of South Australia's land use and development planning to enhance economic development, housing affordability, liveability, job creation and an effective approach to climate change.

Objectives of the Department are to:

- maintain and administer legislation and practices to ensure South Australia has access to a high quality planning system and high quality system of local government
- develop policy and analysis in relation to sustainability, land use, urban design and buildings to enhance planning and built form in South Australia
- ensure the production of a range of plans and plan amendments required as part of South Australia's Planning Framework
- produce guidance, advice and policies for the construction and amendment of development plans
- assess development plans and development applications (including major development applications) and provide related advice
- develop policy and produce documents detailing high standards of governance and accountability for South Australia's local government sector
- realise policy commitments to improve economic, social and development outcomes for communities through the Office for the Southern Suburbs and Office for the Northern Suburbs
- support a number of statutory authorities for which the Minister for State/Local Government Relations is responsible.

The principal sources of funds for the Department's programs consists of monies appropriated by Parliament and the collection of planning and development fees under the *Development Act 1993*.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provisions of the PFAA.

Except for AASB 2009-12, which the Department has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2010. Refer note 4.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in this financial report:
 - revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
 - expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
 - employee TVSP information
 - employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
 - board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

(b) Basis of preparation (continued)

The Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented.

(c) Reporting entity

The Department is a government department of the State of South Australia, established pursuant to the PSA. The Department is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes include all the controlled activities of the Department. Transactions and balances relating to administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements (schedule of administered items) at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

In the process of reporting on the Department as a single unit, all internal transactions have been eliminated in full.

(d) Transferred functions

In 2009-10 there were no transferred functions.

In 2008-09 some functions were transferred to the Department part way through the year. The transferred functions are outlined below.

Planning SA (1 July 2008)

The Public Sector Management (Planning SA) Proclamation 2008 published on 26 June 2008, proclaimed that effective from 1 July 2008 the former Department of Primary Industries and Resources business unit 'Planning SA' would be established as a separate administrative unit of the public service.

All existing functions were transferred to the newly formed administrative unit of Planning SA on 1 July 2008.

Office for State and Local Government Relations (OSLGR) (3 November 2008)

The Public Sector Management (Department of Planning and Local Government) Proclamation 2008 (dated 16 October 2008) proclaimed that effective from 16 October 2008 the administrative unit title of Planning SA would be altered to the Department of Planning and Local Government.

The Public Sector Management (Department of Planning and Local Government - Transfer of Employees) Proclamation 2008 (dated 30 October 2008) proclaimed that effective from 3 November 2008 the Office for State and Local Government Relations, Office for Southern Suburbs and Office for the Northern Suburbs would transfer to the Department of Planning and Local Government.

The amount of assets, liabilities, income and expenditures relating to all transferred functions are set out in note 26.

(e) Comparative information

Functions transferred during 2008-09 generally had lower revenue and expense values compared to those of 2009-10 which reflects full year operations. Planning SA was transferred to the Department on 1 July 2008 and the Office for State and Local Government Relations was transferred on 3 November 2008.

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs has required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

(f) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

(g) Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

(h) Events after the reporting date

Adjustments are made to amounts recognised in the financial statements where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provides information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

(i) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Department will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The notes accompanying the financial statements disclose income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Transactions with SA Government entities below the threshold of \$100 000 have been included within the non-government transactions, classified according to their nature.

The following are specific recognition criteria:

Fees and charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Advances and grants

Advances and grants are recognised when the Department gains control of the grant which is generally upon receipt.

Revenues from SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon their receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department and the appropriation is recorded as contributed equity.

Net gain on non-current assets

Income from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Gains on disposal are recognised at the date control of the asset is passed to the buyer and are determined after deducting the costs of the asset from proceeds at that time.

(j) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Department will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The notes accompanying the financial statements disclose expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Employee benefit expenses

Employee benefit expense includes all cost related to employment including wages and salaries, non-monetary benefits, and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation plan in respect of current services of current departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Grants and subsidies

For contributions payable, the contribution will be recognised as a liability and expense when the entity has a present obligation to pay the contribution and the expense recognition criteria are met.

All contributions paid by the Department have been contributions with unconditional stipulations attached.

(k) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

(l) Cash

Cash in the Statement of Financial Position includes cash at bank and on hand.

For the purposes of the Statement of Cash Flows, cash is defined above.

Cash is measured at nominal value.

(m) Receivables

Receivables include amounts receivable from the sale of goods and services, prepayments and other accruals.

Receivables arise in the normal course of selling goods and services to other SA Government agencies and to the public. Receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Other debtors arise outside the normal course of selling goods and services to other SA Government agencies and to the public.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Department will not be able to collect the debt. Bad debts are written off when identified.

(n) Inventories

Inventories are measured at the lower of cost or their net realisable value and include maintenance consumables and spares used in the ordinary course of business. It excludes depreciating assets.

Cost is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

(o) Non-current asset acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

Where assets are acquired at no cost, or minimal cost, they are recorded at their fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of \$10 000 are capitalised.

(p) Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

The Department will revalue its land, buildings and leasehold improvements on a five yearly basis. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Statement of Comprehensive Income, in which case the increase is recognised in the Statement of Comprehensive Income.

Any revaluation decrease is recognised in the Statement of Comprehensive Income, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation reserve relating to that asset is transferred to retained earnings.

(i) Land and buildings

Land, buildings and infrastructure were taken to be at fair value when transferred from the Department of Primary Industries and Resources as at 1 July 2008 for Planning SA and 3 November 2008 for the Office of State and Local Government Relations.

(ii) Plant and equipment

In accordance with APF III all plant and equipment below the revaluation threshold are deemed to have been revalued to their fair values immediately following recognition at cost.

(q) Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which an asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets an impairment loss is offset against the asset revaluation reserve for that class of asset.

(r) Depreciation and amortisation of non-current assets

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as property, plant and equipment.

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

<i>Class of assets</i>	<i>Useful life (Years)</i>
Buildings and infrastructure	20-70
Water, sewerage and drainage	20-80
Plant and equipment	3-20
Intangibles	1-4

(s) Work in progress

Work in progress relates to costs associated with the systems development, purchases of plant and equipment and other developments.

(t) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

(t) Intangible assets (continued)

The useful lives of intangible assets are assessed to be either finite or indefinite. The department only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

(u) Payables

Payables include creditors, accrued expenses and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the Department.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Employment on-costs include superannuation contributions, workers compensation and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

The Department makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

(v) Employee benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Wages, salaries, annual leave and sick leave

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is recognised after an employee has completed 5.5 years of service. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

The unconditional portion of the long service leave provision is classified as current as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

Employee benefit on-costs

Employee benefit on-costs (payroll tax and superannuation) are recognised separately under payables.

Provisions

Provisions are recognised when the Department has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Department expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

(w) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Department has entered into operating leases.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis that is representative of the pattern of benefits derived from the leased assets.

(x) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value (refer note 28).

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

3. Financial instruments/Financial risk management

Credit risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department. The Department measures credit risk on a fair value basis and monitors risk on a regular basis.

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure transactions occur with customers with appropriate credit history.

Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they are due to be settled. The continued existence of the Department is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Department's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in note 30 represents the Department's maximum exposure to financial liabilities.

Market risk

The department has significant non-interest bearing assets (cash on hand and receivables) and interest bearing assets (deposits with the Treasurer). The Department's exposure to market risk and cash flow interest risk is minimal.

There is no exposure to foreign currency or other price risks.

Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the Department as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

4. New and revised accounting standards and policies

Except for AASB 2009-12, which the Department has early-adopted, the AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the reporting period ending 30 June 2010. The Department has assessed the impact of the new and amended standards and Interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

Effect of change in the Department's internal policy

During 2009-10 the Department changed its assets policy with its assets threshold changed from \$2000 to \$10 000 applicable only to tangible assets not subject to revaluation. In accordance with AASB 108 the Department has applied the changes retrospectively.

The financial statements and notes include the restatement of opening balances for prior period adjustments.

5. Activities of the Department

The Disaggregated Disclosures schedule provides details of expenses and income applicable to the activities of the Department. Information about the Department's activities is set out below and in the activity schedule.

Activity 1: Urban development and planning

Strategic land use agency administering the South Australian Planning and Development system, leading and presenting South Australia's land use and development planning, assessing applications for land use and development.

Activity 2: Office for the Southern Suburbs

To assist in the realisation of the Government's policy commitments to improve economic development, social and environmental outcomes for the communities identified as being of high need in the southern suburbs.

Activity 3: Office for the Northern Suburbs

To assist in the realisation of the Government's policy commitments to improve economic, social and environmental outcomes for the northern suburbs.

Activity 4: State/Local Government Relations

Provide policy and other advice to the Government on the constructive relationship between the State Government and councils and other associated local government representative groups; whole-of-government policy and legislative frameworks as they affect local government; and the constitution and operations of the local government system, including statutory authorities for which the Minister for State/Local Government Relations is responsible.

6. Employee benefits expenses

	2010 \$'000	2009 \$'000
Salaries and wages	14 010	11 793
TVSPs (refer below)	553	-
Annual leave	1 292	1 227
Long service leave	744	625
Employment on-costs - superannuation	1 588	1 498
Employment on-costs - other	920	790
Workers compensation	25	4
Board and committee fees	262	263
Other employee related expenses	195	180
Total employee benefits expenses	19 589	16 380

TVSPs

Amount paid to these employees:

TVSPs	553	-
Annual leave and long service leave paid during the reporting period	156	-
Total amount paid	709	-
Recovery from DTF	553	-
Net cost to agency	156	-

The number of employees who were paid TVSPs during the financial period were 6 (0).

Remuneration of employees

The number of employees whose total remuneration received or receivable falls within the following bands:

	2010 Number	2009 Number
\$100 000 - \$109 999	12	10
\$110 000 - \$119 999	7	4
\$120 000 - \$129 999	1	1
\$140 000 - \$149 999	2	1
\$150 000 - \$159 999	-	1
\$160 000 - \$169 999	2	3
\$170 000 - \$179 999	2	2
\$180 000 - \$189 999	1	-
\$200 000 - \$209 999	1	-
\$260 000 - \$269 999	-	1
\$270 000 - \$279 999	1	-
\$300 000 - \$309 999	1	-
\$310 000 - \$319 999	1	-
\$370 000 - \$379 999	1	-
\$420 000 - \$429 999	1	-
Total	33	23

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by the above employees for the year was \$5.224 million (\$3.029 million).

7. Supplies and services	2010	2009
Supplies and services provided by entities within SA Government:	\$'000	\$'000
Professional and technical services	449	344
Administrative and operating costs	70	137
Utility and property costs	439	242
Computing and communications costs	535	592
Shared Services SA costs	320	136
Operating lease costs	1 421	1 231
Total supplies and services - SA Government entities	<u>3 234</u>	<u>2 682</u>

Supplies and services provided by entities external to the SA Government:		
Professional and technical services ⁽¹⁾	2 299	3 297
Administrative and operating costs ⁽²⁾	636	555
Computing and communications costs	744	649
Travel	117	305
Staff development and safety	303	132
Other	-	4
Total supplies and services - non-SA Government entities	<u>4 099</u>	<u>4 942</u>
Total supplies and services	<u>7 333</u>	<u>7 624</u>

(1) Includes consultants costs which are further broken down below and audit fees payable to the Auditor-General (refer note 11)

(2) Includes payments to SA Government entities totalling less than \$100 000 and 2009 comparative has been restated.

The number and dollar amount of consultants paid/payable (included in supplies and services expense) that fell within the following bands:	2010		2009	
	Number	\$'000	Number	\$'000
Below \$10 000	3	17	4	15
Between \$10 000 and \$50 000	3	66	12	271
Above \$50 000	4	657	9	1 574
Total paid/payable to consultants	<u>10</u>	<u>740</u>	<u>25</u>	<u>1 860</u>

8. Depreciation expense	2010	2009
Depreciation:	\$'000	\$'000
Plant and equipment ⁽¹⁾	167	142
Total depreciation expense	<u>167</u>	<u>142</u>

(1) 2009 comparative has been restated to reflect the change in asset threshold policy.

9. Grants and subsidies		
Grants and subsidies paid/payable to entities within the SA Government:		
Grants and subsidies	49	-
Total grants and subsidies - SA Government entities	<u>49</u>	<u>-</u>

Grants and subsidies paid/payable to entities external to the SA Government:		
Grants and subsidies	430	282
Total grants and subsidies - non-SA Government entities	<u>430</u>	<u>282</u>
Total grants and subsidies	<u>479</u>	<u>282</u>

Non-SA Government grants and subsidies recipients:		
Universities and colleges	120	42
Payments to local government	105	79
Local Government Association	80	70
Department of Innovation, Industry, Science and Research (Commonwealth)	70	61
Not-for-profit organisations	40	-
Department of Infrastructure and Planning (QLD)	15	30
Total grants and subsidies - non-SA Government entities	<u>430</u>	<u>282</u>

10. Other expenses		
Other income received/receivable from entities external to SA Government:		
Workers compensation revaluation	20	-
Refunds	95	132
Other	158	29
Total other expenses	<u>273</u>	<u>161</u>

11. Auditor's remuneration	2010	2009
	\$'000	\$'000
Audit fees payable to the Auditor-General's Department	43	40
Under-accrued audit fees in 2008-09	20	-
Total auditor's remuneration	<u>63</u>	<u>40</u>
Other services		
No other services were provided by the Auditor-General's Department.		
12. Revenues from fees and charges		
User charges and fees received/receivable from entities within SA Government:		
Management fees	1 069	787
Crown development fees	785	236
Planning and building disbursement fees	38	547
Total revenues from fees and charges - SA Government entities	<u>1 892</u>	<u>1 570</u>
User charges and fees received/receivable from entities external to SA Government:		
Development application and assessment fees	3 149	3 035
Council transfer application, planning and building fees	1 144	1 125
Crown development fees	542	322
Major development applications fees	62	579
Other	93	25
Total revenues from fees and charges - non-SA Government entities	<u>4 990</u>	<u>5 086</u>
Total revenues from fees and charges	<u>6 882</u>	<u>6 656</u>
13. Advances and grants		
Advances and grants received/receivable from entities within SA Government:		
DPC	160	-
Department of Health	123	30
Office for Water Security	37	-
South Australian Water Corporation	38	-
Land Management Corporation	34	30
Department for Transport, Energy and Infrastructure	10	43
South Australian Fire and Emergency Services Commission	-	63
Department for Trade and Economic Development	-	51
Other	14	25
Total advances and grants revenue - SA Government entities	<u>416</u>	<u>242</u>
Advances and grants received/receivable from entities external to SA Government:		
Natural Heritage Trust	-	133
Total advances and grants revenue - non-SA Government entities	<u>-</u>	<u>133</u>
Total advances and grants revenue	<u>416</u>	<u>375</u>
14. Sale of goods		
Sale of information and data	55	73
Total sale of goods	<u>55</u>	<u>73</u>
15. Interest revenues		
Interest revenue	21	-
Total interest revenues	<u>21</u>	<u>-</u>
16. Other income		
Other income received/receivable from entities external to SA Government:		
Reimbursements/Recoveries	100	37
Workers compensation revaluation	-	19
Other	14	8
Total other income	<u>114</u>	<u>64</u>
17. Revenues from SA Government		
Revenues from SA Government:		
Appropriations from consolidated account pursuant to the <i>Appropriation Act</i>	19 377	18 206
Total revenues from SA Government	<u>19 377</u>	<u>18 206</u>

The Department received appropriation in accordance with the *Appropriation Act* for the financial year.

18. Cash	2010	2009
	\$'000	\$'000
Deposits with the Treasurer	3 919	4 806
Cash on hand	1	-
Total cash	<u>3 920</u>	<u>4 806</u>

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's or Under Treasurer's approval.

Interest rate risk

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer are bearing a floating interest rate between 2.85 percent (August 2009) and 4.07 percent (May 2010). The carrying amount of cash approximates fair value.

19. Receivables	2010	2009
	\$'000	\$'000
Current:		
Receivables	328	65
Workers compensation recoveries	1	1
Other accrued revenue	78	11
GST input tax recoverables	773	909
Prepayments	71	34
Total current receivables	<u>1 251</u>	<u>1 020</u>

Expected to be recovered more than 12 months after reporting date:

Workers compensation recoveries	4	4
Total non-current receivables	<u>4</u>	<u>4</u>
Total receivables	<u>1 255</u>	<u>1 024</u>

Receivables from SA Government entities:

Receivables	250	-
Other accrued revenue	22	-
Total receivables from SA Government entities	<u>272</u>	<u>-</u>

Receivables from non-SA Government entities:

Receivables	78	65
Workers compensation recoveries	5	5
Other accrued revenues	56	11
GST receivables	773	909
Prepayments	71	34
Total receivables from non-SA Government entities	<u>983</u>	<u>1 024</u>
Total receivables	<u>1 255</u>	<u>1 024</u>

Interest rate risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

- (a) Maturity analysis of receivables - refer note 30.
- (b) Categorisation of financial instruments and risk exposure information - refer note 30.

20. Property, plant and equipment	2010	2009
	\$'000	\$'000
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	1 408	1 207
Accumulated depreciation - plant and equipment	(719)	(554)
Total plant and equipment	<u>689</u>	<u>653</u>

Reconciliation of plant and equipment

The following table shows the movement of plant and equipment during 2009-10:

Carrying amount as at 1 July	653	-
Acquisition through administrative restructuring transfer	-	681
Change in accounting policy	-	(352)
Restated carrying amount as at 1 July	<u>-</u>	<u>329</u>
Additions	203	466
Depreciation expense	(167)	(142)
Carrying amount as at 30 June	<u>689</u>	<u>653</u>

Carrying amount of plant and equipment

Plant and equipment includes \$126 703 of fully depreciated plant and equipment still in use. No plant and equipment retired from active use.

Impairment

There were no indications of impairment on plant and equipment at 30 June 2010.

Restatement of comparatives

During 2009-10 the Department changed its assets policy with its assets threshold changed from \$2000 to \$10 000 applicable only to tangible assets not subject to revaluation. In accordance with AASB 108, the Department has applied the changes retrospectively. The impact of this policy change is a decrease of \$1.07 million in plant and equipment, a decrease of \$718 190 in accumulated depreciation, and a decrease of \$351 537 in equity.

21. Intangible assets	2010	2009
Software:	\$'000	\$'000
Computer software	1 283	1 283
Accumulated amortisation	(1 283)	(1 283)
Development of computer software	330	53
Total intangible assets	<u>330</u>	<u>53</u>

The Department has no contractual commitments for the acquisition of intangible assets.

Impairment

There were no indications of impairment of intangible assets at 30 June 2010.

22. Payables	2010	2009
Current:	\$'000	\$'000
Creditors	27	25
Accrued expenses	1 179	1 047
Employment on-costs	357	323
Total current payables	<u>1 563</u>	<u>1 395</u>
Expected to be paid more than 12 months after reporting date:		
Employment on-costs	286	282
Total expected to be paid more than 12 months after reporting date	<u>286</u>	<u>282</u>
Total payables	<u>1 849</u>	<u>1 677</u>
Government/non-Government payables:		
Payables to SA Government entities:		
Accrued expenses	305	293
Employment on-costs	350	260
Total payables to SA Government entities	<u>655</u>	<u>553</u>
Payables to non-SA Government entities:		
Creditors	27	25
Accrued expenses	874	754
Employment on-costs	293	345
Total payables to non-SA Government entities	<u>1 194</u>	<u>1 124</u>
Total payables	<u>1 849</u>	<u>1 677</u>

As a result of an actuarial assessment performed by DTF, the proportion of long service leave taken as leave is estimated to be 45 percent. The average factor for the calculation of employer superannuation on-cost is 10.57 percent, as determined by actual employee super rates. These rates are used in the employment on-cost calculation.

Interest rate risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the related employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

- (a) Maturity analysis of payables - refer note 30.
- (b) Categorisation of financial instruments and risk exposure information - refer note 30.

23. Employee benefits	2010	2009
Current:	\$'000	\$'000
Annual leave	1 442	1 211
Long service leave	293	354
Accrued salaries and wages	452	357
Total current employee benefits	<u>2 187</u>	<u>1 922</u>
Non-current:		
Long service leave	2 872	2 697
Total non-current employee benefits	<u>2 872</u>	<u>2 697</u>
Total employee benefits	<u>5 059</u>	<u>4 619</u>

23. Employee benefits (continued)

The total current and non-current employee expense (ie aggregate employee benefit in note 23 plus related on-costs in note 22) for 2010 is \$5.702 million (\$5.224 million).

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2009 benchmark 6.5 years to 5.5 years. The net financial effect of the changes in the current financial year is an increase in the long service leave liability of \$121 864 and employee benefit expense of \$110 843. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

In addition, the actuarial assessment performed by DTF has determined the salary inflation rate as 4 percent for 2009-10 (4 percent).

24. Provisions

	2010	2009
	\$'000	\$'000
Current:		
Provision for workers compensation	35	33
Total current provisions	35	33
Non-current:		
Provision for workers compensation	116	99
Total non-current provisions	116	99
Total provisions	151	132
Carrying amount at 1 July	132	-
Transferred in on restructure	-	151
Additional provisions recognised	19	-
Decrease in the provision	-	(19)
Carrying amount at 30 June	151	132

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

25. Equity

	2010	2009
	\$'000	\$'000
Contributed capital	2 983	2 983
Retained earnings	(3 851)	(2 875)
Total equity	(868)	108

26. Transferred functions

In 2009-10 no functions were transferred to the Department.

In 2008-09 some functions of the Department were transferred in part way through the year which resulted in a lower level of revenue and expenditure in most of the comparatives. The transferred functions are outlined below:

Planning SA - 1 July 2008

The Public Sector Management (Planning SA) Proclamation 2008 which was issued on 25 June 2008, proclaimed the former Department of Primary Industries and Resources (PIRSA) business unit of Planning SA, would be established as a separate administrative unit of the public service. All existing functions were transferred to the new Planning SA administrative unit on 1 July 2008.

Office for State and Local Government Relations (OSLGR) - 3 November 2008

The Public Sector Management (Department of Planning and Local Government - Transfer of Employees) Proclamation 2008 (dated 30 October 2008) proclaimed that effective from 3 November 2008 the Office for State and Local Government Relations, Office for Southern Suburbs and Office for the Northern Suburbs would transfer to the former Planning SA. Planning SA was to be known as the Department of Planning and Local Government (DPLG).

As the transition occurred during the year, it is a requirement of the AASs that the income and expenses attributable to the OSLGR are disclosed:

	PIRSA	DPLG	2009
	Jul to Oct	Nov to Jun	Total
	\$'000	\$'000	\$'000
Revenues from SA Government	-	2 528	2 528
Revenue from fees and charges	8	67	75
Other income	-	21	21
Total income	8	2 616	2 624
Employee benefits expenses	826	1 619	2 445
Supplies and services	221	620	841
Depreciation expense	-	15	15
Grants and subsidies	-	100	100
Net loss from disposal of non-current assets	-	5	5
Total expenses	1 047	2 359	3 406
Net result	(1 039)	257	(782)

26. Transferred functions (continued)

On transfer the Department of Planning and Local Government recognised the following assets and liabilities:

	Planning SA 1 Jul 2008 \$'000	OSLGR 3 Nov 2008 \$'000	2009 Total \$'000
Assets:			
Cash	2 339	-	2 339
Receivables	343	7	350
Plant and equipment	663	18	681
Total assets	3 345	25	3 370
Liabilities:			
Payables	706	66	772
Employee benefits	3 533	591	4 124
Provisions	18	132	150
Other current liabilities	149	-	149
Total liabilities	4 406	789	5 195
Equity:			
Contributed capital	1 483	-	1 483
Total equity	1 483	-	1 483
Total net assets transferred	(2 544)	(764)	(3 308)

27. Unrecognised contractual commitments

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2010 \$'000	2009 \$'000
Within one year	1 291	1 254
Later than one year and not later than five years	3 471	4 073
Later than five years	259	195
Total operating lease commitments	5 021	5 522
Representing:		
Non-cancellable operating leases	5 021	5 522
Total operating lease commitments	5 021	5 522

Operating leases relate to office accommodation, which are non-cancellable leases, with rental payable monthly in advance.

Contingent rental provisions within the lease agreements allow for the review of lease payments every two years. Any changes in lease payments would be based on market rates. Options exist to renew the leases at the end of their terms.

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

	2010 \$'000	2009 \$'000
Within one year	2 085	1 711
Later than one year and not later than five years	4 608	4 178
Total remuneration commitments	6 693	5 889

Amounts disclosed include commitments arising from executive and other service contracts. The Department does not offer fixed-term remuneration contracts greater than five years.

Other commitments

	2010	2009
Within one year	254	91
Later than one year and not later than five years	86	113
Total other commitments	340	204

The Department's other commitments include agreements with Fleet SA for long-term hire of light vehicles and other amounts owing under fixed price contracts outstanding at the end of the reporting period.

28. Contingent assets and contingent liabilities

The Department is not aware of any contingent assets or liabilities as at 30 June 2010.

29. Cash flow reconciliation

	2010 \$'000	2009 \$'000
Reconciliation of cash - cash at 30 June as per:		
Statement of Cash Flows	3 920	4 806
Statement of Financial Position	3 920	4 806

29. Cash flow reconciliation (continued)		2010	2009
Reconciliation of net cash (used in) provided by operating activities		\$'000	\$'000
to net cost of providing services:			
Net cash (used in) provided by operating activities		(490)	1 535
Revenue from SA Government		(19 377)	(18 206)
Non-cash items:			
Depreciation and amortisation		(167)	(142)
Assets derecognised		-	(198)
Non-current assets accrual in payables		84	-
Doubtful debts write-off		-	(4)
Changes in assets and liabilities:			
Increase in receivables		231	677
Increase in payables and provisions		(191)	(728)
Increase in employee benefits		(440)	(504)
(Decrease) Increase in other liabilities		(3)	149
Net cost of providing services		<u>(20 353)</u>	<u>(17 421)</u>

30. Financial instruments/Financial risk management

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

30.1 Categorisation of financial instruments

		2010		2009	
		Carrying amount	Fair value	Carrying amount	Fair value
		\$'000	\$'000	\$'000	\$'000
Financial assets	Note				
Cash	18	3 920	3 920	4 806	4 806
Receivables ⁽¹⁾	19	<u>78</u>	<u>78</u>	<u>65</u>	<u>65</u>
Total financial assets		<u>3 998</u>	<u>3 998</u>	<u>4 871</u>	<u>4 871</u>
Financial liabilities					
Payables ⁽¹⁾	22	<u>27</u>	<u>27</u>	<u>25</u>	<u>25</u>
Total financial liabilities		<u>27</u>	<u>27</u>	<u>25</u>	<u>25</u>

(1) Amount of receivables and payables disclosed here excludes statutory receivables and payables (amounts owing from/to SA Government and GST input tax credit payable and recoverable). They are carried at cost.

Currently the Department does not hold any collateral as security to any of its financial assets. At reporting date, there is no evidence to indicate that any of the financial assets are impaired.

30.2 Ageing analysis of financial assets

		Past due by			
		Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	2010 Total
		\$'000	\$'000	\$'000	\$'000
2010					
Not impaired:					
Receivables ⁽¹⁾		65	11	2	78
Impaired:					
Receivables ⁽¹⁾		-	-	-	-
Other financial assets		-	-	-	-
Total financial assets		<u>65</u>	<u>11</u>	<u>2</u>	<u>78</u>
2009					
Not impaired:					
Receivables ⁽¹⁾		48	2	15	65
Impaired:					
Receivables ⁽¹⁾		-	-	-	-
Other financial assets		-	-	-	-
Total financial assets		<u>48</u>	<u>2</u>	<u>15</u>	<u>65</u>

(1) Amount of receivables here excludes statutory receivables (amounts owing from/to SA Government and GST input tax credit payable and recoverable). They are carried at cost.

30.3 Maturity analysis of financial assets and liabilities

		Contractual maturities			
		Carrying amount	Less than 1 year	1 - 5 years	More than 5 years
		\$'000	\$'000	\$'000	\$'000
2010					
Financial assets:					
Cash		3 920	3 920	-	-
Receivables		<u>78</u>	<u>78</u>	<u>-</u>	<u>-</u>
Total financial assets		<u>3 998</u>	<u>3 998</u>	<u>-</u>	<u>-</u>
Financial liabilities:					
Payables		<u>27</u>	<u>27</u>	<u>-</u>	<u>-</u>
Total financial liabilities		<u>27</u>	<u>27</u>	<u>-</u>	<u>-</u>

30.3 Maturity analysis of financial assets and liabilities (continued)

	Contractual maturities			
	Carrying amount \$'000	Less than 1 year \$'000	1 - 5 years \$'000	More than 5 years \$'000
2009				
Financial assets:				
Cash	4 806	4 806	-	-
Receivables	65	65	-	-
Total financial assets	4 871	4 871	-	-
Financial liabilities:				
Payables	25	25	-	-
Total financial assets	25	25	-	-

Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the Department as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

31. Events after balance date

No events have occurred after balance date that would affect the financial statements of the Department as at 30 June 2010.

32. Remuneration of board and committee members

The number of members whose remuneration received or receivable falls within the following bands:

	2010 Number	2009 Number
\$nil	23	23
\$1 - \$9 999	23	31
\$20 000 - \$29 999	6	4
\$30 000 - \$39 999	-	2
\$40 000 - \$49 999	1	1
Total	53	61

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$284 871 (\$285 616).

The total amount paid to superannuation plans for members was \$22 699 (\$22 883).

* In accordance with DPC Circular 16, government employees, as indicated by an asterisk, do not receive any remuneration for board/committee duties during the financial year.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

Boundary Adjustment Facilitation Panel

Irving A Procter C
Maitland J W Wagstaff M

Building Advisory Committee

Clausen K Grimes L Mazzarolo J A
Corby BP Hopkins KR Poupoulas D P

Building Rules Assessment Committee

Corby B P Mazzarolo J A Sands R (appointed 10
Dodd I M Poupoulas D November 2009)
Douflias B Prelgauskas E Seppelt A K
Hopkins K Robinson DA Vjestica M
Marsland M Wigg CA

Development Policy Advisory Committee

Barone M Hooper SP Quirke D (appointed 1 July 2009,
Fitzpatrick J (appointed 1 July 2009) Moore JP resigned 18 December 2009)
Gagetti RL Ogden P (appointed 1 July 2009) Torr P (appointed 1 July 2009)
Hollidge E (appointed 1 July 2009) Poupoulas D Veitch A C G

Extractive Industries Committee

Loveday GM (retired Negri M J (retired
1 September 2009) 1 September 2009)
Miller C M (retired Somers M J (retired
1 September 2009) 1 September 2009)

Local Heritage Advisory Committee

El Chiekh N
*Faunt A J

Leydon G J
Keenan M

Stroeher B
Wigg C A

Port Waterfront Redevelopment Committee

Brown D L (retired
30 September 2009)

Byrt E (retired
30 September 2009)

Douflias B (retired
30 September 2009)

Development Assessment Commission

Billsborough D
Brown D L
Byrt E
Dagas J
Douflias B
Ellis T J

Fatchen T
Fuller N
Haren J
Harvey N
Jackson N
Kracman B

Leydon M
Loveday G M
Rice R
Walker K
Wigg C
Williamson D

**Statement of Administered Comprehensive Income
for the year ended 30 June 2010**

	Note	2010	2009
			\$'000
EXPENSES:			
Employee benefits expenses	A3	911	708
Supplies and services	A4	2 681	2 046
Depreciation	A5	247	120
Grants and subsidies	A6	172 475	159 799
Net loss from disposal of assets	A7	-	58
Other expenses	A8	1 710	2 147
Total expenses		178 024	164 878
INCOME:			
Revenue from fees and charges	A10	20 500	19 479
Advances and grants	A11	154 121	147 567
Interest revenue	A12	823	961
Resources received free of charge	A13	54	-
Sale of goods		5	-
Other income	A14	140	592
Total income		175 643	168 599
NET (COST OF) REVENUE FROM PROVIDING SERVICES		(2 381)	3 721
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	A15	2 366	1 312
NET RESULT		(15)	5 033
OTHER COMPREHENSIVE INCOME:			
Changes in property, plant and equipment asset revaluation surplus		-	7
TOTAL COMPREHENSIVE RESULT		(15)	5 040

Net result and total comprehensive result are attributable to the SA Government as owner

**Statement of Administered Financial Position
as at 30 June 2010**

	Note	2010 \$'000	2009 \$'000
CURRENT ASSETS:			
Cash	A16	18 006	18 317
Receivables	A17	711	1 120
Inventories	A18	20	20
Total current assets		18 737	19 457
NON-CURRENT ASSETS:			
Property, plant and equipment	A19	9 877	9 114
Total non-current assets		9 877	9 114
Total assets		28 614	28 571
CURRENT LIABILITIES:			
Payables	A20	1 159	1 127
Employee benefits	A21	91	113
Provisions	A22	1	1
Other current liabilities	A23	88	25
Total current liabilities		1 339	1 266
NON-CURRENT LIABILITIES:			
Payables	A20	17	19
Employee benefits	A21	173	187
Provisions	A22	3	2
Total non-current liabilities		193	208
Total liabilities		1 532	1 474
NET ASSETS		27 082	27 097
EQUITY:			
Retained earnings	A24	24 240	24 255
Asset revaluation surplus	A24	2 842	2 842
TOTAL EQUITY		27 082	27 097
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	A26		
Contingent assets and liabilities	A27		

Statement of Administered Changes in Equity for the year ended 30 June 2010

	Note	Assets revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2008		-	-	-
Net result for 2008-09		-	5 033	5 033
Asset recognition		7	-	7
Total comprehensive result for 2008-09		7	5 033	5 040
Transactions with SA Government as owner				
Net assets transferred on administrative restructure	A25	-	19 256	19 256
Asset revaluation surplus transferred on administrative restructure	A25	2 809	-	2 809
Balance at 30 June 2009		2 816	24 289	27 105
Prior period correction		26	(27)	(1)
Changes in accounting policy		-	(7)	(7)
Restated balance at 30 June 2009	A24	2 842	24 255	27 097
Net result for 2009-10		-	(15)	(15)
Total comprehensive result for 2009-10		-	(15)	(15)
Balance at 30 June 2010	A24	2 842	24 240	27 082

All changes in equity are attributable to the SA Government as owner

**Statement of Administered Cash Flows
for the year ended 30 June 2010**

		2010	2009
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employee benefit payments		(941)	(599)
Payments for supplies and services		(2 696)	(1 594)
Payments of grants and subsidies		(172 476)	(160 581)
Other payments		(1 671)	(1 749)
Cash used in operations		(177 784)	(164 523)
CASH INFLOWS:			
User fees and charges		20 500	19 752
Advances and grants		153 685	147 338
Interest received		807	1 003
Sale of goods		5	-
Other receipts		436	285
Cash generated from operations		175 433	168 378
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		2 996	684
Cash generated from SA Government		2 996	684
Net cash provided by operating activities	A28	645	4 539
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of land, buildings and improvements		(625)	(2 053)
Purchase of plant and equipment		(114)	(33)
Purchase of water, sewerage and drainage assets		(217)	-
Cash used in investing activities		(956)	(2 086)
Net cash used in investing activities		(956)	(2 086)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from restructuring activities		-	15 864
Cash generated from financing activities		-	15 864
Net cash provided by financing activities		-	15 864
NET (DECREASE) INCREASE IN CASH		(311)	18 317
CASH AT 1 JULY		18 317	-
CASH AT 30 JUNE	A16	18 006	18 317

**Schedule of Expenses and Income
attributable to Administered Activities
for the year ended 30 June 2010**

(Activities - refer note A2)	1		2		3		4	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
EXPENSES:								
Employee benefits expenses	2	2	-	-	-	-	267	342
Supplies and services	941	979	-	-	-	-	141	129
Depreciation	-	-	-	-	-	-	-	-
Grants and subsidies	19 117	13 312	-	-	1 332	1 038	149 927	144 197
Net loss from disposal of non-current assets	-	-	-	-	-	-	-	-
Other expenses	214	831	1 305	1 310	-	-	-	-
Total expenses	20 274	15 124	1 305	1 310	1 332	1 038	150 335	144 668
INCOME:								
Revenues from fees and charges	19 195	18 169	1 305	1 310	-	-	-	-
Advances and grants	-	1	-	-	-	-	151 178	145 230
Interest revenues	679	850	-	-	-	-	74	77
Resources received free of charge	-	-	-	-	-	-	-	-
Sale of goods	-	-	-	-	-	-	5	-
Other income	-	552	-	-	-	-	20	20
Total income	19 874	19 572	1 305	1 310	-	-	151 277	145 327
NET (COST OF) REVENUE FROM PROVIDING SERVICES	(400)	4 448	-	-	(1 332)	(1 038)	942	659
REVENUE FROM SA GOVERNMENT:								
Revenue from SA Government	-	-	-	-	1 326	1 312	-	-
NET RESULT	(400)	4 448	-	-	(6)	274	942	659

(Activities - refer note A2)	5		6		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
EXPENSES:						
Employee benefits expenses	642	364	-	-	911	708
Supplies and services	1 599	938	-	-	2 681	2 046
Depreciation	247	120	-	-	247	120
Grants and subsidies	780	762	1 319	490	172 475	159 799
Net loss from disposal of non-current assets	-	58	-	-	-	58
Other expenses	191	6	-	-	1 710	2 147
Total expenses	3 459	2 248	1 319	490	178 024	164 878
INCOME:						
Revenues from fees and charges	-	-	-	-	20 500	19 479
Advances and grants	2 461	1 068	482	1 268	154 121	147 567
Interest revenues	43	21	27	13	823	961
Resources received free of charge	54	-	-	-	54	-
Sale of goods and services	-	-	-	-	5	-
Other income	120	20	-	-	140	592
Total income	2 678	1 109	509	1 281	175 643	168 599
NET (COST OF) REVENUE FROM PROVIDING SERVICES	(781)	(1 139)	(810)	791	(2 381)	3 721
REVENUE FROM SA GOVERNMENT:						
Revenue from SA Government	-	-	1 040	-	2 366	1 312
NET RESULT	(781)	(1 139)	(230)	791	(15)	5 033

NOTES TO AND FORMING PART OF THE ADMINISTERED ITEMS FINANCIAL STATEMENTS

A1. Summary of significant accounting policies

Department of Planning and Local Government (the Department) accounting policies are contained in note 2. The policies in note 2 apply to both the Department and Administered Financial Statements.

A2. Administered funds of the Department

The Schedule of Expenses and Income attributable to Administered Activities provides details of expenses and income for each of the administered activities. The Schedule does not include internal transactions between the administered activities.

Activity 1: Planning and Development Fund

The Planning and Development Fund was established under section 79 of the *Development Act 1993*.

The key objective of the fund is to provide the Government with the means to implement open space and public realm programs across South Australia. It enables the government to adopt a State-wide overview to strategically address open and public space issues in an objective manner through the Open Space and Places for People grant programs to local government.

The primary source of funding is from developers who are required, pursuant to section 50 of the *Development Act 1993*, to contribute to the Planning and Development Fund in lieu of the provision of 12.5 percent of the development as open space, in accordance with a prescribed formula and rate, where the number of allotments in a land subdivision are 20 or less. A contribution into the Planning and Development Fund is also required where developers create Community titles.

Activity 2: Planning fees

In accordance with Schedule 6 of the *Development Regulations 1993*, the Department of Planning and Local Government on behalf of the Development Assessment Commission is required to transfer the relevant amount of land division application fees received, on a quarterly basis, to appropriate councils and State Agencies, pursuant to the directions set out in Schedule 7 of the Regulations.

Activity 3: West Beach Trust

The Department of Planning and Local Government reimburses West Beach Trust for payments it makes under the tax equivalent regime. Conversely, the Department of Planning and Local Government receives government appropriation to fund these payments.

Activity 4: South Australian Local Government Grants Commission

The fund was established under the *South Australian Local Government Grants Commission Act 1992*. The primary purposes of the fund are to distribute untied Commonwealth Local Government financial assistance grants to South Australian local government authorities. The commission's operating costs are predominantly funded by State Parliamentary appropriations.

Activity 5: Outback Areas Community Development Trust

The fund was established under *Outback Areas Community Development Trust Act 1978*. The Trust is recognised as a local government authority by the South Australian Local Government Grants Commission and, as such, receives an annual grant allocation from the commission.

Activity 6: Local Government Taxation Equivalents Fund

The Fund was established under the *Local Government Finance Authority Act 1983*, and requires the Local Government Finance Authority of South Australia to make taxation equivalents payments into the fund. Monies from the Fund are applied for local government development purposes.

A3. Employee benefits expenses

	2010 \$'000	2009 \$'000
Salaries and wages	643	447
Annual leave	48	53
Long service leave	34	70
Employment on-costs - superannuation	63	53
Employment on-costs - other	43	35
Board fees	80	50
Total employee benefits costs	911	708

TVSPs

No employees received TVSPs for the year ended 30 June 2010.

Remuneration of employees and number of executives

The number of employees whose total remuneration received or receivable falls within the 2010-2009 following bands:

	2010 Number	2009 Number
\$100 000 - \$109 999	1	-
\$130 000 - \$139 999	-	1
Total	1	1

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by the above employees for the year was \$102 895 (\$131 890).

A4. Supplies and services		2010	2009		
Supplies and services provided by entities within SA Government:		\$'000	\$'000		
Professional and technical services ⁽¹⁾		1 646	1 280		
Utility and property costs ⁽²⁾		74	86		
Computing and communication-costs		14	-		
Vehicle and equipment operating costs		3	-		
Operating lease costs		32	59		
Total supplies and services - SA Government entities		<u>1 769</u>	<u>1 425</u>		
Supplies and services provided by entities external to the SA Government:					
Professional and technical services ⁽³⁾		338	156		
Administrative and operating costs ⁽⁴⁾		140	185		
Utilities and property costs		332	211		
Computing and communications costs		22	17		
Travel and accommodation		42	27		
Vehicle and equipment operating costs		27	15		
Staff development and safety		11	10		
Total supplies and services - non-SA Government entities		<u>912</u>	<u>621</u>		
Total supplies and services		<u>2 681</u>	<u>2 046</u>		
<p>(1) Includes audit fees paid/payable to the Auditor-General (refer note A9). (2) 2009 comparative has been restated. (3) Includes consultancies costs which are further broken down below. (4) Includes payments to SA Government entities totalling less than \$100 000.</p>					
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:		2010	2009		
		Number	\$'000	Number	\$'000
Below \$10 000		-	-	1	2
Total paid/payable to the consultants engaged		<u>-</u>	<u>-</u>	<u>1</u>	<u>2</u>
A5. Depreciation expense		2010	2009		
Depreciation:		\$'000	\$'000		
Plant and equipment		90	25		
Buildings and infrastructure		92	72		
Water, sewerage and drainage		65	23		
Total depreciation expense		<u>247</u>	<u>120</u>		
A6. Grants and subsidies					
Grants and subsidies paid to entities within SA Government:					
Planning and Development Fund		1 928	1 530		
West Beach Trust		1 332	1 038		
Outback Areas Commission Development Trust		1	-		
Total grants and subsidies - SA Government entities		<u>3 261</u>	<u>2 568</u>		
Grants and subsidies paid to entities external to the SA Government:					
Planning and Development Fund		17 189	11 782		
Office of Local Government administered items		1 319	490		
Outback Areas Commission Development Trust		779	762		
South Australian Local Government Grants Commission		149 927	144 197		
Total grants and subsidies - non-SA Government entities		<u>169 214</u>	<u>157 231</u>		
Total grants and subsidies		<u>172 475</u>	<u>159 799</u>		
A7. Net loss from the disposal of assets					
Plant and equipment					
Proceeds from disposal		-	-		
Net book value of assets disposed		-	(58)		
Total net loss from disposal of plant and equipment		<u>-</u>	<u>(58)</u>		
A8. Other expenses					
Other expenses paid/payable to entities within SA Government:					
Contribution to Department for Environment and Heritage for compulsory land acquisition		-	832		
Refunds		84	-		
Other		5	2		
Total other expenses - SA Government entities		<u>89</u>	<u>834</u>		
Other expenses paid/payable entities external to SA Government:					
Planning fees		1 305	1 310		
Refunds		247	-		
Other		69	35		
Total other expenses - non-SA Government entities		<u>1 621</u>	<u>1 313</u>		
Total other expenses		<u>1 710</u>	<u>2 147</u>		

A9. Auditor's remuneration	2010	2009
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	45	50
Total auditor's remuneration	<u>45</u>	<u>50</u>
Other services		
No other services were provided by the Auditor-General's Department.		
A10. Revenue from fees and charges		
User charges and fees received/receivable from entities external to SA Government:		
Land division contribution revenue	9 658	9 452
Community title contribution revenue	9 537	8 717
Development application and assessment fees	1 305	1 310
Total revenue from fees and charges	<u>20 500</u>	<u>19 479</u>
A11. Advances and grants		
Advances and grants received/receivable from entities within SA Government		
Grants	1 022	586
Total advances and grants - SA Government	<u>1 022</u>	<u>586</u>
Advances and grants received/receivable from entities external to the SA Government		
Commonwealth grants	152 617	145 711
Industry grants	482	1 270
Total advances and grants - non-SA Government entities	<u>153 099</u>	<u>146 981</u>
Total advances and grants	<u>154 121</u>	<u>147 567</u>
A12. Interest revenue		
Interest from entities within the SA Government	823	961
Total interest revenue	<u>823</u>	<u>961</u>
A13. Resources received free of charge		
Assets received free of charge	54	-
Total goods received free of charge	<u>54</u>	<u>-</u>
Resources received free of charge relate to a vehicle which was acquired through a trade in during the year. No cash payment was made for this vehicle.		
A14. Other income		
Other income received/receivable from entities within SA Government:		
Reimbursements/recoveries	20	-
Sale of land	-	550
Total other income - SA Government entities	<u>20</u>	<u>550</u>
Other income received/receivable from entities external to SA Government:		
Reimbursements/Recoveries	57	30
Other	63	12
Total other income - non-SA Government entities	<u>120</u>	<u>42</u>
Total other income	<u>140</u>	<u>592</u>
A15. Revenues from SA Government		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i> ⁽¹⁾	2 366	1 312
Total revenues from SA Government	<u>2 366</u>	<u>1 312</u>
(1) The Department receives appropriation for its administered funds in accordance with the <i>Appropriation Act</i> for the financial year. Appropriation for the 'Administered Items for the Department of Planning and Local Government' is received into a Special Deposit Account. The appropriation received is subsequently paid to each fund controlled by those administrative units as detailed in note A2.		
A16. Cash	2010	2009
	\$'000	\$'000
Deposits with the Treasurer	18 006	18 317
Total cash	<u>18 006</u>	<u>18 317</u>

Interest rate risk

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer are bearing a floating interest rate between 2.85 percent (August 2009) and 4.07 percent (May 2010). The carrying amount of cash approximates fair value.

A17. Receivables	2010	2009
Current:	\$'000	\$'000
Receivables	644	762
Accrued interest on deposits	67	51
Other accrued revenue	-	307
Total current receivables	<u>711</u>	<u>1 120</u>
Total receivables	<u>711</u>	<u>1 120</u>
Receivables from SA Government entities:		
Receivables	-	1 064
Accrued interest revenues	67	51
Total receivables from SA Government entities	<u>67</u>	<u>1 115</u>
Receivables from non-SA Government entities:		
Receivables	644	5
Total receivables from non-SA Government entities	<u>644</u>	<u>5</u>
Total receivables	<u>711</u>	<u>1 120</u>

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

A18. Inventories	2010	2009
	\$'000	\$'000
Materials at cost	20	20
Total inventories	<u>20</u>	<u>20</u>
A19. Property, plant and equipment		
Land, buildings and infrastructure:		
Land at fair value	5 493	5 493
Buildings and infrastructure at fair value	3 966	3 340
Accumulated depreciation	(1 310)	(1 217)
Total land, buildings and infrastructure	<u>8 149</u>	<u>7 616</u>
Water, sewerage and drainage:		
Water, sewerage and drainage assets at fair value	2 246	2 029
Accumulated depreciation	(806)	(741)
Total water, sewerage and drainage	<u>1 440</u>	<u>1 288</u>
Plant and equipment:		
Plant and equipment at fair value ⁽¹⁾	403	341
Accumulated depreciation - plant and equipment ⁽¹⁾	(148)	(131)
Work in progress	33	-
Total plant and equipment	<u>288</u>	<u>210</u>
Total property, plant and equipment	<u>9 877</u>	<u>9 114</u>

(1) 2009 comparatives have been restated to include prior period adjustment.

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2009-10:

	Land \$'000	Buildings and infra- structure \$'000	Water, sewerage and drainage \$'000	Plant and equipment \$'000	WIP \$'000	Total \$'000
Carrying amount 1 July 2009	5 493	2 123	1 288	196	-	9 100
Change in accounting policy	-	-	-	(7)	-	(7)
Prior period adjustment	-	-	-	21	-	21
Restated carrying amount 1 July 2009	<u>5 493</u>	<u>2 123</u>	<u>1 288</u>	<u>210</u>	<u>-</u>	<u>9 114</u>
Additions	-	625	217	28	86	956
Assets received free of charge	-	-	-	54	-	54
Transfers from WIP	-	-	-	53	(53)	-
Depreciation expense	-	(92)	(65)	(90)	-	(247)
Carrying amount at 30 June	<u>5 493</u>	<u>2 656</u>	<u>1 440</u>	<u>255</u>	<u>33</u>	<u>9 877</u>

Valuation of land, buildings and infrastructure, and water, sewerage and drainage assets

A valuation of land, building and infrastructure, and water, sewerage and drainage was last performed by independent valuers from Liquid Pacific Pty Ltd and Maloney Field Services as at 30 June 2008. The valuer arrived at fair value based on recent market transactions for similar land, buildings and infrastructure in the area taking into account zoning and restricted use.

Impairment

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2010.

Restatement of comparative

During 2009-10 the Department changed its assets policy with its assets threshold changed from \$2000 to \$10 000 applicable only to assets not subject to revaluation. In accordance with AASB 108, the Department has applied the changes retrospectively. The impact of this policy change is a decrease of \$35 604 in plant and equipment, a decrease of \$28 287 in accumulated depreciation and a decrease of \$7316 in equity.

A20. Payables	2010	2009
Current:	\$'000	\$'000
Accrued expenses	1 140	1 107
Employment on-costs	19	20
Total current payables	<u>1 159</u>	<u>1 127</u>
Expected to be settled more than 12 months after reporting period:		
Employment on-costs	17	19
Total non-current payables	<u>17</u>	<u>19</u>
Total payables	<u>1 176</u>	<u>1 146</u>
Government/non-Government payables:		
Payables to SA Government entities:		
Accrued expenses	684	507
Employment on-costs	19	37
Total payables to SA Government entities	<u>703</u>	<u>544</u>
Payables to non-SA Government entities:		
Accrued expenses	456	602
Employment on-costs	17	-
Total payables to non-SA Government entities	<u>473</u>	<u>602</u>
Total payables	<u>1 176</u>	<u>1 146</u>

As a result of an actuarial assessment performed by DTF, the proportion of long service leave taken as leave is estimated to be 45 percent and the average factor for the calculation of employer superannuation cost on-cost is 10.57 percent, as determined by actual employee super rates. These rates are used in the employment on-cost calculation.

Interest rate risk

Creditors and accruals are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days and employment on-costs are settled when the related employee benefit is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

A21. Employee benefits	2010	2009
Current:	\$'000	\$'000
Annual leave	57	82
Long service leave	8	10
Accrued salaries and wages	26	21
Total current employee benefits	<u>91</u>	<u>113</u>
Non-current:		
Long service leave	173	187
Total non-current employee benefits	<u>173</u>	<u>187</u>
Total employee benefits	<u>264</u>	<u>300</u>

The total current and non-current employee expense (ie aggregate of the employee benefit in note A21 plus related on-costs in note A20) for 2010 is \$300 000 (\$337 000).

Based on an actuarial assessment performed by DTF, the benchmark for the measurement of the long service leave liability has changed from the 2009 benchmark of 6.5 years to 5.5 years. The change has no financial impact on the long service leave liability for the 2009-10 reporting period.

In addition, the actuarial assessment performed by DTF has determined the salary inflation rate as 4 percent for 2009-10 (4 percent).

A22. Provisions	2010	2009
Current:	\$'000	\$'000
Provision for workers compensation	1	1
Total current provisions	<u>1</u>	<u>1</u>
Non-current:		
Provision for workers compensation	3	2
Total non-current provisions	<u>3</u>	<u>2</u>
Total provisions	<u>4</u>	<u>3</u>

A22. Provisions (continued)	2010	2009
Movement in provision:	\$'000	\$'000
Carrying amount at 1 July	3	-
Increase in the provision	1	3
Carrying amount at 30 June	<u>4</u>	<u>3</u>

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

A23. Other liabilities	2010	2009
Current:	\$'000	\$'000
Unearned revenue	88	25
Total other liabilities	<u>88</u>	<u>25</u>

A24. Equity		
Retained earnings	24 240	24 255
Asset revaluation surplus	2 842	2 842
Total equity	<u>27 082</u>	<u>27 097</u>

A25. Transferred functions
There were no transferred functions in 2009-10.

The transferred functions in 2008-09 were as below:

Planning SA - 1 July 2008

The Public Sector Management (Planning SA) Proclamation 2008 which was issued on 26 June 2008, proclaimed the former Department of Primary Industries and Resources (PIRSA) business unit of Planning SA, would be established as a separate administrative unit of the public service. All existing functions were transferred to the new Planning SA administrative unit on 1 July 2008.

As a part of this transfer the following administered items for Planning SA were transferred: Planning and Development Fund, West Beach Trust and planning fees.

Office for State and Local Government Relations (OSLGR) - 3 November 2008

The Public Sector Management (Department of Planning and Local Government - Transfer of Employees) Proclamation 2008 (dated 30 October 2008) proclaimed that effective from 3 November 2008 the Office for State and Local Government Relations, Office for Southern Suburbs and Office for the North Suburbs would transfer to Planning SA.

Planning SA was then known as the Department of Planning and Local Government (DPLG).

The associated administered items that were transferred were: South Australian Local Government Grants Commission, Outback Areas Community Development Trust and the Office of Local Government administered items.

As the transition occurred during 2008-09, it is a requirement of the AASs that the income and expenses attributable to the OSLGR administered items are disclosed:

	PIRSA Jul to Oct 2008 \$'000	DPLG Nov to Jun 2009 \$'000	2009 Total \$'000
Revenues from SA Government	1 013	-	1 013
Advances and grants	37 216	147 566	184 782
Interest revenue	80	111	191
Other income	85	39	124
Total income	<u>38 394</u>	<u>147 716</u>	<u>186 110</u>
Employee benefits expenses	300	706	1 006
Supplies and services	269	637	906
Depreciation expense	44	125	169
Grants and subsidies	37 630	145 874	183 504
Loss on disposal of non-current assets	-	58	58
Other expenses	-	6	6
Total expenses	<u>38 243</u>	<u>147 406</u>	<u>185 649</u>
Net result	<u>151</u>	<u>310</u>	<u>461</u>

On transfer the Department of Planning and Local Government recognised the following assets and liabilities:

	Planning SA 1 Jul 2008 \$'000	OSLGR 3 Nov 2008 \$'000	2009 Total \$'000
Assets:			
Cash	13 096	2 767	15 863
Receivables	93	179	272
Inventories	-	20	20
Property, plant and equipment	3 478	3 716	7 194
Total assets	<u>16 667</u>	<u>6 682</u>	<u>23 349</u>

Transferred functions (continued)	Planning SA 1 Jul 2008	OSLGR 3 Nov 2008	2009 Total
	\$'000	\$'000	\$'000
Liabilities:			
Payables	1 027	50	1 077
Employee benefits	-	207	207
Total liabilities	<u>1 027</u>	<u>257</u>	<u>1 284</u>
Equity:			
Asset revaluation surplus	1 405	1 404	2 809
Total equity	<u>1 405</u>	<u>1 404</u>	<u>2 809</u>
Total net assets transferred	<u>14 235</u>	<u>5 021</u>	<u>19 256</u>

A26. Unrecognised commitments

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2010 \$'000	2009 \$'000
Within one year	33	27
Total operating lease commitments	<u>33</u>	<u>27</u>
Representing:		
Non-cancellable operating leases	33	27
Total operating lease commitments	<u>33</u>	<u>27</u>

Operating leases relate to property and accommodation occupied by the Outback Areas Community Development Trust. This lease is non-cancellable, with rental payable monthly in advance. Contingent rental provisions within the lease agreement allow for the review of lease payments every year.

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

	2010 \$'000	2009 \$'000
Within one year	-	141
Later than one year and not later than five years	-	349
Total remuneration commitments	<u>-</u>	<u>490</u>

Amounts disclosed include commitments arising from executive and other service contracts. The Department does not offer fixed-term remuneration contracts greater than five years.

Other commitments

Commitments for the payment of maintenance and other service contracts at the reporting date but not recognised as payables in the financial statements are payable as follows:

	52	9
Within one year	52	9
Later than one year and not later than five years	-	8
Total other commitments	<u>52</u>	<u>17</u>

Grants commitments

	5 943	3 300
Within one year	5 943	3 300
Later than one year and not later than five years	4 800	5 300
Total grants commitments	<u>10 743</u>	<u>8 600</u>

The Government has entered into several open and public space, and urban regeneration initiatives including:

- One Million Trees
- Cheltenham Open Space
- Amy Gillett - Adelaide Hills Rail Trail Stage 2
- Sate Aquatic Centre
- Adelaide City Council - Hindmarsh Square North East Quadrant

A27. Contingent assets and contingent liabilities

The Department is not aware of any contingent assets or liabilities affecting the administered activities of the Department as at 30 June 2010.

A28. Cash flow reconciliation

	2010 \$'000	2009 \$'000
Reconciliation of cash - cash at 30 June as per:		
Statement of Administered Cash Flows	18 006	18 317
Statement of Administered Financial Position	<u>18 006</u>	<u>18 317</u>

A28. Cash flow reconciliation (continued)	2010	2009
Reconciliation of net cash provided by operating activities to net (cost of) revenue from providing services:	\$'000	\$'000
Net cash provided by operating activities	645	4 539
Revenue from SA Government	(2 366)	(1 312)
Non-cash items:		
Depreciation	(247)	(120)
Loss on disposal of assets	-	(58)
Assets received free of charge	54	-
Other non-cash items	-	(4)
Assets derecognised	-	(5)
Changes in assets and liabilities:		
Decrease in inventories	-	(5)
(Decrease) Increase in receivables	(408)	849
Increase in payables and provisions	(32)	(70)
Decrease (Increase) in employee benefits	36	(93)
Increase in other liabilities	(63)	-
Net (cost of) revenue from providing services	<u>(2 381)</u>	<u>3 721</u>

A29. Events after balance date

One of the Department's administered items has the following changes:

The Government enacted the *Outback Communities (Administration and Management) Act 2009* to establish the Outback Communities Authority (which replaced the Outback Areas Community Development Trust). This Act facilitates the administration and management of outback communities; to repeal the *Outback Areas Community Development Trust Act 1978*; and for other purposes. This Act will come into effect on 1 July 2010. The functions of the Outback Communities Authority are defined in section 6 of the Outback Communities to be:

- to manage the provision of public services and facilities to outback communities
- to promote improvements in the provision of public services and facilities to outback communities
- to articulate the views, interests and aspirations of outback communities.

The Outback Communities Authority will continue to receive Commonwealth financial assistance grants, a State Government annual appropriation and revenue raised from other sources. In addition, a broad-based revenue raising mechanism across the outback will contribute towards the funding of infrastructure and the provision of services.

No other events have occurred after the reporting period that would affect the consolidated administered funds financial statements as at 30 June 2010.

A30. Remuneration of board and committee members

Members that were entitled to receive remuneration during the year are listed below in the following summary table:

	2010	2009
	Number	Number
\$nil	1	2
\$1 - \$9 999	9	8
\$10 000 - \$19 999	3	4
\$20 000 - \$29 999	1	-
Total	<u>14</u>	<u>14</u>

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$86 857 (\$54 041).

Amounts paid to a superannuation plan for board/committee members were \$6756 (\$4182).

* In accordance with DPC Circular 16, government employees are not entitled to receive any remuneration for board/committee duties. As indicated by an asterisk, this member did not receive any remuneration during 2008-09 and 2009-10.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

SA Local Government Grants Commission

Germein M L Patetsos M Ross J S

Public Space Advisory Committee

Deslandes M T Matijevic N Patetsos M
Evans M J Newbery I B

Outback Areas Community Development Trust

Baluch J (retired 30 June 2010) Katnich P L Mould J (retired 30 June 2010)
Fuller G C (retired 30 June 2010) *Knox S (retired 30 June 2010)
Giles B (retired 30 June 2010) McIntosh W R

POLICE SUPERANNUATION SCHEME

FUNCTIONAL RESPONSIBILITY

Establishment

The Police Superannuation Scheme (the Scheme) and the Police Superannuation Board (the Board) were established under the *Police Superannuation Act 1990* (the PS Act). The Board is responsible to the Treasurer.

Functions

The Board is responsible for administering the Scheme which provides for benefit payments to police officers and cadets who commenced employment before 3 May 1994. The Scheme comprises a Pension (Old Scheme) Division.

Police officers and cadets who commenced employment after 3 May 1994 became members of the Southern State Superannuation Scheme (Triple S Scheme) which is administered by the South Australian Superannuation Board.

The main financial administration arrangements of the Scheme involve:

- the Police Superannuation Fund, established under the PS Act, which records receipts (members' contributions and revenue earned from investment of those monies) and payments (the employee share of benefit payments and administration costs)
- the Police Superannuation Employer Contribution Account (the Police Employer Account), established under the PFAA, which records employer contributions on behalf of the members and payments of the employer share of benefits paid and administration costs.

Under the PS Act, the Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for the investment and management of the Police Superannuation Fund and the Police Employer Account.

For further details of the Scheme's administration and funding arrangements refer to note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial report

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Scheme for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised over the Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2009-10 areas of review included:

- receipting and banking of contributions

- benefit payments
- administration expenses
- liability for accrued benefits.

The audit of the investment and management of the Scheme's assets is reviewed as part of the Funds SA audit.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial report

In my opinion, the financial report presents fairly, in all material respects, the net assets of the Police Superannuation Scheme as at 30 June 2010, and changes in net assets for the year ended 30 June 2010 in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Police Superannuation Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities except for the matters raised in relation to implementation of TI 28 as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Police Superannuation Scheme have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in a management letter to the Presiding Member of the Board. The response to the management letter was generally considered to be satisfactory. The main matter raised with the Board and the related response is detailed below.

Implementation of TIs 2 and 28

The Board has developed and implemented a financial management compliance program (FMCP) for 2009-10 which covers mainly activities of the Board and assigned responsibilities for these activities.

However, the FMCP does not include the following key requirements of TI 28:

- assessment of relevant policies, procedures, systems, internal controls, risk management, and the adequacy of financial and management reporting
- identifying and dealing with financial management compliance failures.

The Board responded that the FMCP will be reviewed to ensure key requirements are addressed during 2010-11.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

In accordance with AAS 25, the Board has elected to present their financial report in the format of a Statement of Net Assets and a Statement of Changes in Net Assets. Consequently, a Statement of Cash Flows has not been prepared and benefit related liabilities are disclosed in the notes to the financial report.

Highlights of the financial report

	2010	2009
	\$'million	\$'million
REVENUE		
Contribution revenue	97	73
Investment revenue	80	(128)
Total revenue	177	(55)

	2010 \$'million	2009 \$'million
EXPENSES		
Benefits paid	57	156
Other expenses	4	4
Total expenses	61	160
Net increase (decrease) in funds	116	(215)
ASSETS		
Investments	733	617
Other assets	2	2
Total assets	735	619
LIABILITIES		
Current liabilities	2	1
Total liabilities	2	1
NET ASSETS AVAILABLE TO PAY BENEFITS	733	618

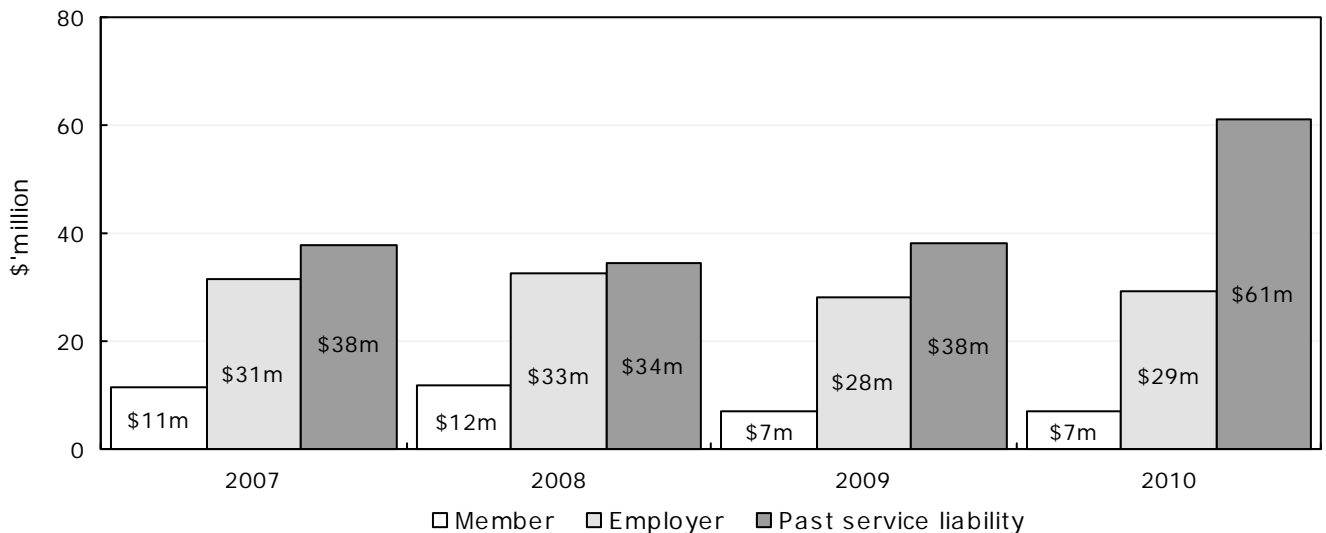
Statement of Changes in Net Assets

Revenues

Investment activity for the year resulted in a positive return of \$80 million (\$128 million negative return). The negative return in 2008-09 was a direct result of the world-wide depressed investment markets. Investment returns are discussed in the audit commentary for Funds SA elsewhere in Part B of this Report.

Contribution revenue increased by \$24 million to \$97 million, due mainly to an increase of \$23 million in government funding towards past service liability and a \$1 million increase in employer contributions.

The following chart shows an analysis of contribution revenue for the four years to 2010.



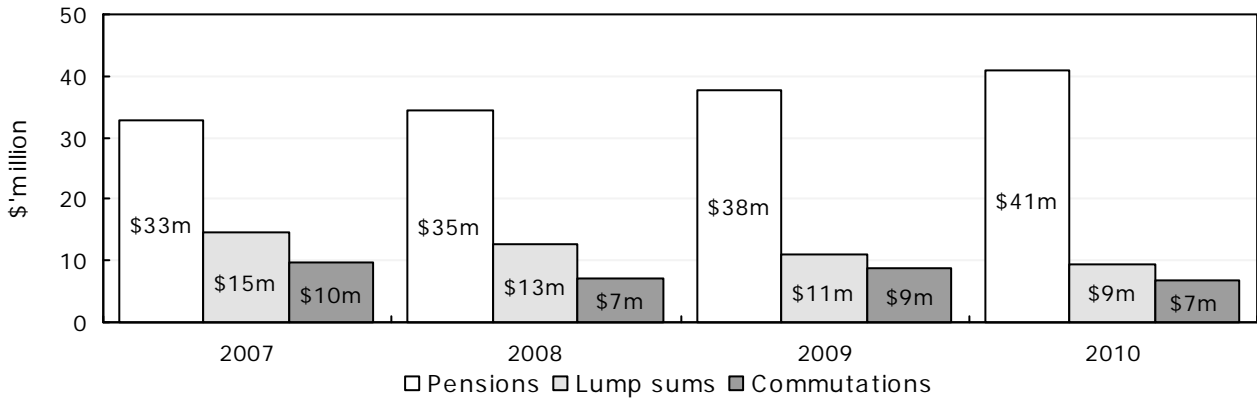
The chart shows that up to 30 June 2008 member and employer contributions steadily increased due mainly to increases in salaries and employer contribution rates. These contributions decreased in 2009 mainly due to the transfer of the new scheme (Lump Sum Scheme) and other accumulation style benefit accounts to the Triple S Scheme.

Past service liability payments represent funding from the Government to meet accrued superannuation liabilities. The Government expects to fully fund liabilities by 30 June 2034.

Expenses

Benefits paid totalled \$57 million (\$156 million). Of this amount, \$41 million (\$38 million) was taken as pensions and \$16 million (\$20 million) as lump sum and commutation payments. Benefits paid decreased in 2009-10 reflecting a \$98 million transfer payment made in 2008-09 to the Triple S Scheme. This was as a result of legislative change that enabled lump sum members of the Scheme to transfer to the Triple S Scheme from 1 July 2008.

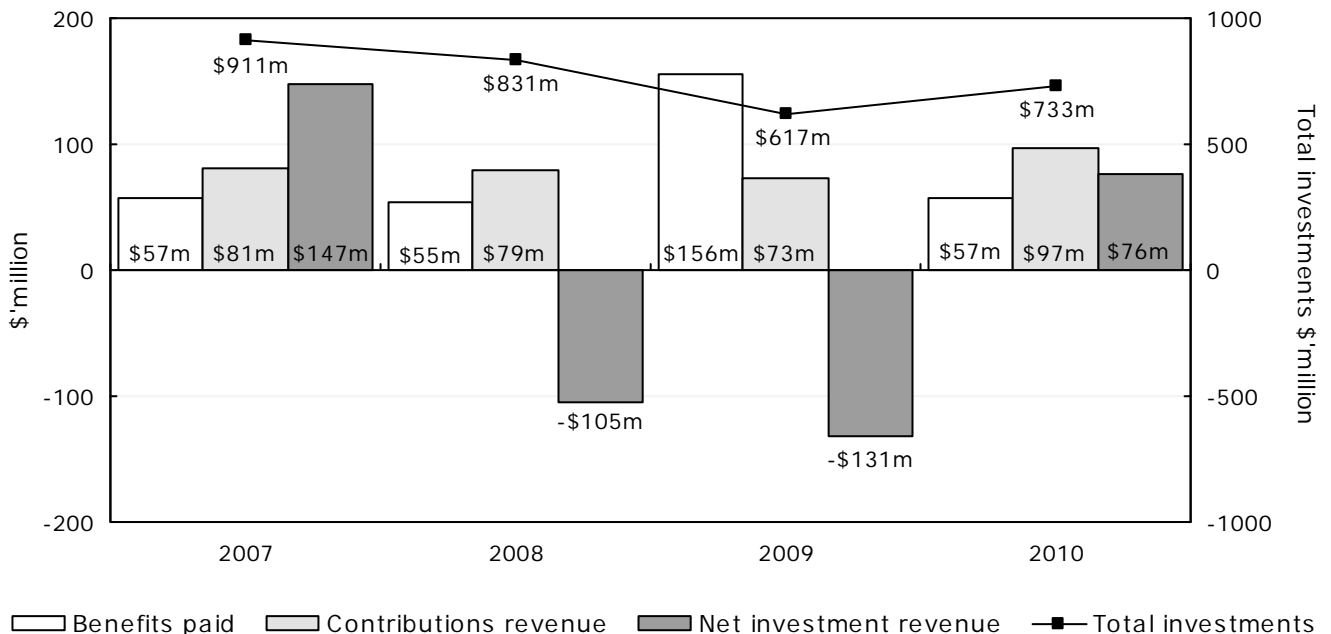
For the four years to 2010, the following chart shows an analysis of benefits paid. The transfer to the Triple S Scheme in 2008-09 has been excluded from the chart.



Since 2007 there has been a steady increase in pensions. This is expected as the pensions paid are affected by increases in the number of pensioners, final salary and inflation adjustments. Refer to note 11 of the financial statements for a breakdown of benefits paid.

Statement of Net Assets

Investments increased by \$116 million to \$733 million. The following chart illustrates that investments decreased in the past two years and have increased in 2010.



The change in investments reflects an accumulation of investment earnings, benefits paid and contribution revenue. The decrease in investments in 2008 and 2009 has been due mainly to:

- negative returns on investments from depressed financial markets
- the transfer of \$98 million to the Triple S Scheme in 2008-09.

Positive market returns in 2009-10 resulted in net investment revenue of \$76 million, a turnaround of \$207 million from the previous year.

Investment returns are discussed in the audit commentary for Funds SA elsewhere in Part B of this Report.

FURTHER COMMENTARY ON OPERATIONS

Liability for accrued benefits

The estimated liability for accrued benefits increased by \$100 million to \$1707 million for which net assets of \$733 million (\$618 million) were available to pay benefits. This has resulted in an excess of liabilities over net assets of \$974 million (\$989 million), which represents the unfunded liability at 30 June 2010.

For the four years to 2010, the following chart shows an analysis of the liability for accrued benefits.



An actuarial review is undertaken every three years with assumptions from this review used to calculate the accrued liability in years between reviews. The 2008 triennial actuarial review resulted in revised demographic assumptions including a reduction in pensioner mortality rates and lower rates of age retirement resulting in a further increase in the liability for accrued benefits. Refer to note 3 of the financial report for further details.

Net assets available to pay benefits

At 30 June 2010 the unfunded liability of the Scheme was \$974 million.

Analysis of the Police Employer Account revealed net assets available to pay benefits of \$421 million compared to an accrued liability of \$1413 million. This represents a shortfall of net assets over accrued liabilities of \$992 million. The Government transferred \$61 million to the Police Employer Account as funding for the accrued past service liability.

Analysis of the Police Superannuation Fund revealed net assets available to pay benefits of \$312 million compared to an accrued liability of \$294 million. This represents an excess of net assets over accrued liabilities of \$18 million.

Pensioners

The number of pensioners and pensions paid for the past four years were:

	2010	2009	2008	2007
Pensioners	1 329	1 277	1 238	1 220
Pensions paid (\$'000)	40 810	37 749	34 485	32 652

Contributions by members

The number of contributors and contributions received from pension Old Scheme Division members for the past three years were:

	2010	2009	2008
Contributors (excludes preserved members)	1 670	1 747	1 832
Contributions received (\$'000)	6 951	7 034	10 499

**Statement of Net Assets
as at 30 June 2010**

	Note	2010 \$'000	2009 \$'000
INVESTMENTS:			
Inflation linked securities		48 071	51 923
Internal inflation linked securities		17 127	17 018
Property A		74 570	43 915
Australian equities A		211 986	179 143
International equities A		183 810	149 788
Fixed interest		19 984	14 921
Diversified strategies growth A		40 487	37 123
Diversified strategies income		101 531	78 702
Cash		35 440	44 077
Total investments	9	733 006	616 610
OTHER ASSETS:			
Cash and cash equivalents		2 041	921
Contributions receivable		-	1 233
Sundry debtors		12	14
Total other assets		2 053	2 168
Total assets		735 059	618 778
CURRENT LIABILITIES:			
Benefits payable		1 417	1 119
Sundry creditors		103	122
Total liabilities		1 520	1 241
NET ASSETS AVAILABLE TO PAY BENEFITS		733 539	617 537

**Statement of Changes in Net Assets
for the year ended 30 June 2010**

	Note	2010 \$'000	2009 \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY		617 537	832 024
REVENUE:			
Investment revenue		79 890	(128 098)
Other income		37	62
Contribution revenue:	10		
Past service liability		61 000	38 300
Employer contributions		29 438	27 976
Member contributions		6 951	7 034
Government co-contributions		158	26
Total contribution revenue		97 547	73 336
Total revenue		177 474	(54 700)
EXPENSES:			
Direct investment expense	6	(3 760)	(3 170)
Administration expense	6	(581)	(541)
Benefits paid:	11		
Pensions		(40 810)	(37 749)
Transfers to Southern State Superannuation Scheme		-	(98 400)
Commutations		(6 820)	(8 701)
Lump sums		(9 343)	(11 200)
Government co-contributions		(158)	(26)
Total benefits paid		(57 131)	(156 076)
Total expenses		(61 472)	(159 787)
NET INCREASE (DECREASE) IN FUNDS		116 002	(214 487)
NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE		733 539	617 537

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

(a) Police Superannuation Scheme

The Police Superannuation Scheme (the Scheme) was created pursuant to the *Police Superannuation Act 1990* (the Act). The Act provides for superannuation benefits for police officers who are contributors to the Scheme.

Contributors to the Scheme are members of the old scheme who are entitled to a pension based benefit. The old scheme was closed to new members in May 1990.

Pursuant to the Act, contributors make contributions to the Scheme based on a percentage of their salary, with the standard contribution rate being between 5 and 6 percent. A contribution account is maintained for each contributor. There are no provisions under the Act for contributing members to purchase additional benefits.

The Act requires that contributions to the Scheme are paid to the Treasurer, who in turn deposits those contributions into the Police Superannuation Fund (the Fund). The Fund is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Fund is made up of one division, being the Old Scheme (Pension) Division. The division consists of the contributions and the accretions arising from the investment of those contributions.

The New Scheme (Lump Sum) Division of the Fund was dissolved on 1 July 2008 as per the *Statutes Amendment (Police Superannuation) Act 2008*. Assets, members and accounts of the division were transferred to the Southern State Superannuation Scheme (Triple S Scheme). As such, all financial statement balances for the New Scheme Division are shown as zero for 2009-10.

(b) Police Superannuation Board

The Police Superannuation Board (the Board), established under the Act, is responsible for the administration of the Scheme. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the relevant Minister, has contracted the South Australia Police (SAPOL) to provide administrative services.

Pursuant to the Act, the Board is required to determine a rate of return which is credited to each contribution account within the Fund at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by investment of the division of the Fund.

(c) Superannuation Funds Management Corporation of South Australia

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Fund and the Police Superannuation Scheme Employer Contribution Account (the Police Employer Account), reference should be made to the financial report of Funds SA. The investment assets, liabilities, income and expenses contained in these financial statements are related to the investment activities of Funds SA, an SA Government entity.

(d) Funding arrangements

Pursuant to section 14 of the Act, all benefit payments are met from the Consolidated Account or a Special Deposit Account established for that purpose which is then reimbursed from the Fund and Police Employer Account. The Fund proportion is that amount charged against the contributor's contribution account. The prescribed proportion is determined by the Board, in accordance with subsection 14(3) of the Act, taking into account the most recent actuarial assessment.

The Treasurer may also seek reimbursement of the employer portion of the benefit payment from the employer contributions made by SAPOL which are deposited into the Police Employer Account. Employer contributions are based on a percentage of salary at rates based on actuarial valuations. From 1 July 2009, the rate for the Pension Division was set at 20.5 percent.

For the year ended 30 June 2010 \$29.4 million (\$28 million) was deposited into the Police Employer Account in relation to employer contributions on behalf of members.

Since 30 June 1994 the Government adopted a policy of fully funding its superannuation liabilities with a target of achieving full funding by 2034. This will require contributions at levels higher than the current employer contributions to meet the accruing liability for current employees. For the year ended 30 June 2010 the Government transferred a further \$61 million to the Police Employer Account to meet liabilities in respect of the Scheme (\$38.3 million in 2008-09).

2. Summary of significant accounting policies

(a) Basis of accounting

The financial report is a general purpose financial report prepared in accordance with relevant AASs and TIs and APSs promulgated under the provisions of the PFAA, except as provided below.

AAS 25 is the principal standard applied in preparing this financial report. Other accounting standards are also applied where necessary except to the extent that they differ from AAS 25. A number of AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 30 June 2010. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

The financial report has been prepared on an accrual basis and in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

The financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$'000).

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value, which are provided by Funds SA.

(i) Inflation linked securities

The inflation linked securities portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.

(ii) Internal inflation linked securities

These investments, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation as at the balance date was performed by an independent valuer, Macquarie Bank Limited.

- (iii) **Property A**
The property A portfolio comprises two subsectors:
- **Listed property trusts**
The listed property trust portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at balance date.
 - **Unlisted property vehicles**
The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.
- (iv) **Australian equities A**
The Australian equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.
- (v) **International equities A**
The international equities A portfolio comprises investments in equities listed on international share markets and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at the balance date where applicable.
- (vi) **Fixed interest**
The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
- (vii) **Diversified strategies growth A**
The diversified strategies growth A portfolio comprises investments in domestic (Australian) and overseas private equity funds and domestic (Australian) and overseas pooled funds, which are invested and managed by external managers. Valuations of private equity funds are based on the most recently available valuations by the relevant managers. Both domestic and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (October 2006). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at the balance date where applicable.
- (viii) **Diversified strategies income**
The diversified strategies income portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at the balance date where applicable.
- (ix) **Cash**
Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.
- (c) **Taxation**
The investments of the Scheme are exempt from federal income tax because the Scheme has been declared as 'constitutionally protected' under the Regulations to the ITAA. Consequently, no income tax expense has been brought to account in this financial report.
- (d) **Revenue**
Superannuation contributions and other revenue are brought to account on an accrual basis.
- (e) **Receivables and payables**
Contributions receivable are contributions relating to the 2009-10 financial year received by the Scheme after 30 June 2010.

Other receivables are carried at nominal amounts due which approximate fair value.

Payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable relate to members who have ceased employment and provided the Scheme with appropriate notification prior to 30 June 2010 but who had not been paid until after 30 June 2010.

(f) GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Net Assets are shown exclusive of GST.

(g) Comparative information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS has required a change.

Where presentation or classification of items in the financial report has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

3. Liability for accrued benefits

The accrued liabilities of the Scheme as determined by DTF are shown below.

The accrued liabilities are the present values of expected future benefit payments arising from membership of the Schemes up to 30 June 2010 based on membership data as at 30 June 2009.

The expected future benefit payments have been determined using the 2008 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. The review's salary promotion scale has also been used, while general salary increases of 1.5 percent per annum above the level of increase in the CPI have been allowed for. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate. A discount rate of 4.5 percent per annum above CPI of 2.5 percent has been applied.

	2010			2009		
	Pension Scheme Division	Lump Sum Scheme Division	Total	Pension Scheme Division	Lump Sum Scheme Division	Total
	\$'million	\$'million	\$'million	\$'million	\$'million	\$'million
Changes in the liability for accrued benefits:						
Liability for accrued benefits at 1 July	1 607.4	-	1 607.4	1 502.6	71.8	1 574.4
Benefits expense	156.6	-	156.6	185.9	3.1	189.0
Benefits paid	(57.1)	-	(57.1)	(81.1)	(74.9)	(156.0)
Liability for accrued benefits at 30 June	1 706.9	-	1 706.9	1 607.4	-	1 607.4
Represented by:						
Police Superannuation Fund	294.1	-	294.1	275.4	-	275.4
Police Employer Account	1 412.8	-	1 412.8	1 332.0	-	1 332.0
Total	1 706.9	-	1 706.9	1 607.4	-	1 607.4

Pursuant to the Act actuarial reviews of the Scheme must be conducted every three years to address the cost of the Scheme to government and the proportion of future benefits that can be met from the Fund.

The last actuarial review as at 30 June 2008 was carried out by Mr S Mules, FIAA of Mercer Human Resource Consulting. In his report, dated 13 March 2009, Mr Mules made the following recommendations the:

- (a) funding proportion for the Pension Scheme Division be decreased from the current level of 22 percent to 17.5 percent
- (b) Government contribution for future service liabilities for the Pension Scheme Division be increased from the current level of 19.5 percent to 20.5 percent.

The above recommendations were implemented from 1 July 2009.

The actuarial reviews take account of assets held, future contributions to be received from members and future benefits to be paid by the Fund. In contrast, the purpose of the accrued liability calculations, which are made annually, is to estimate the value of future payments that can be attributed to service up to the date of the calculation.

4. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme and include benefits which members would be entitled to receive on termination of membership of the Scheme.

When members resign from the Scheme, they have two options. Firstly, they can elect to take cash refunds of their own contributions, accumulated with interest, together with preserved employer benefits as required by Commonwealth Superannuation Guarantee legislation. Alternatively, they can elect to take fully vested, preserved benefits which will be based on their full accrued entitlements at the date of resignation and will be increased during preservation in line with increases in the CPI.

The vested benefits shown below assume that all resignation benefits will be taken in the form of fully preserved benefits. The value of vested benefits has then been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

Vested liabilities 30 June	2010		2009	
	Pension Scheme Division \$'million	Total \$'million	Pension Scheme Division \$'million	Total \$'million
Police Superannuation Fund	293.4	293.4	273.9	273.9
Police Employer Account	1 362.3	1 362.3	1 279.3	1 279.3
Total	1 655.7	1 655.7	1 553.2	1 553.2

5. Guaranteed benefits

Contributors' benefit entitlements are set out in the Act.

6. Administration and direct investment expenses

Administration expenses incurred by the Board are financed in the first instance from the Police Employer Account through a Special Deposit Account. Pursuant to subsection 10(7) of the Act, the Fund is required to meet a prescribed proportion, currently 30 percent, of the administration expenses incurred by the Scheme.

Administration expenses incurred by the Scheme for 2009-10 amounted to \$581 000 (\$541 000) of which the Fund is required to reimburse \$174 000 (\$162 000) to the Scheme through the Police Employer Account. Of the \$581 000, \$8000 (\$51 000) was spent on a consultant and \$310 000 (\$337 000) was paid to SA Government entities.

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment.

7. Remuneration of board members

The following are members of the Board who served during 2009-10, along with the period served.

<i>Board member</i>	<i>Period served during 2009-10</i>
Trevor Haskell*	1 July 2009 to 30 June 2010
Keryl Howie*	1 July 2009 to 30 June 2010
Kingsley Oakley	1 July 2009 to 30 June 2010
Michael Ramm	1 July 2009 to 30 June 2010
Bernadette Zimmermann*	1 July 2009 to 30 June 2010
<i>Deputy member</i>	<i>Period served during 2009-10</i>
John Bruhn*	1 July 2009 to 30 June 2010
Garry Powell*	1 July 2009 to 30 June 2010
James Tappin*	1 July 2009 to 30 June 2010
Michael Standing*	1 July 2009 to 30 June 2010
Mark Trueman*	1 July 2009 to 30 June 2010

Members' remuneration is set according to State Government guidelines for statutory authorities.

* In accordance with DPC Circular 16, members who are government employees do not receive remuneration for their board membership. Board members who are contributors of the Scheme contribute on the same terms as other contributors.

Total remuneration received or due and receivable by the members of the board in 2009-10 was \$9000 (\$9000). Total remuneration included superannuation of \$700 (\$600).

The number of board members whose remuneration was within the following bands is as follows:	2010 Number	2009 Number
\$1 - \$10 000	2	3

8. Remuneration of auditors

Amounts paid or payable to the Auditor-General's Department for auditing the accounts of the Board in 2009-10 total \$19 000 (\$20 000).

9. Summary of investment holdings

Investments:	Police Employer Account		2010	2009
	Old Scheme Division \$'000	Employer Account \$'000	Total \$'000	Total \$'000
Inflation linked securities	20 463	27 608	48 071	51 923
Internal inflation linked securities	7 291	9 836	17 127	17 018
Property A	31 743	42 827	74 570	43 915
Australian equities A	90 239	121 747	211 986	179 143
International equities A	78 245	105 565	183 810	149 788
Fixed interest	8 507	11 477	19 984	14 921
Diversified strategies growth A	17 235	23 252	40 487	37 123
Diversified strategies income	43 221	58 310	101 531	78 702
Cash	15 086	20 354	35 440	44 077
Total investments	312 030	420 976	733 006	616 610

10. Changes in net assets

Transactions within each division are summarised below:

	Old Scheme Division \$'000	New Scheme Division \$'000	Police Employer Account \$'000	2010 Total \$'000	Old Scheme Division \$'000	New Scheme Division \$'000	Police Employer Account \$'000	2009 Total \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY	280 992	-	336 545	617 537	359 187	24 358	448 479	832 024
REVENUE:								
Investment revenue	36 041	-	43 849	79 890	(59 144)	-	(68 954)	(128 098)
Other income	6	-	31	37	189	-	(127)	62
Contribution revenue:								
Past service liability	-	-	61 000	61 000	-	-	38 300	38 300
Employer contributions	-	-	29 438	29 438	-	-	27 976	27 976
Member contributions	6 951	-	-	6 951	7 034	-	-	7 034
Government co-contributions	-	-	158	158	-	-	26	26
Total contribution revenue	6 951	-	90 596	97 547	7 034	-	66 302	73 336
Total revenue	42 998	-	134 476	177 474	(51 921)	-	(2 779)	54 700
EXPENSES:								
Direct investment expense	(1 612)	-	(2 148)	(3 760)	(1 451)	-	(1 719)	(3 170)
Administration expense	(174)	-	(407)	(581)	(162)	-	(379)	(541)
Benefits paid:								
Pensions	(7 142)	-	(33 668)	(40 810)	(8 252)	-	(29 497)	(37 749)
Transfers to Super SA	-	-	-	-	(11 988)	(24 358)	(62 054)	(98 400)
Commutation lump sums	(1 202)	-	(5 618)	(6 820)	(1 914)	-	(6 787)	(8 701)
Lump sums	(1 730)	-	(7 613)	(9 343)	(2 507)	-	(8 693)	(11 200)
Government co-contributions	-	-	(158)	(158)	-	-	(26)	(26)
Total benefits paid	(10 074)	-	(47 057)	(57 131)	(24 661)	(24 358)	(107 057)	(156 076)
Total expenses	(11 860)	-	(49 612)	(61 472)	(26 274)	(24 358)	(109 155)	(159 787)
NET INCREASE (DECREASE) IN FUNDS	31 138	-	84 864	116 002	(78 195)	(24 358)	(111 934)	(214 487)
NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE	312 130	-	421 409	733 539	280 992	-	336 545	617 537

11. Benefits paid

All benefit payments were met in the first instance from a Special Deposit Account. The Treasurer, in turn, recouped the value of the employee share of benefits paid from the Fund and the employer share from the Police Employer Account.

	Old Scheme Division \$'000	2010 New Scheme Division \$'000	Total \$'000	Old Scheme Division \$'000	2009 New Scheme Division \$'000	Total \$'000
Pensions:						
Funded from:						
Police Superannuation Fund	7 142	-	7 142	8 252	-	8 252
Police Employer Account	33 668	-	33 668	29 497	-	29 497
Gross scheme costs	40 810	-	40 810	37 749	-	37 749
Transfer to Southern State Superannuation Fund:						
Funded from:						
Police Superannuation Fund	-	-	-	11 988	24 358	36 346
Police Employer Account	-	-	-	11 478	50 576	62 054
Gross scheme costs	-	-	-	23 466	74 934	98 400
Commutation lump sums:						
Funded from:						
Police Superannuation Fund	1 202	-	1 202	1 914	-	1 914
Police Employer Account	5 618	-	5 618	6 787	-	6 787
Gross scheme costs	6 820	-	6 820	8 701	-	8 701
Lump sums:						
Funded from:						
Police Superannuation Fund	1 730	-	1 730	2 507	-	2 507
Police Employer Account	7 613	-	7 613	8 693	-	8 693
Gross scheme costs	9 343	-	9 343	11 200	-	11 200
Government co-contributions:						
Funded from:						
Police Employer Account	158	-	158	26	-	26
Gross scheme costs	158	-	158	26	-	26
Total benefits paid:						
Funded from:						
Police Superannuation Fund	10 074	-	10 074	24 661	24 358	49 019
Police Employer Account	47 057	-	47 057	56 481	50 576	107 057
Gross scheme costs	57 131	-	57 131	81 142	74 934	156 076

12. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework. The investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Police Superannuation Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies growth, diversified strategies income, property and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the International equities asset sector are one-third hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above.

(ii) Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations of different investment products are consistent with the time horizon of each
- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

(iii) Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect investment revenue.

(iii) *Other market price risk (continued)*

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- ensuring a diversity of exposures to different financial markets and submarkets
- ensuring asset allocations for different investment products are consistent with the time horizon of each.

(iv) *Sensitivity analysis*

The Funds SA Board has determined that the forecast risk/return profile provide a reasonably possible change in the value of the investments in each investment option in the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation	Change in investment assets
		Percent	\$'000
2010			
Growth	Nominal standard deviation	11.90	87 228
Total			<u>87 228</u>
2009			
Growth	Nominal standard deviation	11.30	69 677
Total			<u>69 677</u>

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) **Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Net Assets represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired.

(c) **Liquidity risk**

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme's liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

Funds SA manages liquidity risk as follows:

- by giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions
- a large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

(c) Liquidity risk (continued)

	Less than three months \$'000	Total contractual cash flows \$'000	Carrying amount liabilities \$'000
2010			
Benefits payable	1 417	1 417	1 417
Sundry creditors	103	103	103
Vested benefits ⁽ⁱ⁾	1 656 000	1 656 000	1 656 000
Total	<u>1 657 520</u>	<u>1 657 520</u>	<u>1 657 520</u>
2009			
Benefits payable	1 119	1 119	1 119
Sundry creditors	122	122	122
Vested benefits ⁽ⁱ⁾	1 553 000	1 553 000	1 553 000
Total	<u>1 554 241</u>	<u>1 554 241</u>	<u>1 554 241</u>

(i) Vested benefits have been included in the less than three months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Fair value estimation

The carrying amounts of all the Scheme's financial instruments at the balance date approximated their fair values.

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

DEPARTMENT OF THE PREMIER AND CABINET

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of the Premier and Cabinet (the Department) is an administrative unit established pursuant to the PSA. For details of the Department's objectives, refer note 1 of the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Department for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Department in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed with respect to the financial statements and internal controls.

During 2009-10, specific areas of audit attention included:

- revenue, including invoicing and bank reconciliations
- expenditure, including accounts payable and payroll
- grants and subsidies
- budgetary control and management reporting
- service level agreements
- property, plant and equipment
- general ledger.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of the Premier and Cabinet as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Department of the Premier and Cabinet in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities except for the matters raised in relation to the preparation of the bank reconciliation and the implementation of TIs 2 and 28 as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of the Premier and Cabinet have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of the Department and the Executive Director of Shared Services SA. The principal matters raised included the need:

- for SafeWork SA to review the lack of segregation of duties for receipting and reconciling monies received and to improve its collection process over outstanding debts
- for Shared Services SA to institute an appropriate bank reconciliation process
- to ensure compliance with TIs 2 and 28.

The responses to the management letters were satisfactory.

Implementation of TIs 2 and 28

In 2008-09, Audit reported that although the Department had undertaken work to identify its existing policies and procedures, the documentation of those policies and procedures had not been completed. In addition, a framework had been established for the adoption of the financial management compliance program, but the program had not been actioned. The Department advised that it expected to have substantially completed the documentation of policies and procedures and be in a position to commence compliance testing before the end of the 2009-10 year.

In 2009-10, Audit noted that although resources had been dedicated to complete the documentation of outstanding policies and procedures, this aspect had not been completed and the compliance program had not commenced. The Department's response was that a risk assessment was undertaken and additional resources were engaged to assist with reviewing or preparing policies and procedures for the high risk areas. The response also stated that a draft compliance testing program has been developed and will be implemented in 2010-11. The Department indicated that, although a compliance program was not operational in 2009-10, there were a number of activities in place to achieve the Department's compliance objectives and these included the Audit and Risk Committee and the internal audit function.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2010 \$'million	2009 \$'million
EXPENSES		
Employee benefits	91	83
Supplies and services	64	59
Grants and subsidies	141	142
Other expenses	8	15
Total expenses	304	299
INCOME		
Fees and charges	27	27
Grants	21	16
Other	5	6
Total income	53	49
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT		
Revenues from SA Government	247	289
Payments to SA Government	2	9
Total revenues from SA Government	245	280
Net result and total comprehensive result	(6)	30

	2010 \$'million	2009 \$'million
NET CASH PROVIDED BY OPERATING ACTIVITIES	7	2
ASSETS		
Current assets	43	44
Non-current assets	128	113
Total assets	171	157
LIABILITIES		
Current liabilities	25	22
Non-current liabilities	18	17
Total liabilities	43	39
TOTAL EQUITY	128	118

Statement of Comprehensive Income

The net result for the year was a deficit of \$6.2 million (\$30.3 million surplus). The turnaround in the net result is mainly due to a decrease in net revenues from the SA Government of \$35 million.

Grants and subsidies represent 46 percent (47 percent) of total expenses. The most significant payments are listed in note 8 to the financial statements.

Employee benefits increased by \$7.7 million to \$91.1 million and included \$4.4 million for TVSPs and \$1.3 million for an increase in long service leave expenses.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2010.

	2010 \$'million	2009 \$'million	2008 \$'million	2007 \$'million
Net cash flows				
Operating	7	2	(14)	19
Investing	(15)	(10)	-	(1)
Financing	10	4	10	7
Change in cash	2	(4)	(4)	25
Cash at 30 June	34	32	36	40

The cash position has remained relatively steady since 2007. Investing activities in 2009-10 of \$15.3 million principally related to the costs associated with the development of the Adelaide Film and Screen Centre and the purchase of houses for the safe storage and destruction of explosives seized under legislation.

**Statement of Comprehensive Income
for the year ended 30 June 2010**

	Note	2010	2009
		\$'000	\$'000
EXPENSES:			
Employee benefits	6	91 122	83 399
Supplies and services	7	64 442	58 852
Grants and subsidies	8	141 095	142 291
Depreciation and amortisation	9	6 022	6 792
Borrowing costs		-	79
Net loss from disposal of non-current assets	10	1 093	-
Other expenses	11	548	7 959
Total expenses		304 322	299 372
INCOME:			
Fees and charges	13	27 040	27 438
Commonwealth revenues	14	1 942	1 698
Grants	15	21 299	16 090
Interest	19	26	37
Resources received free of charge	16	12	221
Community Development Fund		900	900
Recoveries from administered items		455	1 159
Net gain from disposal of non-current assets	10	-	6
Other income	17	1 248	1 989
Total income		52 922	49 538
NET COST OF PROVIDING SERVICES		251 400	249 834
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	18	247 421	289 441
Payments to SA Government	18	2 236	9 340
Total revenues from SA Government		245 185	280 101
NET RESULT		(6 215)	30 267
TOTAL COMPREHENSIVE RESULT		(6 215)	30 267

Net result and total comprehensive result are attributable to the SA Government as owner

**Statement of Financial Position
as at 30 June 2010**

	Note	2010 \$'000	2009 \$'000
CURRENT ASSETS:			
Cash and cash equivalents	19	34 280	31 838
Receivables	20	8 388	12 513
Inventories		18	27
Total current assets		42 686	44 378
NON-CURRENT ASSETS:			
Receivables	20	225	300
Property, plant and equipment	21	122 262	108 198
Works of art	21	4 698	4 686
Intangible assets	22	368	154
Total non-current assets		127 553	113 338
Total assets		170 239	157 716
CURRENT LIABILITIES:			
Payables	23	13 594	11 819
Employee benefits	24	10 313	9 604
Provisions	25	873	898
Other liabilities	26	243	70
Total current liabilities		25 023	22 391
NON-CURRENT LIABILITIES:			
Payables	23	1 328	1 289
Employee benefits	24	13 398	12 938
Provisions	25	2 839	2 567
Other liabilities	26	74	71
Total non-current liabilities		17 639	16 865
Total liabilities		42 662	39 256
NET ASSETS		127 577	118 460
EQUITY:			
Contributed capital		25 899	15 435
Asset revaluation surplus		14 544	14 544
Retained earnings		87 134	88 481
TOTAL EQUITY		127 577	118 460

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	27
Contingent assets and liabilities	28

Statement of Changes in Equity for the year ended 30 June 2010

	Note	Contributed capital \$'000	Asset revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2008		10 016	37 317	160 929	208 262
Total comprehensive result for 2008-09		-	-	30 267	30 267
Transactions with SA Government as owner					
Asset revaluation surplus taken to equity		-	(22 773)	22 773	-
Equity contribution from the State Government		5 419	-	-	5 419
Net assets transferred out as a result of an administrative restructure		-	-	(125 488)	(125 488)
Balance at 30 June 2009		15 435	14 544	88 481	118 460
Net Result for 2009-10		-	-	(6 215)	(6 215)
Total comprehensive result for 2009-10		-	-	(6 215)	(6 215)
Transactions with SA Government as owner					
Equity contribution from the State Government		27 845	-	-	27 845
Equity distribution to the State Government		(17 381)	-	-	(17 381)
Assets transferred to the Department	2.13	-	-	4 868	4 868
Balance at 30 June 2010		25 899	14 544	87 134	127 577

All changes in equity are attributable to the SA Government as owner

Statement of Cash Flows for the year ended 30 June 2010

	2010	2009
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:		
Employee benefits	(88 447)	(83 790)
Supplies and services	(60 704)	(57 914)
Grants and subsidies	(142 146)	(141 916)
Borrowing costs	-	(79)
GST paid to the ATO	(18 319)	(17 266)
Other payments	(415)	(42 942)
Cash used in operations	(310 031)	(343 907)
CASH INFLOWS:		
Fees and charges	29 745	23 721
Commonwealth revenues	1 957	1 667
Grants	19 486	17 832
Interest received	24	35
Community Development Fund	900	900
Recoveries from administered items	455	1 159
GST recovered from the ATO	18 319	17 266
Other receipts	1 262	3 003
Cash generated from operations	72 148	65 583
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	247 421	289 441
Payments to SA Government	(2 236)	(9 340)
Cash generated from SA Government	245 185	280 101
Net cash provided by operating activities	7 302	1 777
	29	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(15 291)	(9 953)
Purchase of intangible assets	(34)	(294)
Cash used in investing activities	(15 325)	(10 247)
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	1	6
Cash generated from investing activities	1	6
Net cash used in investing activities	(15 324)	(10 241)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Loss from restructuring activities	-	(1 064)
Capital distribution to the State Government	(17 381)	-
Repayment of borrowings	-	(74)
Cash used in financing activities	(17 381)	(1 138)
CASH INFLOWS:		
Capital contribution from the State Government	27 845	5 419
Cash generated from financing activities	27 845	5 419
Net cash provided by financing activities	10 464	4 281
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD	2 442	(4 183)
CASH AND CASH EQUIVALENTS AT 1 JULY	31 838	36 021
CASH AND CASH EQUIVALENTS AT 30 JUNE	34 280	31 838
	19	

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2010

(Activities - refer note 5)	1		2		3	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:						
Employee benefits	6 469	6 121	2 174	1 501	7 047	5 714
Supplies and services	2 462	1 300	1 085	823	6 623	7 984
Grants and subsidies	-	127	5	-	11 821	15 381
Depreciation and amortisation	272	-	4	-	4	-
Borrowing costs	-	-	-	-	-	-
Net loss from disposal of non-current assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	19
Total expenses	9 203	7 548	3 268	2 324	25 495	29 098
INCOME:						
Fees and charges	1 588	1 605	601	582	406	538
Commonwealth revenues	15	-	-	-	1 107	214
Grants	-	106	-	-	1 586	416
Interest	-	-	-	-	-	-
Resources received free of charge	-	-	-	-	-	-
Community Development Fund	-	-	-	-	-	-
Recoveries from administered items	-	-	-	-	-	-
Net gain from disposal of assets	-	-	-	-	-	-
Other income	1	1	1	2	-	-
Total income	1 604	1 712	602	584	3 099	1 168
NET COST OF PROVIDING SERVICES	7 599	5 836	2 666	1 740	22 396	27 930
REVENUES FROM (PAYMENTS TO)						
SA GOVERNMENT:						
Revenues from SA Government	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Net revenues from (payments to)						
SA Government	-	-	-	-	-	-
NET RESULT	(7 599)	(5 836)	(2 666)	(1 740)	(22 396)	(27 930)

(Activities - refer note 5)	4		5		6	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:						
Employee benefits	423	451	2 734	2 840	2 268	2 080
Supplies and services	575	497	1 282	1 454	2 113	1 498
Grants and subsidies	30 476	29 406	24 686	22 345	58 435	52 078
Depreciation and amortisation	-	-	11	4	4 947	4 861
Borrowing costs	-	-	-	-	-	-
Net loss from disposal of non-current assets	-	-	-	-	1 109	-
Other expenses	-	-	9	-	4	-
Total expenses	31 474	30 354	28 722	26 643	68 876	60 517
INCOME:						
Fees and charges	1	-	661	857	4 313	4 133
Commonwealth revenues	-	-	-	-	540	474
Grants	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Resources received free of charge	-	-	-	-	12	121
Community Development Fund	-	-	-	-	900	900
Recoveries from administered items	-	-	-	-	-	-
Net gain from disposal of assets	-	-	-	-	-	-
Other income	63	-	40	5	176	1 387
Total income	64	-	701	862	5 941	7 015
NET COST OF PROVIDING SERVICES	31 410	30 354	28 021	25 781	62 935	53 502
REVENUES FROM (PAYMENTS TO)						
SA GOVERNMENT:						
Revenues from SA Government	18 078	-	29 776	-	58 489	108 338
Payments to SA Government	-	626	-	1 031	-	2 025
Net revenues from (payments to)						
SA Government	18 078	(626)	29 776	(1 031)	58 489	106 313
NET RESULT	(13 332)	(30 980)	1 755	(26 812)	(4 446)	52 811

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2010 (continued)

(Activities - refer note 5)	7		8		9	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:						
Employee benefits	19 762	19 065	305	238	6 335	5 616
Supplies and services	13 117	14 382	255	78	10 331	6 827
Grants and subsidies	9 263	11 926	80	120	3 551	8 543
Depreciation and amortisation	274	1 575	-	-	84	-
Borrowing costs	-	79	-	-	-	-
Net loss from disposal of non-current assets	(16)	-	-	-	-	-
Other expenses	515	7 922	-	-	1	1
Total expenses	42 915	54 949	640	436	20 302	20 987
INCOME:						
Fees and charges	570	1 434	-	-	2 747	104
Commonwealth revenues	-	151	-	-	280	859
Grants	85	395	340	293	858	254
Interest	1	1	-	-	25	36
Resources received free of charge	-	-	-	-	-	100
Community Development Fund	-	-	-	-	-	-
Recoveries from administered items	-	-	-	-	455	1 159
Net gain from disposal of assets	-	6	-	-	-	-
Other income	964	551	-	-	1	5
Total income	1 620	2 538	340	293	4 366	2 517
NET COST OF PROVIDING SERVICES	41 295	52 411	300	143	15 936	18 470
REVENUES FROM (PAYMENTS TO)						
SA GOVERNMENT:						
Revenues from SA Government	141 078	181 103	-	-	-	-
Payments to SA Government	2 236	5 658	-	-	-	-
Net revenues from (payments to)						
SA Government	138 842	175 445	-	-	-	-
NET RESULT	97 547	123 034	(300)	(143)	(15 936)	(18 470)

(Activities - refer note 5)	10		11		12	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:						
Employee benefits	2 163	2 143	4 364	4 285	30 967	27 837
Supplies and services	487	934	5 708	3 438	15 074	15 656
Grants and subsidies	81	-	3	2	2 691	2 363
Depreciation and amortisation	-	-	265	156	129	141
Borrowing costs	-	-	-	-	-	-
Net loss from disposal of non-current assets	-	-	-	-	-	-
Other expenses	-	-	19	-	-	17
Total expenses	2 731	3 077	10 359	7 881	48 861	46 014
INCOME:						
Fees and charges	35	-	2 200	2 366	13 131	12 212
Commonwealth revenues	-	-	-	-	-	-
Grants	-	-	-	-	10 766	10 080
Interest	-	-	-	-	-	-
Resources received free of charge	-	-	-	-	-	-
Community Development Fund	-	-	-	-	-	-
Recoveries from administered items	-	-	-	-	-	-
Net gain from disposal of assets	-	-	-	-	-	-
Other income	-	-	-	-	2	37
Total income	35	-	2 200	2 366	23 899	22 329
NET COST OF PROVIDING SERVICES	2 696	3 077	8 159	5 515	24 962	23 685
REVENUES FROM (PAYMENTS TO)						
SA GOVERNMENT:						
Revenues from SA Government	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Net revenues from (payments to)						
SA Government	-	-	-	-	-	-
NET RESULT	(2 696)	(3 077)	(8 159)	(5 515)	(24 962)	(23 685)

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2010 (continued)

(Activities - refer note 5)	13		Total	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
EXPENSES:				
Employee benefits	6 111	5 508	91 122	83 399
Supplies and services	5 330	3 981	64 442	58 852
Grants and subsidies	3	-	141 095	142 291
Depreciation and amortisation	32	55	6 022	6 792
Borrowing costs	-	-	-	79
Net loss from disposal of non-current assets	-	-	1 093	-
Other expenses	-	-	548	7 959
Total expenses	11 476	9 544	304 322	299 372
INCOME:				
Fees and charges	787	3 607	27 040	27 438
Commonwealth revenues	-	-	1 942	1 698
Grants	7 664	4 546	21 299	16 090
Interest	-	-	26	37
Resources received free of charge	-	-	12	221
Community Development Fund	-	-	900	900
Recoveries from administered items	-	-	455	1 159
Net gain from disposal of assets	-	-	-	6
Other income	-	1	1 248	1 989
Total income	8 451	8 154	52 922	49 538
NET COST OF PROVIDING SERVICES	3 025	1 390	251 400	249 834
REVENUES FROM (PAYMENTS TO)				
SA GOVERNMENT:				
Revenues from SA Government	-	-	247 421	289 441
Payments to SA Government	-	-	2 236	9 340
Net revenues from (payments to)				
SA Government	-	-	245 185	280 101
NET RESULT	(3 025)	(1 390)	(6 215)	30 267

Disaggregated Disclosures - Asset and Liabilities as at 30 June 2010

	(Activities - refer note 5)					
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
ASSETS:						
Cash and cash equivalents	-	-	-	-	-	-
Receivables	443	465	276	336	217	499
Inventories	-	-	-	-	-	-
Property, plant and equipment	44	-	33	-	20	-
Works of art	-	-	-	-	-	-
Intangible assets	207	-	-	-	-	-
Total assets	694	465	309	336	237	499
LIABILITIES:						
Payables	362	237	92	109	1 869	4 384
Employee benefits	1 712	141	528	41	1 421	120
Provisions	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total liabilities	2 074	378	620	150	3 290	4 504
	(Activities - refer note 5)					
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
ASSETS:						
Cash and cash equivalents	-	-	574	267	10 591	7 583
Receivables	-	-	137	279	1 124	1 699
Inventories	-	-	-	-	-	-
Property, plant and equipment	-	-	160	72	106 449	95 953
Works of art	-	-	-	-	4 671	4 659
Intangible assets	-	-	-	-	-	-
Total assets	-	-	871	618	122 835	109 894
LIABILITIES:						
Payables	351	227	768	504	1 011	733
Employee benefits	185	177	862	790	599	570
Provisions	4	4	61	52	12	11
Other liabilities	-	-	64	6	-	-
Total liabilities	540	408	1 755	1 352	1 622	1 314
	(Activities - refer note 5)					
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
ASSETS:						
Cash and cash equivalents	23 115	23 988	-	-	-	-
Receivables	1 636	4 390	125	125	477	44
Inventories	-	-	-	-	-	-
Property, plant and equipment	4 232	8 484	-	-	2 232	-
Works of art	27	27	-	-	-	-
Intangible assets	14	125	-	-	13	-
Total assets	29 024	37 014	125	125	2 722	44
LIABILITIES:						
Payables	3 858	3 334	11	1	1 031	415
Employee benefits	4 283	7 216	94	5	1 687	1 387
Provisions	3 019	3 030	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total liabilities	11 160	13 580	105	6	2 718	1 802

Disaggregated Disclosures - Asset and Liabilities as at 30 June 2010 (continued)

	(Activities - refer note 5)		10		11		12	
	2010	2009	2010	2009	2010	2009	2010	2009
ASSETS:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables	1	-	496	738	1 068	491		
Inventories	-	-	18	27	-	-		
Property, plant and equipment	-	-	1 563	-	6 144	3 613		
Works of art	-	-	-	-	-	-		
Intangible assets	-	-	127	-	7	29		
Total assets	1	-	2 204	765	7 219	4 133		
LIABILITIES:								
Payables	139	117	2 730	-	1 914	2 595		
Employee benefits	469	476	1 336	1 347	8 842	8 751		
Provisions	-	-	-	-	526	272		
Other liabilities	-	-	146	44	-	-		
Total liabilities	608	593	4 212	1 391	11 282	11 618		

	(Activities - refer note 5)		13		Total	
	2010	2009	2010	2009	2010	2009
ASSETS:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	-	-	34 280	31 838		
Receivables	2 613	3 747	8 613	12 813		
Inventories	-	-	18	27		
Property, plant and equipment	1 385	76	122 262	108 198		
Works of art	-	-	4 698	4 686		
Intangible assets	-	-	368	154		
Total assets	3 998	3 823	170 239	157 716		
LIABILITIES:						
Payables	786	452	14 922	13 108		
Employee benefits	1 693	1 521	23 711	22 542		
Provisions	90	96	3 712	3 465		
Other liabilities	107	91	317	141		
Total liabilities	2 676	2 160	42 662	39 256		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of the Premier and Cabinet

The Department of the Premier and Cabinet (the Department) is the principal government agency in South Australia. It delivers specialist policy advice to the Premier and Ministers, supports the Cabinet process and provides direction and leadership to the South Australian public service.

The Department leads the implementation of South Australia's Strategic Plan, has overarching responsibility for federal-state relations and drives key government initiatives across a range of services benefiting other government agencies and the community.

The Department works closely with these groups to develop policies and deliver programs in the areas of social inclusion, Aboriginal well-being, the arts, industrial relations, sustainability and climate change, occupational health and safety, recreation and sport, and government records access and preservation.

2. Summary of significant accounting policies

2.1 Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSS promulgated under the provision of the PFAA.

Except for AASB 2009-12, which the Department has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ended 30 June 2010. These are outlined in note 4.

2.2 **Basis of preparation**

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- the selection and application of accounting policies in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures which have been included in the financial statements:
 - (a) income, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
 - (b) expenses incurred as a result of engaging consultants
 - (c) employee TVSP information
 - (d) employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly, by the entity to those employees
 - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Department's Statement of Comprehensive Income, Statement of Financial Position, and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle and are presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and comparative information presented for the year ended 30 June 2009.

2.3 **Reporting entity**

The Department is a government department of the State of South Australia established pursuant to the PSA. The Department is an administrative unit acting on behalf of the Crown. The financial statements and accompanying notes encompasses all the controlled activities of the Department.

Administered resources

The Department administers, but does not control, certain resources on behalf of the SA Government. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Department's objectives. For these resources, the Department acts only on behalf of the Commonwealth and SA Governments.

Transactions and balances relating to these administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements attached to the general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for the departmental items.

2.4 **Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs has required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

2.5 **Rounding**

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

2.6 **Taxation**

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

Income, expenses and assets are recognised net of the amount of GST except that:

2.6 Taxation (continued)

- the amount of GST incurred by the Department as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to the ATO, is classified as part of operating cash flows.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

2.7 Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Department will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Fees and charges

Income from fees and charges is derived from goods and services provided to other SA Government agencies and to the public. The revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Grants

Grants are recognised as income when the Department obtains control of the income or when the agreement or contract has been approved and executed or income received. Grants received by the Department with unconditional stipulations attached have been recognised as an asset and income upon receipt.

Resources received free of charge

Resources received free of charge are recognised in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when the fair value can be determined reliably and the services would be purchased if they had not been donated.

Revenues from SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon their receipt.

Where money has been appropriated in the form of equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department and the appropriation is recorded as contributed equity.

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its present activities, is dependent on Government policy and on continuing appropriations for the Department's administration and activities.

Other income

Other income consists of donations, refunds and other recoveries.

2.8 Expenses

Expenses are recognised when and only when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard or where offsetting reflects the substance of the transaction or other event.

Employee benefits expense

Employee benefits expenses includes all costs related to employment including salaries and wages, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents contributions made by the Department to the superannuation plan in respect of current services of current departmental staff. DTF centrally recognises the superannuation liability, for schemes operated by the State Government, in the whole-of-government financial statements.

Grants and subsidies

Grants and subsidies that are paid to other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant or subsidy. These entities may be other SA Government agencies, non-government organisations or the public. The grants and subsidies given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. For contributions payable, the contribution will be recognised as a liability and expense when the Department has a present obligation to pay the contribution.

Grants and subsidies paid by the Department generally have conditional stipulations attached.

Depreciation and amortisation of non-current assets

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets, while depreciation is applied to physical assets such as property, plant and equipment.

The useful lives of all major assets held by the Department are reassessed on an annual basis.

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land and non-current assets held for sale are not depreciated.

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets:

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings and improvements	10-40
Transportable accommodation	10-20
Furniture and fittings	5-15
Office equipment	3-5
IT equipment	3-5
Motor vehicles	5
Intangibles - computer software	3-5

Works of art controlled by the Department are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised for this class of asset.

Net loss on non-current assets

A loss from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When re-valued assets are sold, the revaluation increments are transferred to retained earnings.

Resources provided free of charge

Resources provided free of charge are recorded as expenditure in the Statement of Comprehensive Income at their fair value and in the expense line to which they relate.

Payments to SA Government

Payments to the SA Government include the return of surplus cash pursuant to the Government's cash alignment policy, paid directly to the Consolidated Account.

2.9 Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Department has a clearly identifiable operating cycle of 12 months. Therefore, assets and liabilities that will be sold, consumed or realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

2.10 Assets

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard or where offsetting reflects the substance of the transaction or other event.

Where an asset line item combines amounts expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be recovered after more than 12 months.

Cash and cash equivalents

Cash and cash equivalents as reported in the Statement of Financial Position includes cash on hand and deposits held at call. Cash and cash equivalents in the Statement of Cash Flows comprise cash and cash equivalents as defined above. Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from goods and services, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Other debtors arise outside the normal course of selling goods and services to other government agencies and to the public. If payment has not been received within 90 days after the amount falls due, under the terms and conditions of the arrangement with the debtor, the Department is able to charge interest at commercial rates until the whole amount of the debt is paid.

The Department determines the allowance for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue. Bad debts are written off when identified.

Inventories

Inventories are measured at the lower of cost or their net realisable value.

Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less cost to sell if their carrying amount will be recovered principally through sale rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification. Non-current assets classified as held for sale are not depreciated or amortised.

Non-current asset acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor authority immediately before transfer.

In accordance with APF III, APS 2.15:

- all non-current tangible assets with a value of \$10 000 or greater are capitalised
- componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

Revaluation of non-current assets

All non-current physical assets are valued at written down current cost (a proxy for fair value). Revaluation of non-current assets or groups of assets is performed when their fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Every five years, the Department revalues its land and buildings. However, if at any time management considers that the carrying amount of the asset materially differs from the fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Valuations of departmental buildings and improvements held for cultural purposes were determined as at 30 June 2008 by the Australian Valuation Office. These buildings and improvements have been valued using a fair value methodology.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrement of the same asset class, previously recognised as an expense, in which case the increment is recognised as income. Any revaluation decrement is recognised as an expense, except to the extent that it reverses a revaluation increment for the same asset class, in which case the decrement is debited directly to the asset revaluation surplus, to the extent of the credit balance existing in the asset revaluation surplus for that class of asset.

Any accumulated depreciation as at revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Impairment of assets

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets, an impairment loss is offset against the respective class in the asset revaluation surplus.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The acquisition or internal development of software is capitalised when the expenditure meets the asset definition criteria (identifiability, control, and the existence of future economic benefits) and the asset recognition criteria (probability of future economic benefit and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed. Subsequent expenditure on intangible assets has not been capitalised.

2.11 Liabilities

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard or where offsetting reflects the substance of the transaction or other event.

Where a liability line item combines amounts expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be settled after more than 12 months.

The notes to the financial statements disclose financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Payables

Payables include creditors, accrued expenses and employment on-costs.

Creditors represent the amounts owing for goods and services received before the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the Department.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been processed.

All amounts are measured at their nominal amount and are normally settled within 30 days after the Department receives an invoice.

Employment on-costs include superannuation contributions, and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

The Department makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board. DTF centrally recognises the superannuation liability, for schemes operated by the State Government, in the whole-of-government financial statements.

Employee benefits

These benefits accrue for employees as a result of services provided up to the reporting date but yet to be paid. Long-term employee benefits are measured at the present value and short-term employee benefits are measured at nominal amounts.

- (i) Salaries and wages
Liabilities for salaries and wages are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.
- (ii) Annual leave
A liability for annual leave is calculated by determining the amount unpaid at the reporting date and estimating the nominal amount that is expected to be paid when the obligation is settled. In the unusual event where annual leave is payable later than 12 months, the liability will be measured at present value.
- (iii) Employment on-costs
Employment on-costs (payroll tax, superannuation and workers compensation) are recognised separately under payables and provisions.
- (iv) Long service leave
A liability for long service leave is recognised for all employees who have completed 5.5 years (6.5 years) or more years of service. The 5.5 years has been based on an actuarial calculation undertaken by DTF. The calculation was based on a significant sample of employees throughout the South Australian public sector and determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

Workers compensation provision

The Department is an exempt employer under the WRCA. Under a scheme arrangement, the Department is responsible for the management of workers rehabilitation and compensation.

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an annual actuarial assessment as at 30 June performed by the consulting actuaries to the Public Sector Workforce Relations Division of the Department. The workers compensation provision liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries.

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the payment per claim incurred valuation method. The assessment has been conducted in accordance with AASB 137 and the WorkCover guidelines for actuarial assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

2.12 Contributed/distributed capital

Where the investing activities of the Department are not funded through appropriations, operating receipts, proceeds of assets sales or grants, government funding is provided via a capital contribution. The Department received \$27.8 million (\$5.4 million) in 2009-10.

Capital distributed include the return of surplus cash pursuant to the Government's cash alignment policy, paid directly to the Consolidated Account. Where agencies have equity contributions from the Treasurer, part or all transfers of cash may be deemed a return of equity. The Department returned \$17.4 million in 2009-10 that was deemed a return of equity.

2.13 Assets transferred to the Department

The Department acquired land and buildings from the Department of Health in 2009-10 as part of the Adelaide Film and Screen Centre Development Project. The Department paid a nominal value for the land and buildings. The remaining value was recognised as assets transferred in from the Department of Health.

2.14 Leases*The Department as lessee*

The Department has entered into a number of operating lease agreements for buildings, motor vehicles and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Comprehensive Income in the periods in which they are incurred.

The Department as lessor

The Department leases the Adelaide Festival Centre and Her Majesty's Theatre to the Adelaide Festival Centre Trust through an operating lease.

Income from operating leases is recognised as rental income in the period incurred, and is representative of the pattern of benefits derived from the leased assets.

2.15 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at their nominal value.

3. Hedging arrangements

In accordance with government policy, the Department enters into hedges for all contracted expenditure in a foreign currency over A\$100 000. SAFA manages the foreign currency hedges on the Department's behalf.

The Department did not have any outstanding hedges at 30 June 2010.

4. New and revised accounting standards

Except for AASB 2009-12, which the Department has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2010. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

5. Activities of the Department

Activities are defined as goods or services produced, provided to or acquired for external customers. The Department has identified 13 major classes of activities that it delivers to the community and the Premier. The identity and description of each major activity class for the Department during the year ended 30 June 2010 are summarised below (refer to the Department's Disaggregated Disclosures - Expenses and Income, and Assets and Liabilities).

5. Activities of the Department (continued)**Activity 1: Cabinet Office**

Coordination and leadership of across government policy proposals for the Premier's and Cabinet's consideration; oversight of implementation of South Australia's Strategic Plan in government and the wider community; support to the Premier in intergovernmental relations; and provision of support to Cabinet and its committees.

Activity 2: Ethical Standards and Professional Integrity

Provision of leadership for South Australia's Strategic Plan targets relating to the public sector workforce. This is achieved by developing and implementing whole-of-government frameworks, strategies, programs and services and supporting the Commissioner for Public Employment to meet his statutory responsibilities.

Activity 3: Strategic Policy Initiatives

Provision of high-level support for strategic policy initiatives of the Government.

Activity 4: Library and Information Services

Provision of information from library and resource centres to the public, industry and government agencies and funding of services provided by Public Library Services to public libraries.

Activity 5: Access to Art, Museum and Heritage Services and Preservation of State Collections

Provision of museum, visual arts and preservation services that enable the State's cultural, heritage and arts assets to be maintained and kept accessible to the community.

Activity 6: Arts Industry Development and Access to Artistic Product

Provision of services that enhance opportunities for artists, cultural tourism, festivals and events and provide for productions, exhibitions, tours and events to the community.

Activity 7: Support Services

Provision of corporate services to the Department, a range of support services to the Premier's Office and protocol advice to the Premier, Ministers, government agencies, private organisations and the public.

Activity 8: Capital City

Support the Capital City Committee, a legislated partnership between the Adelaide City Council and the SA Government, by providing executive support to the committee and ensuring coordination between the strategic objectives of the State and the Council to identify opportunities for the City of Adelaide.

Activity 9: Aboriginal Affairs and Reconciliation

Provision of leadership in Aboriginal policy and program development, coordination and implementation of policies for Aboriginal affairs; monitoring the impact of government services on the wellbeing of Aboriginal families and communities in SA; protection and preservation of Aboriginal heritage and culture; facilitation of community development initiatives; provision and maintenance of essential services and infrastructure on Aboriginal Land Holding communities; support for the State's Aboriginal Land Holding Authorities; and leadership of, and contribution to, special government and strategic intervention projects.

Activity 10: Public Sector Performance Commission

Provision of leadership to the revitalisation and reform of the public sector.

Activity 11: Community Services

Provision of specialised services, support, information and policy to the community, government, industry and the Minister in the areas of records management, archives and government publishing.

Activity 12: Industrial Relations

Provision of workplace industrial relations, safety advisory and regulatory services to the general community and the public sector.

Activity 13: Employee Advocacy

Provision of services to ensure the rights and obligations of employees and employers are protected and the relevant law applied to prevent and resolve workplace disputes.

6. Employee benefits

	2010	2009
	\$'000	\$'000
Salaries and wages	62 524	61 537
Long service leave	3 433	2 158
Annual leave	5 172	5 261
Employment on-costs - superannuation	8 194	8 652
Employment on-costs - other	4 027	3 838
TVSPs (refer below)	4 420	-
Board and committee fees	733	537
Other employment related expenses	2 619	1 416
Total employee benefits	91 122	83 399

TVSPs	2010	2009
Amount paid to these employees:	\$'000	\$'000
TVSPs	4 420	-
Annual leave and long service leave paid during 2009-10	1 310	-
	<u>5 730</u>	<u>-</u>
Recovery from DTF	4 429	-
Net cost to the Department	<u>1 301</u>	<u>-</u>

The number of employees who received a TVSP during 2009-10 were 41 (0).

Remuneration of employees

The table below includes employees who received remuneration of \$100 000 or more during the year paid by the Department. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. Termination payments have been included if employees meet the \$100 000 threshold. In 2009-10, 57 employees met the \$100 000 threshold for the first time.

The total remuneration received by employees listed in the table below, for the year was \$25.1 million (\$19.9 million).

The table includes the TVSP component paid where the employee meets the \$100 000 threshold on normal remuneration. In 2009-10, 4 employees included in the table received a TVSP.

The number of employees who received remuneration of \$100 000 or more during the year, falls within the following bands:	2010 Number	2009 Number
\$100 000 - \$109 999	56	56
\$110 000 - \$119 999	21	21
\$120 000 - \$129 999	17	13
\$130 000 - \$139 999	14	11
\$140 000 - \$149 999	9	5
\$150 000 - \$159 999	8	3
\$160 000 - \$169 999	5	7
\$170 000 - \$179 999	6	3
\$180 000 - \$189 999	4	1
\$190 000 - \$199 999	2	1
\$200 000 - \$209 999	2	1
\$210 000 - \$219 999	3	5
\$220 000 - \$229 999	5	1
\$230 000 - \$239 999	2	-
\$240 000 - \$249 999	2	1
\$250 000 - \$259 999	5	3
\$260 000 - \$269 999	1	2
\$270 000 - \$279 999	1	2
\$280 000 - \$289 999	1	1
\$290 000 - \$299 999	2	2
\$310 000 - \$319 999	1	-
\$320 000 - \$329 999	-	1
\$350 000 - \$359 999	-	1
\$360 000 - \$369 999	2	-
\$400 000 - \$409 999	1	-
Total number of employees	<u>170</u>	<u>141</u>

7. Supplies and services

Supplies and services provided by entities within the SA Government:	2010 \$'000	2009 \$'000
Accommodation	8 834	8 666
Telecommunication	814	827
Staff development and recruitment	85	87
General administration and consumables	2 618	2 351
Promotion and marketing	475	500
Repairs, maintenance and minor equipment purchases	1 060	1 196
Service level agreements	6 372	5 881
IT and computing charges	1 441	1 412
Community infrastructure	1 986	2 164
Projects	1 208	2 650
Other supplies and services	2 452	2 338
Total supplies and services - SA Government entities	<u>27 345</u>	<u>28 072</u>

7. Supplies and services (continued)		2010	2009
Supplies and services provided by entities external to the SA Government:		\$'000	\$'000
Accommodation		1 613	1 939
Telecommunication		488	574
Staff development and recruitment		1 672	1 837
General administration and consumables		8 501	4 840
Promotion and marketing		4 118	5 544
Repairs, maintenance and minor equipment purchases		1 034	1 220
IT and computing charges		2 882	2 730
Contractors and consultants		6 783	4 608
Cost of goods sold		353	498
Temporary and casual staff		1 746	1 680
Community infrastructure		5 007	2 189
Projects		1 039	2 041
Other		1 861	1 080
Total supplies and services - non-SA Government entities		<u>37 097</u>	<u>30 780</u>
Total supplies and services		<u>64 442</u>	<u>58 852</u>

Payments to consultants		2010		2009	
The number and dollar amount of consultants paid/payable (included in supplies and services) that fell within the following bands:	Number	\$'000	Number	\$'000	
Below \$10 000	47	160	39	128	
Between \$10 000 and \$50 000	33	772	31	741	
Above \$50 000	13	1 390	10	915	
Total number of consultants engaged	<u>93</u>	<u>2 322</u>	<u>80</u>	<u>1 784</u>	

8. Grants and subsidies		2010	2009
Grants and subsidies paid/payable to entities within the SA Government:		\$'000	\$'000
Recurrent grant		98 796	98 523
Total grants and subsidies - SA Government entities		<u>98 796</u>	<u>98 523</u>
Grants and subsidies paid/payable to entities external to the SA Government:			
Recurrent grant		42 299	43 768
Total grants and subsidies - non-SA Government entities		<u>42 299</u>	<u>43 768</u>
Total grants and subsidies		<u>141 095</u>	<u>142 291</u>

Grants and subsidies consist of the following:			
Libraries Board of South Australia operating grant		29 907	29 052
Adelaide Festival Centre Trust operating grant		14 437	13 503
Museum Board operating grant		9 303	11 034
Art Gallery Board operating grant		7 861	5 822
Country Arts SA operating grant		7 377	5 704
Arts Industry assistance		7 307	6 462
Adelaide Festival Corporation operating grant		6 498	1 997
South Australian Film Corporation operating grant		5 814	5 979
History Trust of South Australia operating grant		4 866	4 606
University of South Australia		3 080	20
The Australian Centre for Social Innovation		3 000	850
Arts Project assistance		2 574	2 713
South Australian Youth Arts Board operating grant		2 490	2 356
State Theatre Company of South Australia operating grant		2 265	2 206
Aboriginal Community assistance		1 873	4 231
Adelaide Symphony Orchestra operating grant		1 867	2 594
State Opera of South Australia operating grant		1 536	1 461
Adelaide Fringe operating grant		1 417	1 272
University of Adelaide		1 393	230
Department of Health		1 374	-
Anangu Pitjantjatjara operating grant		1 326	1 240
Wiltanendi Project		1 215	350
Better Pathways		1 064	-
Building Family Opportunities program		1 008	-
Children's Theatre Company (Windmill) operating grant		1 000	1 075
Workplace Partnership Program		1 000	1 000
University College London		990	1 689
Jam Factory Contemporary Craft and Design operating grant		984	1 069
Australian Dance Theatre operating grant		980	938
Timor Leste Basic Skills Training Project		948	-
International University Precinct Project		915	9 405

8. Grants and subsidies (continued)	2010	2009
	\$'000	\$'000
Carrick Hill Trust operating grant	790	877
Tandanya operating grant	780	761
Funding for SA Aboriginal Sports Training Academy	769	-
Macquarie Capital Advisers Ltd.	692	-
Safe Work Australia	658	-
SA Great	636	-
Building Innovation Fund grant	497	310
Working Women's Centre SA Inc	365	365
Aboriginal Community Essential Services assistance	344	2 976
Premier's Community Initiatives	340	519
OHS&W Commissioned Research grants	192	-
Occupational Health & Safety grants	178	507
OHS&W Australian Research Council Linkage Project Support grants	150	-
Breaking the Cycle program	43	564
Statewide Enhancement program (StEP)	-	6 303
Active Club program	-	1 266
Inclusive Recreation Inclusive Sport program (IRIS)	-	140
Other grants and subsidies	6 992	8 845
Total grants and subsidies	141 095	142 291
9. Depreciation and amortisation		
Depreciation:		
Land, buildings and improvements	5 187	5 473
Plant and equipment	494	547
Recreation, sporting and stadia infrastructure	-	711
Total depreciation	5 681	6 731
Amortisation:		
Intangible assets	341	61
Total amortisation	341	61
Total depreciation and amortisation	6 022	6 792
10. Net gain from disposal of assets		
Land, buildings and improvement:		
Proceeds from disposal	-	-
Net book value of assets disposed	(1 109)	-
Net loss from disposal of land, buildings and improvements	(1 109)	-
Plant and equipment:		
Proceeds from disposal	16	6
Net book value of assets disposed	-	-
Net gain from disposal of plant and equipment	16	6
Total assets:		
Proceeds from disposal	16	6
Net book value of assets disposed	(1 109)	-
Total net (loss) gain from disposal of non-current assets	(1 093)	6
11. Other expenses		
Other expenses paid/payable to entities within the SA Government:		
Guarantees and indemnities	-	7 537
Other	93	-
Total other expenses - SA Government entities	93	7 537
Other expenses paid/payable to entities external to the SA Government:		
Bad and doubtful debts	19	17
Other	436	405
Total other expenses - non-SA Government entities	455	422
Total other expenses	548	7 959
12. Auditor's remuneration		
Audit fees paid/payable to the Auditor-General's Department	187	179
Total audit fees	187	179

Other services

No other services were provided by the Auditor-General's Department.

13. Fees and charges	2010	2009
Fees and charges received/receivable from entities within the SA Government:	\$'000	\$'000
Arts industry related fees	423	469
Salaries charged to other entities	1 891	1 713
Sale of goods	306	291
Regulatory fees	6 521	6 236
Fees for services	473	1 762
Rental income	3 949	3 853
Other	3 636	5 233
Total fees and charges - SA Government entities	<u>17 199</u>	<u>19 557</u>
Fees and charges received/receivable from entities external to the SA Government:		
Arts industry related fees	535	636
Salaries charged to other entities	63	33
Sale of goods	1 566	1 999
Regulatory fees	3 229	3 145
Fees for services	1 556	660
Rental income	182	251
Other	2 710	1 157
Total fees and charges - non-SA Government entities	<u>9 841</u>	<u>7 881</u>
Total fees and charges	<u>27 040</u>	<u>27 438</u>
14. Commonwealth revenue		
Commonwealth revenue	1 942	1 698
Total Commonwealth revenue	<u>1 942</u>	<u>1 698</u>
The Commonwealth revenue includes contributions for the East Timor Public Sector Capacity Development Program, generator fuel and governance training.		
15. Grants		
Grants received/receivable from entities within the SA Government:		
Recurrent grant	18 567	14 210
In-kind revenue	1 230	1 230
Sponsorship	-	-
Total grants - SA Government entities	<u>19 797</u>	<u>15 440</u>
Grants received/receivable from entities external to the SA Government:		
Recurrent grant	1 502	615
Sponsorship	-	35
Total grants - non-SA Government entities	<u>1 502</u>	<u>650</u>
Total grants	<u>21 299</u>	<u>16 090</u>
16. Resources received free of charge		
Donated assets	12	221
Total resources received free of charge	<u>12</u>	<u>221</u>
17. Other income		
Other income received/receivable from entities within the SA Government:		
Other	501	1 730
Total other income - SA Government entities	<u>501</u>	<u>1 730</u>
Other income received/receivable from entities external to the SA Government:		
Other	747	259
Total other income - non-SA Government entities	<u>747</u>	<u>259</u>
Total other income	<u>1 248</u>	<u>1 989</u>
18. Revenues from (payments to) SA Government		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	247 421	289 281
Other revenue from SA Government	-	160
Total revenues from SA Government	<u>247 421</u>	<u>289 441</u>
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy (refer note 2.8)	2 236	9 340
Total payments to SA Government	<u>2 236</u>	<u>9 340</u>
Net revenues from SA Government	<u>245 185</u>	<u>280 101</u>

19. Cash and cash equivalents	2010	2009
	\$'000	\$'000
Deposits at call	34 223	31 509
Deposits with the Treasurer	-	273
Other short-term deposits	57	56
Total cash and cash equivalents	<u>34 280</u>	<u>31 838</u>

Interest rate risk

Deposits at call includes funds held for the Aboriginal Heritage Fund which earns a floating interest rate based on daily bank deposit rates. All other deposits at call are non-interest bearing.

The carrying amount of cash and cash equivalents represents fair value.

20. Receivables

Current:		
Receivables	3 512	5 971
Allowance for doubtful debts	(2)	-
Prepayments	75	75
Accrued income	2 788	1 307
Loans	30	30
Allowance for doubtful loans	(30)	(30)
GST receivable	2 015	5 160
Total current receivables	<u>8 388</u>	<u>12 513</u>
Non-current:		
Prepayments	225	300
Total non-current receivables	<u>225</u>	<u>300</u>
Total receivables	<u>8 613</u>	<u>12 813</u>

Government/non-Government receivables:

Receivables from SA Government entities:

Receivables	1 846	4 370
Prepayments	-	2
Accrued income	2 629	1 148
Total receivables from SA Government entities	<u>4 475</u>	<u>5 520</u>

Receivables from non-SA Government entities:

Receivables	1 666	1 601
Allowance for doubtful debts	(2)	-
Prepayments	300	374
Accrued income	159	158
Loans	30	30
Allowance for doubtful loans	(30)	(30)
GST receivable	2 015	5 160
Total receivables from non-SA Government entities	<u>4 138</u>	<u>7 293</u>
Total receivables	<u>8 613</u>	<u>12 813</u>

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued income are non-interest bearing. Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in other expenses in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the allowance for doubtful debts (impairment loss) are as follows:	2010	2009
	\$'000	\$'000
Carrying amount at 1 July	-	35
Increase in allowance	2	-
Amounts transferred due to an administrative restructure	-	(35)
Carrying amount at 30 June	<u>2</u>	<u>-</u>

21. Property, plant and equipment**Valuations of land and buildings**

Valuations of departmental buildings and improvements held for cultural purposes were determined as at 30 June 2008 by the Australian Valuation Office. Buildings and improvements have been valued using a fair value methodology.

All other non-current assets controlled by the Department have been deemed to be held at fair value.

Impairment

There were no indications of impairment of property, plant and equipment and intangible assets held at 30 June 2010.

	2010	2009
	\$'000	\$'000
Land, buildings and improvements:		
Land at fair value	20 945	15 906
Buildings and improvements at fair value	190 406	183 776
Accumulated depreciation	(110 177)	(104 966)
Total land, buildings and improvements	<u>101 174</u>	<u>94 716</u>
Plant and equipment:		
Plant and equipment at fair value	12 219	11 091
Accumulated depreciation	(8 399)	(8 379)
Total plant and equipment	<u>3 820</u>	<u>2 712</u>
Work in progress:		
Work in progress at cost	17 268	10 770
Total work in progress	<u>17 268</u>	<u>10 770</u>
Total property, plant and equipment	<u>122 262</u>	<u>108 198</u>
Works of art:		
Works of art at fair value	4 698	4 686
Total works of art	<u>4 698</u>	<u>4 686</u>
22. Intangible assets		
Computer software	1 631	2 042
Accumulated amortisation	(1 310)	(1 934)
Other intangibles	128	128
Accumulated amortisation	(81)	(82)
Total intangible assets	<u>368</u>	<u>154</u>

Reconciliation of non-current assets

The following table shows the movement of non-current assets during 2009-10.

2010	Land, Buildings & Imprvmnts \$'000	Plant & Equipmnt \$'000	Rec, Sport and Stadia Infrastrctr \$'000	Work in Progress \$'000	Works of Art \$'000	Total Tangible Assets \$'000
Net book value at 30 June 2009	199 682	11 091	-	10 770	4 686	226 229
Additions	7 478	501	-	13 519	12	21 510
Other (includes reclassifications, disposals and retirements)	(1 161)	(428)	-	-	-	(1 589)
Transfers out as a result of administrative restructure	-	-	-	-	-	-
Other changes	5 352	1 055	-	(7 021)	-	(614)
Balance at 30 June 2010	<u>211 351</u>	<u>12 219</u>	<u>-</u>	<u>17 268</u>	<u>4 698</u>	<u>245 536</u>
Accumulated depreciation/amortisation:						
Balance at 30 June 2009	(104 966)	(8 379)	-	-	-	(113 345)
Additions	76	-	-	-	-	76
Other (includes reclassifications, disposals and retirements)	51	415	-	-	-	466
Depreciation/amortisation	(5 187)	(494)	-	-	-	(5 681)
Transfers out as a result of administrative restructure	-	-	-	-	-	-
Other changes	1	59	-	-	-	60
Balance at 30 June 2010	<u>(110 177)</u>	<u>(8 399)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118 576)</u>
Net book value at 30 June 2010	<u>101 174</u>	<u>3 820</u>	<u>-</u>	<u>17 268</u>	<u>4 698</u>	<u>126 960</u>
Net book value at 30 June 2009	<u>94 716</u>	<u>2 712</u>	<u>-</u>	<u>10 770</u>	<u>4 686</u>	<u>112 884</u>
				Computer software \$'000	Other intangibles \$'000	Total intangible assets \$'000
Net book value as at 30 June 2009				2 042	128	2 170
Additions				-	-	-
Other (includes reclassifications, disposals and retirements)				(981)	-	(981)
Transfers out as a result of administrative restructure				-	-	-
Other changes				570	-	570
Balance at 30 June 2010				<u>1 631</u>	<u>128</u>	<u>1 759</u>

**Reconciliation of non-current assets (continued)
2010**

	Computer software \$'000	Other intangibles \$'000	Total intangible assets \$'000
Accumulated depreciation/amortisation:			
Balance at 30 June 2009	(1 934)	(82)	(2 016)
Additions	-	-	-
Other (includes reclassifications, disposals and retirements)	981	-	981
Depreciation/amortisation	(330)	(11)	(341)
Transfers out as a result of administrative restructure	-	-	-
Other changes	(27)	12	(15)
Balance at 30 June 2010	(1 310)	(81)	(1 391)
Net book value at 30 June 2010	321	47	368
Net book value at 30 June 2009	108	46	154

2009

	Land, Buildings & Imprvmnts \$'000	Plant & Equipmnt \$'000	Rec, Sport and Stadia and Infrastrctr \$'000	Work in Progress \$'000	Works of Art \$'000	Total Tangible Assets \$'000
Net book value as at 30 June 2008	195 540	12 680	172 305	1 987	4 670	387 182
Additions	1 325	371	-	9 287	16	10 999
Other (includes reclassifications, disposals and retirements)	-	(32)	-	-	-	(32)
Transfers out as a result of administrative restructure	(276)	(1 928)	(172 305)	-	-	(174 509)
Other changes	3 093	-	-	(504)	-	2 589
Balance at 30 June 2009	199 682	11 091	-	10 770	4 686	226 229
Accumulated depreciation/amortisation:						
Balance at 30 June 2008	(99 376)	(9 251)	(36 481)	-	-	(145 108)
Additions	-	-	-	-	-	-
Other (includes reclassifications, disposals and retirements)	-	32	-	-	-	32
Depreciation/amortisation	(5 473)	(547)	(711)	-	-	(6 731)
Transfers out as a result of administrative restructure	28	1 387	37 192	-	-	38 607
Other changes	(145)	-	-	-	-	(145)
Balance at 30 June 2009	(104 966)	(8 379)	-	-	-	(113 345)
Net book value at 30 June 2009	94 716	2 712	-	10 770	4 686	112 884
Net book value at 30 June 2008	96 164	3 429	135 824	1 987	4 670	242 074

	Computer software \$'000	Other intangibles \$'000	Total intangible assets \$'000
Net book value as at 30 June 2008	2 058	128	2 186
Additions	-	-	-
Other (includes reclassifications, disposals and retirements)	-	-	-
Transfers out as a result of administrative restructure	-	-	-
Other changes	(16)	-	(16)
Balance at 30 June 2009	2 042	128	2 170
Accumulated depreciation/amortisation			
Balance at 30 June 2008	(1 919)	(52)	(1 971)
Additions	-	-	-
Other (includes reclassifications, disposals and retirements)	-	-	-
Depreciation/amortisation	(31)	(30)	(61)
Transfers out as a result of administrative restructure	-	-	-
Other changes	16	-	16
Balance at 30 June 2009	(1 934)	(82)	(2 016)
Net book value at 30 June 2009	108	46	154
Net book value at 30 June 2008	139	76	215

23. Payables	2010	2009
Current:	\$'000	\$'000
Creditors	8 466	9 198
Accrued expenses	3 612	1 184
Employment on-costs	1 516	1 437
Total current payables	<u>13 594</u>	<u>11 819</u>
Non-current:		
Employment on-costs	1 328	1 289
Total non-current payables	<u>1 328</u>	<u>1 289</u>
Total payables	<u>14 922</u>	<u>13 108</u>
Government/non-Government payables:		
Payables to SA Government entities:		
Creditors	3 597	5 781
Accrued expenses	1 006	585
Employment on-costs	2 844	2 726
Total payables to SA Government entities	<u>7 447</u>	<u>9 092</u>
Payables to non-SA Government entities:		
Creditors	4 869	3 417
Accrued expenses	2 606	599
Total payables to non-SA Government entities	<u>7 475</u>	<u>4 016</u>
Total payables	<u>14 922</u>	<u>13 108</u>

Employment on-costs

The percentage of the proportion of long service leave taken as leave remains constant at 45 percent and the average factor for the calculation of employer superannuation on-cost remains constant at 10.5 percent. These rates are used in the employment on-cost calculation.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefits that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value to the amounts being payable on demand.

24. Employee benefits	2010	2009
Current:	\$'000	\$'000
Accrued salaries and wages	1 986	1 694
Annual leave	5 573	5 347
Long service leave	2 754	2 563
Total current employee benefits	<u>10 313</u>	<u>9 604</u>
Non-current:		
Long service leave	13 398	12 938
Total non-current employee benefits	<u>13 398</u>	<u>12 938</u>
Total employee benefits	<u>23 711</u>	<u>22 542</u>

The total current and non-current employee expense disclosed in notes 23 and 24 (ie aggregate employee benefits plus employment on-costs) for 2009-10 is \$11.8 million and \$14.7 million respectively.

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2009 benchmark 6.5 years to 5.5 years.

The salary inflation rate remains constant at 4 percent.

25. Provisions	2010	2009
Current:	\$'000	\$'000
Provision for workers compensation	873	898
Total current provisions	<u>873</u>	<u>898</u>
Non-current:		
Provision for workers compensation	2 839	2 567
Total non-current provisions	<u>2 839</u>	<u>2 567</u>
Total provisions	<u>3 712</u>	<u>3 465</u>
Carrying amount at 1 July	3 465	39 180
Increase (Decrease) in provisions recognised	247	(35 715)
Carrying amount at 30 June	<u>3 712</u>	<u>3 465</u>

26. Other liabilities	2010	2009
Current:	\$'000	\$'000
Unearned income	214	50
Lease incentive	29	20
Total current other liabilities	<u>243</u>	<u>70</u>
Non-current		
Lease incentive	74	71
Total non-current other liabilities	<u>74</u>	<u>71</u>
Total other liabilities	<u>317</u>	<u>141</u>

27. Unrecognised contractual commitments**Remuneration commitments**

Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

Within one year	10 615	9 484
Later than one year but not longer than five years	24 664	17 715
Total remuneration commitments	<u>35 279</u>	<u>27 199</u>

Amounts disclosed include commitments arising from executive and other service contracts. The Department does not offer remuneration contracts greater than five years.

Operating lease commitments*The Department as lessee*

Commitments in relation to operating leases contracted at the reporting date which are not recognised as liabilities, are payable as follows:

	2010	2009
	\$'000	\$'000
Within one year	10 020	8 282
Later than one year but not longer than five years	32 392	18 546
Later than five years	20 160	16 676
Total operating lease commitments	<u>62 572</u>	<u>43 504</u>
Representing:		
Non-cancellable operating leases	62 572	43 504
Total operating lease commitments	<u>62 572</u>	<u>43 504</u>

At the reporting date, the Department's operating leases are for the lease of office accommodation and office equipment.

- Office accommodation is leased from the Real Estate Management business unit of the Department for Transport, Energy and Infrastructure. The leases are non-cancellable with terms ranging from two to 15 years, with some leases having right of renewal. The rental amount is based on floor space and the time period of the lease, with the rental rate reviewed taking into account movements in market rental values or CPI. Rental is payable in advance.
- Motor vehicle leases are non-cancellable, with rental payment monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.
- Office equipment leases are non-cancellable, with rental payable in arrears. No contingent rental provisions exist within the lease arrangements and no options exist to renew the leases at the end of their term.

For the current financial year, the total amount of rental expense for minimum lease payments for operating leases was \$10.7 million (\$10.5 million).

The Department as lessor

Lease receivable contracted for at the reporting date but not recognised as assets:	2010	2009
	\$'000	\$'000
Within one year	4 453	3 949
Later than one year but not longer than five years	18 953	16 810
Later than five years	76 278	73 812
Total operating lease commitments	<u>99 684</u>	<u>94 571</u>
Representing:		
Non-cancellable operating leases	99 684	94 571
Total operating lease commitments	<u>99 684</u>	<u>94 571</u>

The Department's lease as lessor relates to the Adelaide Festival Centre and Her Majesty's Theatre leased to the Adelaide Festival Centre Trust. The lease is non-cancellable for 20 years with the right of renewal.

Capital commitments	2010	2009
	\$'000	\$'000
Within one year	47 460	39 803
Later than one year but not longer than five years	-	9 540
Total capital commitments	47 460	49 343

The Department's capital commitments include:

- the Adelaide Film and Screen Centre development
- the Dunstan Playhouse refurbishment Project
- the Lion Arts Centre Complex Project
- Leasehold improvements at World Park
- Transportable accommodation construction.

Other commitments

Within one year	8 766	14 771
Later than one year but not longer than five years	13 337	21 647
Later than five years	20 332	18 181
Total other commitments	42 435	54 599

The Department's other commitments include:

- agreements for the provision of assistance to the University College London for the operations of the University in Adelaide
- provision of funding for maintenance work to be undertaken on the Adelaide Festival Centre
- grant funding agreements to be paid by the Department.

28. Contingent assets and liabilities

Contingent assets

SA Government Salary Sacrificing Arrangement Panel Agreement (Public Sector Workforce Division)

In 2008 the Government entered into salary sacrificing agreements with Maxxia Pty Ltd, Remunerator Pty Ltd and SmartSalary Pty Ltd. The agreements allow the Minister or his delegate to withdraw up to a total of \$800 000 when an unconditional financial undertaking is present to fund any interim measures to avoid disruption to the salary sacrifice arrangements provided to employees.

Alice Springs to Darwin railway (Commercial Advice)

Pursuant to subsection 6(ba) of the *Alice Springs to Darwin Railway Act 1997*, SAFA issued loans for the construction of the railway and the Premier gave SAFA a guarantee and indemnity in relation to its investment. This investment was assessed as impaired as at 30 June 2008 and, in 2008-09, the Department made a one-off payment to SAFA pursuant to the Premier's guarantee. The Premier now has an entitlement, on behalf of the SA Government, to any monies which may be recovered on account of the original debt.

Contingent liabilities

Legal proceedings (SafeWork SA)

The Department is involved in prosecuting breaches under the *Occupational Health, Safety and Welfare Act 1986*, *Fair Work Act 1994*, *Explosives Act 1936* and *Dangerous Substances Act 1979*. At balance date there were an average of 60 matters before the Industrial Relations Court that are yet to be resolved. In the event decisions are not awarded in favour of the Department, the contingent liability is estimated to be \$400 000 for the court and prosecution costs.

Alice Springs to Darwin railway (Commercial Advice)

The AustralAsia Railway Corporation (the Corporation), the SA and NT Governments and Asia Pacific Transport Pty Ltd entered into a concession arrangement for the design, construction, operation and maintenance of the Alice Springs to Darwin railway on a build, own, operate, transfer-back basis.

Both the SA and NT Governments guarantee the obligations of the Corporation. The guarantee is a joint guarantee, but the SA and NT Governments each accept responsibility for breach of an indemnity that is caused by its act or omission. Where the event giving rise to a Corporation obligation is solely caused by one jurisdiction, that jurisdiction accepts sole responsibility. If both the SA and NT Governments caused the event, then each accepts responsibility to the extent to which it caused the event.

For other Corporation obligations, the SA and NT Governments accept liability for events occurring within the geographical area of its jurisdiction. Principally, the Corporation has granted indemnities to ensure that title to the railway corridor is secure for the construction and operation of the railway infrastructure. These indemnities cover risks related to native title claims, undisclosed interests in the corridor, environmental contamination, heritage and sacred sites and environmental assessment processes.

The project documents provide for the early termination of the concession arrangement by Asia Pacific Transport Pty Ltd in certain circumstances that would give rise to the payment of an early termination amount. The amount includes all debt and debt break costs for the Project, certain agreed break costs for the Project, certain agreed break costs for third party contractors and payments to equity. For all these events the remedy is within the control of either the Corporation or the governments.

Alice Springs to Darwin railway (Commercial Advice) (continued)

In November 2008, following a failed sale process, Asia Pacific Transport Pty Ltd went into voluntary administration. The major creditors immediately appointed a receiver and manager who conducted a further sale process which was unsuccessful due to the adverse economic climate. Consequently, the administrator completed a Deed of Company Arrangement to allow the business to operate as usual for up to four years.

The receiver commenced a further sale process March 2010 and, in June 2010, Genesee & Wyoming Inc announced that it had signed an agreement to acquire the assets of the railway business for A\$334 million.

Consents will be required from the SA and NT Governments and the Corporation to novate documentation, transfer leases, etc. The Corporation and the governments will ensure that any changes do not adversely affect the Corporation and the governments' interests.

Glenthorne Farm (Commercial Advice)

Glenthorne Farm, at O'Halloran Hill, was purchased by the University of Adelaide from the Commonwealth Scientific and Industrial Research Organisation, with the assistance of a grant from the SA Government in May 2001. A contract signed by the SA Government and the University of Adelaide resulted in the former assuming liability for any possible third party claims resulting from any contamination that may be discovered on the property.

The SA and Commonwealth Governments agreed by exchange of letters that, in the event of such a claim, the State Government reserves its right to seek a contribution from the Commonwealth based on the Commonwealth's previous ownership of the land.

River Murray High Court Challenge (Cabinet Office)

The SA Government and SA Water launched a High Court challenge against the Victoria Government, Goulburn-Murray Rural Water Corporation and Lower Murray Urban and Rural Water Corporation on 1 December 2009 challenging the constitutional validity of Victorian restrictions to water trade in the Murray-Darling Basin.

The case is still in early stages of proceedings and a result is unlikely for some time. The possible contingent liability arising from this action would be in the form of SA Government liability for Victoria's legal costs, if the High Court were to find in favour of the Victorian Government.

It is also possible that South Australia and Victoria may reach a settlement before the matter is decided upon by the High Court, which would negate any need for legal compensation from the State.

Copyright payments (State Records)

The *Commonwealth Copyright Act 1968* allows governments to copy copyrighted material for the services of government without infringing the Act if it pays 'equitable remuneration' to a declared 'collecting society'.

State Records has responsibility for negotiating the amount payable for the State's radio and television broadcast copying. Negotiations between State Records and the relevant collecting society are still in progress and therefore the amount payable cannot be reliably measured as at 30 June 2010.

29. Cash flow reconciliation	2010	2009
<i>Reconciliation of cash and cash equivalents</i>	\$'000	\$'000
Cash and cash equivalents as recorded in the Statement of Cash Flows	34 280	31 838
Cash and cash equivalents as recorded in the Statement of Financial Position	34 280	31 838
<i>Reconciliation of net cash provided by operating activities to net cost of providing services</i>		
Net cash provided by operating activities	7 302	1 777
Revenues from SA Government	(247 421)	(289 441)
Payments to SA Government	2 236	9 340
Non-cash items:		
Depreciation and amortisation of property, plant and equipment and intangibles	(6 022)	(6 792)
Net gain on restructuring	-	(7 519)
Donated assets	12	221
Bad and doubtful debts expense	-	(17)
Net loss on disposal of assets	(1 093)	-
Transfers from property, plant and equipment	(13)	-
Change in assets and liabilities:		
(Decrease) Increase in receivables	(4 060)	554
Decrease in inventories	(9)	(28)
(Increase) Decrease in payables	(740)	4 439
(Increase) Decrease in employee benefits	(1 169)	1 971
(Increase) Decrease in provisions	(247)	35 715
Increase in other liabilities	(176)	(54)
Net cost of providing services	(251 400)	(249 834)

30. Financial instruments**(a) Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents:	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	34 280	34 280	31 838	31 838
Loans and receivables:				
Receivables ⁽¹⁾	6 298	6 298	7 278	7 278
Financial liabilities				
Financial liabilities at cost:				
Payables ⁽¹⁾	12 078	12 078	10 382	10 382
Other liabilities	317	317	141	141

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, etc they would be excluded from the disclosure. The accounting standards define contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-costs which are determined via reference to the employee benefits liability to which they relate.

Credit risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department. The Department measures credit risk on a fair value basis and monitors risk on a regular basis.

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Department does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 20 for information on the allowance for impairment in relation to receivables.

(b) Ageing analysis of financial assets

The following table discloses the aging of financial assets and the ageing of impaired assets past due.

	Past due by			Total
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	
2010	\$'000	\$'000	\$'000	\$'000
Receivables	2 603	89	820	3 512
Allowance for doubtful debts	(2)	-	-	(2)
Accrued income	2 788	-	-	2 788
Loans	-	-	30	30
Allowance for doubtful loans	-	-	(30)	(30)
2009				
Receivables	5 299	251	421	5 971
Allowance for doubtful debts	-	-	-	-
Accrued income	1 307	-	-	1 307
Loans	30	-	-	30
Allowance for doubtful loans	(30)	-	-	(30)

(c) Maturity analysis of financial assets and liabilities

The following table discloses the maturity analysis of financial assets and financial liabilities.

	Contractual maturities			
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
2010	\$'000	\$'000	\$'000	\$'000
Financial assets:				
Cash and cash equivalents	34 280	34 280	-	-
Receivables	3 512	3 512	-	-
Allowance for doubtful debts	(2)	(2)	-	-
Accrued income	2 788	2 788	-	-
Loans	30	30	-	-
Allowance for doubtful loans	(30)	(30)	-	-
Total financial assets	40 578	40 578	-	-

(c) Maturity analysis of financial assets and liabilities (continued)

	Contractual maturities			
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000
2010				
Financial liabilities:				
Creditors	8 466	8 466	-	-
Accrued expenses	3 612	3 612	-	-
Unearned income	214	214	-	-
Other financial liabilities	103	29	74	-
Total financial liabilities	12 395	12 321	74	-
2009				
Financial assets:				
Cash and cash equivalents	31 838	31 838	-	-
Receivables	5 971	5 971	-	-
Allowance for doubtful debts	-	-	-	-
Accrued income	1 307	1 307	-	-
Loans	30	30	-	-
Allowance for doubtful loans	(30)	(30)	-	-
Total financial assets	39 116	39 116	-	-
Financial liabilities:				
Creditors	9 198	9 198	-	-
Accrued expenses	1 184	1 184	-	-
Unearned income	50	50	-	-
Other financial liabilities	91	20	71	-
Total financial liabilities	10 523	10 452	71	-

31. Remuneration of board and committee members

The Department has established a number of boards and committees where members receive or are entitled to receive remuneration for their membership. Members that were entitled to receive remuneration for membership during the 2009-10 financial year were:

Social Inclusion Board

D Cappelletti*	B Cass	K Colbung*
W Cossey	L Hallahan (from 11 Dec 2009)	G Hugo
A McKenzie*	M Patetsos	P Peel* (from 11 Dec 2009)
M Wagstaff		

South Australian Aboriginal Advisory Council

A Agius	M Anderson	D Bond (from 1 Jul 2009)
S Gollan	L Liddle* (from 1 Jul 2009)	J Robin (from 1 Jul 2009)
A Stuart	K Telfer (from 1 Jul 2009)	P Vandenberg* (from 1 Jul 2009)
S Wilson		

SA Strategic Plan Community Engagement Board

D Agnew*	P Blacker	D Bursill (from 27 August 2009 to 14 Apr 2010)
A Edwards (from 11 Jul 2009)	H Le*	P Mickan (to 10 Jul 2009)
S Miller* (to 26 Aug 2009)	E Moulds (to 15 Jun 2010)	D Mutton
J Rich	S Starick	M Wagstaff

State Records Council

M Anderson*	E Cook* (to 21 Dec 2009)	P Crush
S Froude*	S Marsden	M Moore
G Thompson*	S Vreugdenburg*	T Watson

Disciplinary Appeals Tribunal (Dissolved)

P Hannon* (to 1 Feb 2010)	J McCusker* (to 1 Feb 2010)
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Aboriginal Heritage Act 1988 Aboriginal Heritage Committee

Y Agius (from 13 Jul 2009)	M Ah Chee	M George
D Likouresis	S Meagher (from 13 Jul 2009)	G Owen
C Smith	H Smith	A Starkey*
S Sparrow	A Stuart	L Wright

Premier's Climate Change Council

D Klingberg	D Davidson (to 25 Jun 2010)	J Kerr
J O'Brien	I McMillen	S Miller*
J White	J Pettett	V Sanders

31. Remuneration of board and committee members (continued)

Public Sector Performance Commission Advisory Board

E Bowman	R Green	J Hallion*
M Hyde*	B Pocock	T Stubbs
J Westacott		

Promotion and Grievance Appeals Tribunal (dissolved)

L Parnell* (to 1 Feb 2010)

South Australia's Strategic Plan Audit Committee

I Chessell	W Cossey	J Giles
S Miller*	L Read	

Privacy Committee of South Australia

S Doherty (to 12 Aug 2009)	T Hosch (from 10 Feb 2010)	A Mills* (from 10 Nov 2009)
C Radbone* (to 2 Sep 2009)	N Rogers*	T Ryan*
B Quirke*	A Stanley*	

Capital City Committee

R Clarke (to 10 Dec 2009)	G Gago* (from 20 Mar 2010)	M Harbison
P Holloway*	J Lomax-Smith* (to 20 Mar 2010)	M Rann*
F Wong (from 16 Dec 2009)	S Yarwood (to 15 Dec 2009)	
D Plumridge (from 16 Dec 2009)		

Aboriginal Lands Trust Act 1966 Review Reference Group

P Agius (from 11 May 2010)	D Bertossa* (from 31 Dec 2009)	H Davey (from 31 Dec 2009)
H Miller (from 31 Dec 2009)	G Tongerie (from 31 Dec 2009)	D Walker (from 31 Dec 2009)
K Wanganeen* (from 31 Dec 2009)		

Public Sector Grievance Review Commission

D Smythe (from 28 Jan 2010)

Remuneration Tribunal

H Bachmann	J Meeking Obst	D Smythe
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State Emergency Management Committee

S Ashby*	M Barry	K Braunack*
G Burns*	W Campana	T Circelli*
R Creen*	C Eccles*	E Ferguson*
A Ferris*	L Forrest* (to 27 Jan 2010)	H Fulcher*
J Hallion*	A Holmes*	A Howe*
M Hyde*	G Knight*	S Lawson*
G Lupton*	J Maguire*	M Maywald*
J Mazel*	J Meakins*	P O'Neill*
R Persse*	D Place*	D Plowman*
D Reynolds* (to 18 Aug 2009)	B Rowse*	J Schultz*
R Sedunary* (to 13 May 2010)	A Sherbon*	T Smith* (to 21 May 2010)
V Smith*	P Ward	

Aboriginal Heritage Act 1979 Aboriginal Heritage Committee

P Clarke* (from 28 Jan 2010)	L Dare (from 28 Jan 2010)	R Hillman (from 28 Jan 2010)
M McBride (from 28 Jan 2010)	M McKenzie (from 28 Jan 2010)	V McKenzie (from 28 Jan 2010)
H Richards (from 28 Jan 2010)	S Sparrows (from 28 Jan 2010)	A Starkey (from 28 Jan 2010)

Asbestos Advisory Committee

A Amorosi	C Brown	D Fitzgerald
K Hamar*	D Hawkins*	M Howard
C Jones*	A Kay*	J Lovatt*
D McMahon	T Miller	R Munn
D Roberts	S Sergi*	

Work Life Balance Advisory Committee

R Buckler (from 1 Feb 2010)	E Dabars (from 1 Feb 2010)	S Dann (from 1 Feb 2010)
D Frith (from 1 Feb 2010)	M Hogan* (from 1 Feb 2010)	C Hudson (from 1 Feb 2010)
R Owens (from 1 Feb 2010)	J Spoehr (from 1 Feb 2010)	V Toovey* (from 1 Feb 2010)
B Wood* (from 1 Feb 2010)		

Industrial Relations Advisory Committee

D Blairs (from 13 May 2010)	R Buckler (from 15 Feb 2010)	P Caica* (to 24 Mar 2010)
F Donaghy	T Earls	P Eblen
T Evans (from 15 Feb 2010)	D Frith (to 15 Feb 2010)	A Gallacher (to 15 Feb 2010)
J Giles	D Gray (from 13 May 2010)	J Hanson
T Hines (from 13 May 2010)	P Holloway* (from 25 Mar 2010)	N Kitchin (to 15 Feb 2010)
P Kolarz (from 13 May 2010)	J McMahon (from 13 May 2010)	M Patterson*
B Smedley	C Starr (to 15 Feb 2010)	C Vincent (to 15 Feb 2010)

31. Remuneration of board and committee members (continued)

Playford Memorial Trust Inc

D Brown	D Bursill	S Herzberg
R Hislop (from 1 Jul 2009)	D Hopgood	I McMillen
D Standish (from 1 Jul 2009)	M Walters	D Watson (from 1 Jul 2009)
D Wotton	K Yates	

Occupational Health, Safety & Welfare Review Committee

A Alcock (to 23 Nov 2009)	J Bradshaw (to 23 Nov 2009)	J Brownsea
J Cavanough	C Cini (from 24 Nov 2009)	G Colquhoun (from 24 Nov 2009)
W Cornish (to 23 Nov 2009)	K Edwards (to 23 Nov 2009)	T Evans (from 24 Nov 2009)
P Farmer (to 23 Nov 2009)	E Flenley (from 24 Nov 2009)	D Frith
J Giles	A Gleeson (to 23 Nov 2009)	J Halls (to 23 Nov 2009)
K Hopkins (from 24 Nov 2009)	N Kitchin (from 24 Nov 2009)	I Law (to 23 Nov 2009)
R Martin (from 24 Nov 2009)	M O'Malley	A Raul (from 24 Nov 2009)
B Smedley	A Taylor (from 24 Nov 2009)	S Thomas (from 24 Nov 2009)
J Wilder (to 23 Nov 2009)		

Safework SA Advisory Committee

D Blairs	J Cavanough	J Davison* (to 14 Jun 2010)
D Frith	J Giles	B Grant
M Heylen	M Howard	M O'Malley
M Patterson*	T Phillips	R Thomson (from 15 Jun 2010)

Aboriginal & Torres Strait Islander Arts Development Program Peer Assessment Panel

A Baker (from 30 Jun 2010)	N Harkin	D Hastie (to 31 Oct 2009)
J Haynes	S Keller	D Siwes
J Thomas (to 31 Oct 2009)	M Ware	

Contemporary Music Peer Assessment Panel

S Arlidge	R Chalklen	B Lyon
J Heysen-Hicks (to 13 Jan 2010)	T Koch	
P Murton	J Sweeney	

Industry Development Organisations Assessment Panel

B Cook (from 17 May 2010)	K Goldsworthy (to 31 Dec 2009)	D Harris (from 27 Jan 2010)
A Kohn* (to 31 Dec 2009)	D Longley (to 31 Dec 2009)	K Maragozidis (from 27 Jan 2010)
B McQueen* (from 27 Jan 2010)	S Mayfew (from 17 May 2010)	M Parmenter (from 27 Jan 2010)
A Peluso*	A Tunbridge (to 31 Dec 2009)	S Verschoor (from 27 Jan 2010)
E Webb (to 31 Dec 2009)	C Wellman (to 12 Feb 2010)	

Literature Peer Assessment Panel

J Aquilina (to 26 March 2010)	P Allington	R Hawke (from 28 Mar 2010)
S Evans (from 28 Mar 2010)	N Pluss (to 26 Mar 2010)	N Prescott (to 26 Mar 2010)
J Jones (from 28 Mar 2010)	F Bayet-Charlton	

Art for Public Places Committee

M Corbin	N Cumpston*	N Folland
W Keates	M Knights (from 7 Jul 2009)	T Lock-Weir*
L Matthews (from 7 Jul 2009)	P Mortier*	B Powles

Community Arts Development Assessment Panel

O Black (to 31 Dec 2009)	J Boase (to 31 Dec 2009)	M Crompton* (to 31 Dec 2009)
R Johnston* (to 31 Dec 2009)	S Johnston	E O'Donovan (to 31 Dec 2009)
P Watkins*		

Performing Arts Peer Assessment Panel

A Beare (to 26 Mar 2010)	T Crea	E Joyner
A Cawrse (from 28 Mar 2010)	K Jamieson	E Old
P Johnston (from 28 Mar 2010)	J Meiners	S Riley (from 28 Mar 2010)
E Lovell (to 26 Mar 2010)	G Brookman* (to 26 Mar 2010)	A Thompson (26 Mar 2010)
A Pak Poy (from 22 Nov 2009)	R Chew (to 28 Aug 2009)	

Richard Llewellyn A & D Trust

S Chance (from 11 Nov 2009)	C De Bruin (from 16 Jan 2010)	P Hoban (from 18 Jan 2010)
N Lillecrapp	S Luke	R Maurovic
K Morgan*	C Wainwright	

31. Remuneration of board and committee members (continued)

Visual Arts, Craft and Design Peer Assessment Panel

C Andrae (to 26 March 2010)	M Richardson (to 26 March 2010)	T Rosella (from 28 Mar 2010)
J Bowden	A Turner	M Corbin (to 26 Mar 2010)
C De Rosa (from 28 Mar 2010)	D Austin (from 28 Mar 2010)	M Knights
J Henderson (from 22 Nov 2009)	A Carbone	
J Loughlin (from 28 Mar 2010)	P Johnson	

Renewables SA Board

B Carter (from 1 July 2009)	I Chessell* (from 1 July 2009)	A Kean (from 1 July 2009)
D Klingberg (from 1 July 2009)	M Kolhe (from 1 July 2009)	F O'Hehir (from 1 July 2009)
M Oliphant (from 1 July 2009)	B Rajkowska (from 1 July 2009)	T Roper (from 1 July 2009)

The numbers of members whose remuneration received or receivable falls within the following bands:

	2010 Number	2009 Number
\$0 - \$9 999	315	251
\$10 000 - \$19 999	36	17
\$20 000 - \$29 999	1	2
\$30 000 - \$39 999	3	2
\$40 000 - \$49 999	2	1
Total	<u>357</u>	<u>273</u>

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$809 000 (\$571 000).

Amounts paid to a superannuation plan for board/committee members was \$76 000 (\$50 000).

* In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

The Disciplinary Appeals Tribunal, and Promotion and Grievance Appeals Tribunal dissolved on 1 February 2010.

32. Events after balance date

As a result of restructuring administrative arrangements, the Department relinquished and received responsibility of certain functions to and from other SA Government entities as at 1 July 2010. These administrative arrangements are summarised as follows:

- the Department relinquished responsibility for the Employee Ombudsman, WorkCover Ombudsman, Medical Panels SA, Industrial Relations Court and Commission and the Workers Compensation Tribunal functions. Certain assets and liabilities relating to these business units were transferred to the Attorney-General's Department on 1 July 2010.
- the Department relinquished responsibility for the Bragg Initiative. Certain assets and liabilities relating to this business unit were transferred to the Department of Further Education, Employment, Science and Technology on 1 July 2010.
- the Department assumed responsibility for the Economic Development Board. Certain assets and liabilities relating to the Board were transferred to the Department on 1 July 2010.

**Statement of Administered Comprehensive Income
for the year ended 30 June 2010**

	Note	2010	2009
		\$'000	\$'000
EXPENSES:			
Employee benefits	A2	6 684	4 674
Grants and subsidies	A3	3 948	5 110
Intra-government transfers	A4	19 216	7 406
Supplies and services	A5	10 742	8 790
Total expenses		40 590	25 980
INCOME:			
Revenues from SA Government		14 991	24 189
Revenues from Commonwealth		710	6 756
Fees and charges		-	110
Interest		7	-
Other		313	415
Total income		16 021	31 470
NET RESULT		(24 569)	5 490
TOTAL COMPREHENSIVE RESULT		(24 569)	5 490

Net result and total comprehensive result are attributable to the SA Government as owner

**Statement of Administered Financial Position
as at 30 June 2010**

	Note	2010 \$'000	2009 \$'000
CURRENT ASSETS:			
Cash and cash equivalents		46 115	62 461
Receivables		92	89
Total current assets		46 207	62 550
Total assets		46 207	62 550
CURRENT LIABILITIES:			
Payables	A6	5 475	2 409
Employee benefits	A7	224	189
Provisions	A8	2 062	1 774
Total current liabilities		7 761	4 372
NON-CURRENT LIABILITIES:			
Payables	A6	12	18
Employee benefits	A7	121	178
Provisions	A8	7 675	2 775
Total non-current liabilities		7 808	2 971
Total liabilities		15 569	7 343
NET ASSETS		30 638	55 207
EQUITY:			
Retained earnings		30 638	55 207
TOTAL EQUITY		30 638	55 207

Total equity is attributable to the SA Government as owner

**Statement of Administered Changes in Equity
for the year ended 30 June 2010**

	Retained earnings \$'000	Total \$'000
Balance at 30 June 2008	54 525	54 525
Total comprehensive result for 2008-09	5 490	5 490
Transactions with SA Government as owner		
Net assets distributed from administrative restructure	(4 808)	(4 808)
Balance at 30 June 2009	55 207	55 207
Net result for 2009-10	(24 569)	(24 569)
Total comprehensive result for 2009-10	(24 569)	(24 569)
Balance at 30 June 2010	30 638	30 638

All changes in equity are attributable to the SA Government as owner

**Statement of Administered Cash Flows
for the year ended 30 June 2010**

	2010	2009
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:		
Employee benefits	(6 712)	(4 574)
Grants and subsidies	(3 948)	(5 110)
Intra-government transfers	(19 216)	(7 406)
Supplies and services	(2 488)	(9 041)
Cash used in operations	(32 364)	(26 131)
CASH INFLOWS:		
Receipts from SA Government	14 991	24 188
Receipts from Commonwealth	710	6 756
Fees and charges	-	110
Interest	7	-
Other receipts	310	327
Cash generated from operations	16 018	31 381
Net cash (used in) provided by operating activities	(16 346)	5 250
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Payments due to administrative restructuring activities	-	(4 808)
Cash used in financing activities	-	(4 808)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS HELD	(16 346)	442
CASH AND CASH EQUIVALENTS AT 1 JULY	62 461	62 019
CASH AND CASH EQUIVALENTS AT 30 JUNE	46 115	62 461

NOTES TO AND FORMING PART OF THE ADMINISTERED STATEMENTS

A1. Summary of significant accounting policies

All Departmental accounting policies are contained in note 2. The policies outlined in note 2 apply to both the Department's and administered financial statements.

Administered items

The following funds and financial transactions were administered by the Department as at 30 June 2010. They do not represent controlled transactions of the Department. As such, they are not recognised in the financial statements of the Department.

- Special Act payments
- Bank of Tokyo cultural and social exchange
- SA Okayama account
- Promotion of the State
- Social Inclusion – Homelessness
- Social Inclusion – School retention action plan
- APY Lands
- Aboriginal Affairs administered
- Government Workers Rehabilitation Compensation Fund
- Industrial Tribunal payments into court

A2. Employee benefits	2010	2009
	\$'000	\$'000
Salaries and wages	3 645	3 528
Long service leave	57	66
Annual leave	110	104
Employment on-costs - superannuation	681	667
Employment on-costs - other	214	200
Other employment related expenses	1 977	109
Total employee benefits	<u>6 684</u>	<u>4 674</u>

Remuneration of employees

The number of employees who received remuneration of \$100 000 or more during the year falls within the following bands:

	2010	2009
	Number	Number
\$130 000 - \$139 999	-	1
\$140 000 - \$149 999	1	-
\$150 000 - \$159 999	-	1
\$230 000 - \$239 999	-	1
\$240 000 - \$249 999	1	-
\$250 000 - \$259 999	1	1
\$260 000 - \$269 999	-	1
\$280 000 - \$289 999	1	-
\$300 000 - \$309 999	1	-
\$310 000 - \$319 999	-	1
\$340 000 - \$349 999	1	-
\$350 000 - \$359 999	3	1
\$360 000 - \$369 999	3	1
\$370 000 - \$379 999	1	-
\$390 000 - \$399 999	-	4
\$410 000 - \$419 999	-	1
\$420 000 - \$429 999	-	1
Total	<u>13</u>	<u>14</u>

The table includes all employees who received remuneration of \$100 000 or more during the year paid by the State. The total remuneration received by employees listed in the table above for the year was \$4.1 million (\$4.5 million).

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits.

A3. Grants and subsidies	2010	2009
	\$'000	\$'000
Grants and subsidies paid/payable to entities within the SA Government:		
Recurrent grant	-	5 110
Total grants and subsidies - SA Government entities	<u>-</u>	<u>5 110</u>
Grants and subsidies paid/payable to entities external to the SA Government:		
Recurrent grant	3 948	-
Total grants and subsidies - Non-SA Government entities	<u>3 948</u>	<u>-</u>
Total grants and subsidies	<u>3 948</u>	<u>5 110</u>
A4. Intra-government transfers		
Other intra-government transfers	18 761	6 147
Recoveries by controlled items	455	1 159
Resources provided free of charge	-	100
Total intra-government transfers	<u>19 216</u>	<u>7 406</u>
A5. Supplies and services		
Community infrastructure	3 121	4 864
Government Workers Compensation Fund	6 889	2 531
Other supplies and services	732	1 395
Total supplies and services	<u>10 742</u>	<u>8 790</u>
A6. Payables		
Current:		
Creditors	5 447	2 380
Employment on-costs	28	29
Total current payables	<u>5 475</u>	<u>2 409</u>
Non-current:		
Employment on-costs	12	18
Total non-current payables	<u>12</u>	<u>18</u>
Total payables	<u>5 487</u>	<u>2 427</u>

A7. Employee benefits	2010	2009
Current:	\$'000	\$'000
Accrued salaries and wages	94	88
Long service leave	25	35
Annual leave	105	66
Total current employee benefits	224	189
Non-current:		
Long service leave	121	178
Total non-current employee benefits	121	178
Total employee benefits	345	367
A8. Provisions		
Current:		
Provisions for workers compensation	2 062	1 774
Total current provisions	2 062	1 774
Non-current:		
Provisions for workers compensation	7 675	2 775
Total non-current provisions	7 675	2 775
Total provisions	9 737	4 549

A9. Events after balance date
 As a result of restructuring administrative arrangements, the Department relinquished responsibility of certain special act payments to the Attorney-General's Department on 1 July 2010.

DEPARTMENT OF PRIMARY INDUSTRIES AND RESOURCES

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Primary Industries and Resources (the Department) is an administrative unit established under the PSA.

Functions

The Department's main responsibilities include ensuring the sustainable development of the State's natural, industrial and community resources and assets in accordance with South Australia's Strategic Plan.

For more information about the Department's role and objectives, refer note 1 to the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Department for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Department in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial statements and internal controls.

During 2009-10 specific areas of audit attention included:

- financial accounting and reporting
- fixed assets
- expenditure
 - goods and services procurement
 - credit card processing
 - payroll
 - grants and subsidies
- revenue
 - Masterpiece accounts receivable debtor management and Reculver cash receipting
 - consultancy and service fees
 - grants and advances
 - fisheries licensing revenue
 - minerals and petroleum royalties and licences
- cash at bank
- financial management compliance program.

The audit included consideration of control arrangements implemented by the Department and Shared Services SA (SSSA).

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Primary Industries and Resources as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Department of Primary Industries and Resources in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to expenditure, payroll, fixed assets, cash and Masterpiece accounts receivable and Reculver, as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Primary Industries and Resources have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Department and SSSA. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and SSSA and the related responses are detailed below.

Expenditure

The 2009-10 audit included:

- review of the control arrangements implemented by the Department and SSSA
- detailed testing of transactions processed through the accounts payable module
- a review of credit card controls and transactions processed through the E-Crow system
- consideration of actions implemented by the Department in response to prior year audit findings and recommendations.

The 2009-10 audit identified that the Department and SSSA have not implemented preventative controls over transaction processing but rely on high level detective controls. The risks associated with this approach include:

- control procedures which occur after the disbursement of funds create a risk invalid payments are not recoverable
- controls are not consistently applied across all divisions
- there is opportunity for informed employees with access to information and trust by high level management to process invalid or fraudulent payments.

Review of the Department's control environment in 2009-10 identified:

- the signature register provided to SSSA to allow checking of payment delegate's signatures proved difficult for SSSA to use
- purchase orders are raised after the receipt of goods and services and the invoice.
- the review of general ledger transaction reports by divisions is inconsistent and not evidenced for review.

The Department responded that:

- it was not aware that SSSA was not using the signature register provided and that the use of a signature register will not be applicable in 2010-11 due to online authorisations in the eProcurement system
- it is reviewing the use of purchase orders due to the implementation of eProcurement

- it needs to reinforce the policy associated with the review of general ledger transactions reports and will assess the impact of eProcurement on this review.

The review of the control environment at SSSA identified that:

- SSSA has not updated documented procedures to reflect the Department's current expenditure processing environment
- the review of invoices processed in Masterpiece accounts payable is limited
- responsibility for performing key processing activities is not appropriately segregated increasing the risk of the processing of fraudulent transactions
- there is limited assurance that changes to the vendor masterfile are authorised and valid.

SSSA responded that:

- it will develop procedures when required or as part of implementing change initiatives and service standardisation
- the implementation of the eProcurement solution will include in-built checks of all transactions processed
- with the implementation of eProcurement, function based teams will be implemented to ensure segregation of duties for key processing activities and that vendors are created with appropriate supporting documentation.

Payroll

The 2009-10 audit included a review of control arrangements implemented by the Department and SSSA and the testing of transactions processed through the CHRIS System. Specific areas of focus included:

- recording hiring and terminating personnel
- time and attendance recording
- payroll calculation and disbursement
- maintenance of employee data within the CHRIS system
- reconciliations between CHRIS and the general ledger.

The 2008-09 audit identified that, following the transition to SSSA, bona fide certificates and leave returns were no longer recorded in a central register after they were reviewed by pay point managers. The Department advised that it would not implement bona fide and leave return registers, instead it would incorporate the manager's responsibility for the review of bona fide certificates and leave returns into the human resource delegations instrument.

In 2009-10 Audit again recommended that the Department implement central registers for bona fide certificates and leave returns. The recommendation reflected an assessment that use of a central register to monitor managers' review of bona fide certificates and leave returns provides assurance that managers have consistently performed important checking procedures. The managers' checks are, in turn, important elements in ensuring the validity of payments to employees and the complete recording of leave taken.

The risks associated with the absence of a central register are:

- bona fide certificates – the Department is not assured that all bona fide certificates are reviewed in a timely manner and action is taken to correct any errors or omissions
- leave returns – the Department is not assured that leave returns are reviewed in a timely manner and that leave taken by employees is recorded.

The Department responded that it has documented policies and procedures outlining Managers' review of bona fide certificates and leave returns. It also responded that it will require the cooperation of SSSA to implement central registers and will discuss options to deal with the matter and explore how other agencies have addressed this concern.

Audit's review of the control environment at SSSA identified that:

- SSSA has not documented policies and procedures relating to the Department's payroll processing

- there is limited segregation of duties for key payroll functions
- there was limited review and approval of a change to Corporate Online systems limits which determine who may approve the processing of payments.

SSSA responded that it will conduct an organisational review of user access to transaction systems with the aim of strengthening system security controls and improving segregation of duties. Further, SSSA advised that it will develop procedures when required or as part of implementing change initiatives and service standardisation.

Fixed assets

The audit of control arrangements implemented by the Department and SSSA over fixed asset records in 2009-10 considered processes for accounting for:

- acquiring and disposing of fixed assets
- depreciating fixed assets
- maintaining the fixed assets register and reconciling it to the general ledger.

Review of controls within the Department identified the following areas for improvement:

- asset acquisitions were manually updated to the fixed asset register rather than using the automated functions within Masterpiece
- documentation for asset disposals which were identified by stocktakes were not appropriately approved
- stocktake results were not returned to SSSA in a timely manner.

The Department responded that:

- as a result of the implementation of eProcurement the Masterpiece fixed asset module will no longer be used, and that it will investigate the use of automated functions within eProcurement
- it will re-issue its asset disposal procedures to re-affirm that the asset disposal form should be completed at the time of the disposal, evidencing the timely approval of the disposal
- it plans to undertake the 2010-11 stocktake earlier in the year to allow sufficient time to update the asset register.

The review of the control environment at SSSA identified that:

- there were delays in processing disposal and depreciation transactions
- reconciliations were not completed in a timely manner
- supporting documentation was not attached to Masterpiece fixed asset/general ledger reconciliations to substantiate Masterpiece fixed assets balances.

SSSA responded that it will process changes to the fixed asset register, including depreciation and disposals, after finalising the 2009-10 financial year. It also advised that it will perform the fixed asset reconciliations from September 2010 onwards for each month. In addition, a report will be attached to the Masterpiece fixed asset/general ledger reconciliation to support the fixed asset register balances.

Cash

Responsibility for preparing the Department's bank reconciliation transferred to SSSA in 2009-10. The 2009-10 audit reviewed the policies and procedures, reconciliation methodologies and independent review responsibility for the Department's bank reconciliation at SSSA.

The audit identified the following weaknesses in processes and controls relating to the bank reconciliations:

- the reconciliations were not prepared and reviewed in a timely manner

- unexplained variances between the bank records and general ledger were not investigated and resolved for a number of months
- reconciling items were not cleared within an appropriate timeframe.

It was also identified that the components of the bank reconciliation prepared by accounts payable, accounts receivable and payroll were not formally and independently reviewed. As discussed above under 'Expenditure' and 'Payroll', there is limited segregation of duties in these areas.

SSSA responded that the delay in preparing the bank reconciliation was mainly due to accounts receivable related items, and SSSA is working with the Department to improve revenue processes, including cash receipting. It also advised that it is working with the Department to resolve unexplained variances and long standing reconciling items and will implement an independent review of the bank reconciliation components prepared by accounts payable, accounts receivable and payroll. It will also consider segregation of duties and update policies and procedures.

Masterpiece accounts receivable and Reculver

The audit considered control arrangements implemented by the Department and SSSA and tested transactions processed through the Masterpiece accounts receivable and Reculver systems.

In 2008-09 the Department implemented a project to review and improve the Masterpiece accounts receivable and general ledger reconciliations. Audit recommended that the Masterpiece accounts receivable to general ledger reconciliation include system reports to support the Masterpiece balances. Follow-up in 2009-10 identified that system reports are still not attached to the reconciliation.

The 2009-10 audit also identified:

- a number of revenue clearing accounts have long standing reconciling items
- system controls do not prevent the back dating of revenue invoices
- the Department has a number of outstanding debts greater than 120 days old.

The Department responded that:

- it will advise SSSA of its requirement to attach system reports to the Masterpiece accounts receivable to general ledger reconciliation
- it will continue to work with SSSA to ensure long standing reconciling items are investigated and appropriately actioned
- it is investigating system controls that prevent the possibility of back dating invoices
- it had communicated its policies and procedures to officers responsible for debt management and it will consult with divisional finance managers to investigate the possibility of implementing a more formal and regular debtor reporting process.

The audit review at SSSA identified the following areas where controls relating to the Masterpiece accounts receivable to general ledger reconciliations can be improved:

- a number of monthly reconciliations were not signed by the preparer or reviewer
- there was an unreconciled variance for a number of months after reconciling items were identified.

SSSA responded that it will ensure that all reconciliations are independently reviewed and it has established monthly meetings with the Department to review and rectify reconciling items.

Fisheries licensing revenue

In 2008-09 the audit of the revenue collected by the Fisheries divisions of the Department included:

- review of policies and procedures
- testing of licensing and invoicing
- testing of credit notes
- review of the reconciliation of PIIMS revenue system and Masterpiece accounts receivable.

As a result of the 2008-09 audit, it was recommended that the Department attach system reports to the reconciliation of PIIMS and Masterpiece accounts receivable to substantiate the balances on the reconciliations. The Department responded that system reports would be attached to the reconciliation.

Follow-up in 2009-10 identified that systems reports were not attached to the reconciliation to substantiate PIIMS and Masterpiece accounts receivable balances. The Department responded that consultation has commenced between the fisheries licensing and corporate divisions to resolve this issue.

Merchant facilities - eCommerce data security compliance

DTF is the holder of the whole-of-government contract for merchant facilities with the Australia and New Zealand (ANZ) Banking Group. ANZ is the appointed preferred supplier and the Department uses merchant facilities under this contract. To maintain merchant services the Department must comply with the global payment card industry (PCI) compliance requirements to protect cardholder data.

In July 2009 the ANZ wrote to DTF outlining specific PCI security and evidence requirements that DTF and agencies had to fulfil to maintain their merchant status. In February-March 2010 Audit conducted a high level PCI compliance assessment involving DTF and selected agencies, which included the Department.

The review concluded that that Department needed to include a compliance statement in contractual arrangements between the Department and any third party PCI providers, ensuring that the service provider is complying with PCI standards. Audit also recommended that the Department clarify with DTF and/or ANZ certain aspects of PCI training for staff, including the basic requirements of a formal PCI security awareness program.

The matters were raised with the Department and the response received indicated that the matters were being addressed.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements - controlled items

	2010	2009
	\$'million	\$'million
EXPENSES		
Employee benefit expenses	126	120
Grants and subsidies	77	105
Facilitation of infrastructure development	33	57
Supplies and services	65	69
Other expenses	14	8
Total expenses	315	359
INCOME		
Revenue from fees and charges	35	37
Advances and grants	45	48
Recoveries for facilitation of infrastructure development	89	-
Commonwealth revenues	51	66
Resources received free of charge	-	12
Other income	20	12
Total income	240	175
Net cost of providing services	75	184
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT		
Revenues from SA Government	137	188
Payments to SA Government	(62)	(11)
Net result and total comprehensive result	-	(7)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2	(1)

	2010 \$'million	2009 \$'million
ASSETS		
Current assets	108	101
Non-current assets	141	145
Total assets	249	246
LIABILITIES		
Current liabilities	37	33
Non-current liabilities	29	30
Total liabilities	66	63
TOTAL EQUITY	183	183

Statement of Comprehensive Income

Employee benefit expenses

Employee benefit expenses have increased due to TVSP payments, offset partly by a decrease in salaries and wages. Refer to note 6 to the financial statements.

Grants and subsidies expense

This expense has decreased from 2008-09 to 2009-10 due mainly to a \$15 million decrease in grants paid by the Department for the Exceptional Circumstances/Drought Assistance program and a decrease in grant payments for State Government drought programs.

Commonwealth revenues

Commonwealth revenues decreased due to a \$15 million decrease in funding received for the Exceptional Circumstances/Drought Assistance program.

Resources received free of charge

During 2008-09 the Department recorded \$10.5 million associated with the first time recognition of a 4.2 gigalitre water licence. The water licence was sold to the former Department of Water, Land and Biodiversity Conservation (DWLBC) for \$10.5 million to facilitate the completion of South Australia's water recovery targets under The Living Murray initiative.

Proceeds from the sale of the water licence were returned to the Consolidated Account.

Other income

Other income increased due mainly to TVSP recoveries of \$9.6 million, offset partly by a \$2.6 million decrease in other reimbursements.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2010.

	2010 \$'million	2009 \$'million	2008 \$'million	2007 \$'million
Net cash flows				
Operating	2	(1)	1	15
Investing	(6)	6	(5)	(4)
Financing	1	(4)	(1)	(1)
Change in cash	(3)	1	(5)	10
Cash at 30 June	78	81	80	85

Cash balances at 30 June have been maintained at similar levels over the four year period. Note 22 of the financial statements details the composition of the cash balances for 2008-09 and 2009-10.

Highlights of the financial statements - administered items

	2010	2009
	\$'million	\$'million
EXPENSES		
Grants and subsidies	22	60
Payments of royalties to Consolidated Account	125	152
Other expenses	6	5
Total expenses	153	217
INCOME		
Revenues from fees and charges	20	21
Advances and grants	-	37
Royalties	125	152
Other income	5	5
Total income	150	215
Net cost of providing services	(3)	(2)
REVENUES FROM SA GOVERNMENT		
	4	5
Net result	1	3
OTHER COMPREHENSIVE INCOME		
Changes in property, plant and equipment asset revaluation surplus	-	(3)
Total comprehensive result	1	-
NET CASH USED IN OPERATING ACTIVITIES		
	(4)	(3)
ASSETS		
Current assets	32	36
Total assets	32	36
LIABILITIES		
Current liabilities	14	19
Total liabilities	14	19
TOTAL EQUITY	18	17

Statement of Administered Comprehensive Income

The following expense and income amounts reflected in the Statement of Administered Comprehensive Income have decreased following the transfer of functions to the Department of Planning and Local Government, notably:

- grants and subsidies expense
- advances and grants income.

Payments to the Consolidated Account have decreased due to the decreased revenue related to mining and petroleum royalties.

Statement of Administered Financial Position

Current liabilities have reduced due to the decrease in royalties payable to the Consolidated Account.

Statement of Administered Cash Flows

Financing activities

Net cash outflows from financing activities of \$16 million in 2008-09 reflects the \$16 million payment of cash to the Department of Planning and Local Government arising from the administrative restructure in 2008-09.

FURTHER COMMENTARY ON OPERATIONS

Jervois to Langhorne Creek and Currency Creek Pipeline

The Jervois to Langhorne Creek and Currency Creek Pipeline project is part of the State Government's Murray Futures project, funded by the Australian Government's Water for the Future program. The Department has entered into arrangements with the South Australian Water Corporation, the former DWLBC and the Creeks Pipeline Company for the construction of the pipeline.

During 2009-10 the Department paid the South Australian Water Corporation \$32.64 million to manage the construction of the pipeline and received \$89.49 million from the Creeks Pipeline Company for payment of the pipeline. The pipeline was completed in 2009-10, with ownership transferring to the Creeks Pipeline Company.

**Statement of Comprehensive Income
for the year ended 30 June 2010**

	Note	2010 \$'000	2009 \$'000
EXPENSES:			
Employee benefit expenses	6	126 484	119 615
Supplies and services	7	64 728	68 977
Facilitation of infrastructure construction	2(p)	32 640	56 850
Depreciation and amortisation expense	8	8 611	8 287
Grants and subsidies	9	77 136	104 513
Borrowing costs	10	57	192
Other expenses	11	4 787	1 151
Total expenses		314 443	359 585
INCOME:			
Revenues from fees and charges	13	34 736	36 922
Advances and grants	14	44 889	48 128
Commonwealth revenues	15	50 621	65 530
Interest revenues	16	1 742	2 530
Sale of goods	17	4 816	3 984
Recoveries for facilitation of infrastructure development	2(p)	89 490	-
Net gain from disposal of non-current assets	18	28	89
Other income	19	13 304	6 155
Resources received free of charge	20	49	12 064
Total income		239 675	175 402
NET COST OF PROVIDING SERVICES		74 768	184 183
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	21	137 100	188 234
Payments to SA Government	21	(61 924)	(10 500)
Net revenues from SA Government		75 176	177 734
NET RESULT		408	(6 449)
TOTAL COMPREHENSIVE RESULT		408	(6 449)

Net result and total comprehensive result are attributable to the SA Government as owner

**Statement of Financial Position
as at 30 June 2010**

		2010	2009
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	22	77 799	80 997
Receivables	23	28 305	16 830
Inventories	24	1 227	3 069
		107 331	100 896
Non-current assets classified as held for sale	26	249	378
Total current assets		107 580	101 274
NON-CURRENT ASSETS:			
Receivables	23	425	321
Financial assets	25	4 503	4 691
Property, plant and equipment	27	130 779	132 723
Intangible assets	28	5 353	6 209
Inventories	24	262	273
Total non-current assets		141 322	144 217
Total assets		248 902	245 491
CURRENT LIABILITIES:			
Payables	29	9 859	9 209
Employee benefits	31	12 496	12 890
Financial liabilities/borrowings	30	1 471	1 325
Provisions	32	485	657
Other current liabilities	33	12 640	8 783
Total current liabilities		36 951	32 864
NON-CURRENT LIABILITIES:			
Payables	29	2 396	2 528
Employee benefits	31	22 884	23 802
Provisions	32	1 578	1 344
Other non-current liabilities	33	1 696	1 964
Total non-current liabilities		28 554	29 638
Total liabilities		65 505	62 502
NET ASSETS		183 397	182 989
EQUITY:			
Retained earnings	34	126 090	124 846
Asset revaluation surplus	34	49 288	49 292
Committed grants reserve	34	8 019	8 851
TOTAL EQUITY		183 397	182 989
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	36		
Contingent assets and liabilities	37		

Statement of Changes in Equity for the year ended 30 June 2010

		Asset revaluation surplus	Retained earnings	Contributed equity	Committed grants reserve	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2008		49 625	127 544	1 483	9 196	187 848
Prior period correction		-	(247)	-	-	(247)
Restated balance at 30 June 2008		49 625	127 297	1 483	9 196	187 601
Net result for 2008-09		-	(6 449)	-	-	(6 449)
Transfer from reserve		-	345	-	(345)	-
Gain on revaluation of property during 2008-09		(345)	345	-	-	-
Total comprehensive result for 2008-09		(345)	(5 759)	-	(345)	(6 449)
Transactions with SA Government as owner						
Net assets transferred as a result of an administrative restructure	35	-	3 308	(1 483)	-	1 825
Balance at 30 June 2009		49 280	124 846	-	8 851	182 977
Prior period correction		12	-	-	-	12
Restated balance at 30 June 2009	34	49 292	124 846	-	8 851	182 989
Net result for 2009-10		-	408	-	-	408
Transfer from reserve		-	832	-	(832)	-
Asset derecognition (revaluation surplus adjustments)		(4)	4	-	-	-
Total comprehensive result for 2009-10		(4)	1 244	-	(832)	408
Balance at 30 June 2010	34	49 288	126 090	-	8 019	183 397

All changes in equity are attributable to the SA Government as owner

Statement of Cash Flows for the year ended 30 June 2010

	2010	2009
	Inflows	Inflows
	(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:	Note	\$'000
Employee benefit payments	(127 843)	(117 348)
Supplies and services	(61 994)	(68 414)
Facilitation of infrastructure construction	(32 640)	(56 850)
Grants and subsidies	(78 541)	(105 486)
Interest paid	(57)	(212)
GST payments to ATO	(6 662)	-
GST paid to suppliers	(16 794)	(16 108)
Other payments	(4 326)	(1 315)
Cash used in operations	(328 857)	(365 733)
CASH INFLOWS:		
Fees and charges	36 893	38 299
Sale of goods	3 712	4 541
Commonwealth revenues	40 655	42 159
Advances and grants	45 501	77 021
Interest received	1 713	2 615
Facilitation of infrastructure development	89 490	-
GST receipts from customers	13 813	6 086
GST recovered from ATO	10 676	9 527
Other receipts	13 190	6 165
Cash generated from operations	255 643	187 133
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	137 100	188 234
Payments to SA Government	(61 924)	(10 500)
Cash generated from SA Government	75 176	177 734
Net cash provided by (used in) operating activities	1 962	(866)
	39	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(5 019)	(6 435)
Loans advanced to rural sector and industry	(697)	(706)
Purchase of intangibles	(561)	(837)
Cash used in investing activities	(6 277)	(7 978)
CASH INFLOWS:		
Loans repaid by the rural sector and industry	510	2 848
Proceeds from the sale of property, plant and equipment	461	375
Proceeds from the sale of water licence	-	10 500
Lease incentive received	-	370
Cash generated from investing activities	971	14 093
Net cash (used in) provided by investing activities	(5 306)	6 115
	18a	
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Repayment of borrowings ⁽¹⁾	(274)	(2 332)
Cash transferred as a result of restructuring activities	-	(2 858)
Cash used in financing activities	(274)	(5 190)
CASH INFLOWS:		
Proceeds from borrowings	420	654
Cash generated from financing activities	420	654
Net cash provided by (used in) financing activities	146	(4 536)
NET (DECREASE) INCREASE IN CASH	(3 198)	713
CASH AT 1 JULY	80 997	80 284
CASH AT 30 JUNE	77 799	80 997
	22	

(1) The 2009 comparative has been restated for cash flows associated with borrowings

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2010

(Activities - refer note 5)	1		2		3	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:						
Employee benefits expenses	20 977	17 792	103 833	99 273	1 674	1 563
Supplies and services	9 753	9 108	54 503	59 000	472	604
Facilitation of infrastructure construction	-	-	32 640	56 850	-	-
Depreciation and amortisation	740	534	7 866	7 748	5	5
Grants and subsidies	2 750	5 053	74 364	99 441	22	19
Borrowing costs	-	-	57	192	-	-
Other expenses	19	(4)	4 768	1 155	-	-
Total expenses	34 239	32 483	278 031	323 659	2 173	2 191
INCOME:						
Revenues from fees and charges	10 800	10 782	23 936	26 132	-	-
Advances and grants	449	1 361	44 435	46 718	5	49
Commonwealth revenues	-	-	50 621	65 530	-	-
Interest revenues	-	-	1 742	2 530	-	-
Sales of goods	84	69	4 732	3 915	-	-
Revenues for facilitation of infrastructure development	-	-	89 490	-	-	-
Net gain from disposal of non-current assets	29	(10)	(1)	99	-	-
Other income	2 514	184	10 785	5 968	5	3
Resources received free of charge	2	397	47	11 667	-	-
Total income	13 878	12 783	225 787	162 559	10	52
NET COST OF PROVIDING SERVICES	20 361	19 700	52 244	161 100	2 163	2 139
REVENUES FROM (PAYMENTS TO)						
SA GOVERNMENT:						
Revenues from SA Government	20 361	19 700	114 576	165 151	2 163	2 139
Payments to SA Government	-	-	(61 924)	(10 500)	-	-
Net revenues from SA Government	20 361	19 700	52 652	154 651	2 163	2 139
NET RESULT	-	-	408	(6 449)	-	-

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2010 (continued)

	Transfer to DPLG Southern Suburbs		Transfer to DPLG OSLGR		Total ⁽¹⁾	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:						
Employee benefits expenses	-	110	-	877	126 484	119 615
Supplies and services	-	36	-	229	64 728	68 977
Facilitation of infrastructure construction	-	-	-	-	32 640	56 850
Depreciation and amortisation	-	-	-	-	8 611	8 287
Grants and subsidies	-	-	-	-	77 136	104 513
Borrowing costs	-	-	-	-	57	192
Other expenses	-	-	-	-	4 787	1 151
Total expenses	-	146	-	1 106	314 443	359 585
INCOME:						
Revenues from fees and charges	-	-	-	8	34 736	36 922
Advances and grants	-	-	-	-	44 889	48 128
Commonwealth revenues	-	-	-	-	50 621	65 530
Interest revenues	-	-	-	-	1 742	2 530
Sale of goods	-	-	-	-	4 816	3 984
Recoveries for facilitation of infrastructure development	-	-	-	-	89 490	-
Net gain from disposal of non-current assets	-	-	-	-	28	89
Other income	-	-	-	-	13 304	6 155
Resources received free of charge	-	-	-	-	49	12 064
Total income	-	-	-	8	239 675	175 402
NET COST OF PROVIDING SERVICES	-	146	-	1 098	74 768	184 183
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:						
Revenues from SA Government	-	146	-	1 098	137 100	188 234
Payments to SA Government	-	-	-	-	(61 924)	(10 500)
Net revenues from SA Government	-	146	-	1 098	75 176	177 734
NET RESULT	-	-	-	-	408	(6 449)

(1) Comparatives for 2009 have been restated to include prior period adjustments

DPLG = Department of Planning and Local Government

OSLGR = Office for State/Local Government Relations

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2010

(Activities - refer note 5)	1		2		3	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS:						
Cash	4 092	1 914	47 473	56 715	-	-
Receivables	820	693	15 254	11 453	7	-
Inventories	55	79	1 172	2 990	-	-
Non-current assets classified as held for sale	-	-	249	378	-	-
Total current assets	4 967	2 686	64 148	71 536	7	-
NON-CURRENT ASSETS:						
Receivables	-	-	370	264	-	-
Financial assets	-	-	4 503	4 691	-	-
Property, plant and equipment	6 535	6 292	102 101	103 705	3	8
Intangible assets	660	-	1 640	853	-	-
Inventories	-	-	262	273	-	-
Total non-current assets	7 195	6 292	108 876	109 786	3	8
Total assets	12 162	8 978	173 024	181 322	10	8
CURRENT LIABILITIES:						
Payables	935	1 683	7 279	3 861	87	25
Employee benefits	1 694	2 231	7 820	9 762	141	180
Financial liabilities/borrowings	-	-	1 471	1 325	-	-
Provisions	65	63	342	331	7	7
Other current liabilities	4 999	2 711	7 327	5 592	-	-
Total current liabilities	7 693	6 688	24 239	20 871	235	212
NON-CURRENT LIABILITIES						
Payables	331	382	1 501	1 638	33	29
Employee benefits	3 166	3 968	14 342	17 010	319	305
Provisions	212	182	1 114	947	24	21
Other non-current liabilities	-	-	-	-	-	-
Total non-current liabilities	3 709	4 532	16 957	19 595	376	355
Total liabilities	11 402	11 220	41 196	40 466	611	567
NET ASSETS	760	(2 242)	131 828	140 856	(601)	(559)

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2010 (continued)

(Activities - refer note 5)	General/ Not attributable		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
CURRENT ASSETS:				
Cash	26 234	22 368	77 799	80 997
Receivables	12 224	4 684	28 305	16 830
Inventories	-	-	1 227	3 069
Non-current assets classified as held for sale	-	-	249	378
Total current assets	38 458	27 052	107 580	101 274
NON-CURRENT ASSETS				
Receivables	55	57	425	321
Financial assets	-	-	4 503	4 691
Property, plant and equipment	22 140	22 718	130 779	132 723
Intangible assets	3 053	5 356	5 353	6 209
Inventories	-	-	262	273
Total non-current assets	25 248	28 131	141 322	144 217
Total assets	63 706	55 183	248 902	245 491
CURRENT LIABILITIES:				
Payables	1 558	3 640	9 859	9 209
Employee benefits	2 841	717	12 496	12 890
Financial liabilities/borrowings	-	-	1 471	1 325
Provisions	71	256	485	657
Other current liabilities	314	480	12 640	8 783
Total current liabilities	4 784	5 093	36 951	32 864
NON-CURRENT LIABILITIES				
Payables	531	479	2 396	2 528
Employee benefits	5 057	2 519	22 884	23 802
Provisions	228	194	1 578	1 344
Other non-current liabilities	1 696	1 964	1 696	1 964
Total non-current liabilities	7 512	5 156	28 554	29 638
Total liabilities	12 296	10 249	65 505	62 502
NET ASSETS	51 410	44 934	183 397	182 989

The 2009 comparatives have been restated for prior year adjustments

Note: Assets and liabilities are only attributed to activities where this can be done reliably.

Certain amounts like cash and taxation amounts receivable and due from operating transactions are not allocated.

Property, plant and equipment assets are only allocated where there is exclusive custody, control and regulation of the use of the asset, by that activity. Where this criteria is not met the asset value is 'unallocated'.

In the construction of this report a negative 'net assets' position may result for an activity from the allocation method used and/or non-attribution of assets and liabilities to activities. However, total 'net assets' reconciles to the Statement of Financial Position.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Primary Industries and Resources

The Department of Primary Industries and Resources (PIRSA or the Department) aim of fostering sustainable and internationally competitive industries is set in targets in South Australia's Strategic Plan.

To assist in achieving South Australia's Strategic Plan targets PIRSA also has the following objectives of:

- facilitating the development and growth of food, wine, fisheries, aquaculture and forestry sectors
- promoting growth of the mineral, petroleum and geothermal industries
- promoting sustainable resource management across the industry sectors
- facilitating the application of innovative new technologies, services, products and knowledge through its strong partnerships with industry sectors
- providing research and development capability delivering innovation in the agrifood, wine and bioscience industries
- delivering rural and remote community support services.

The principal sources of funds for the Department's programs consists of monies appropriated by Parliament, research grants from industry research corporations, licence receipts, Commonwealth grants and trading operations.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provisions of the PFAA.

Except for AASB 2009-12, which the Department has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2010 (refer note 4).

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
 - (b) expenses incurred as a result of engaging consultants
 - (c) employee TVSP information
 - (d) employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
 - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented.

(c) Reporting entity

The Department is a government Department of the State of South Australia, established pursuant to the PSA. The Department is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes include all the controlled activities of the Department. Transactions and balances relating to administered resources are not recognised as Departmental income, expense, assets and liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements (schedule of administered items) at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for Departmental items.

In the process of reporting on the Department as a single unit, all internal transactions have been eliminated in full.

(d) Transferred functions

In 2009-10 no functions were transferred to the Department.

In 2008-09 the Public Sector Management (Planning SA) Proclamation 2008 (dated 26 June 2008) proclaimed that effective from 1 July 2008 the former PIRSA business unit 'Planning SA' would be established as a separate administrative unit of the public service. All existing functions were transferred to Planning SA on 1 July 2008.

The Public Sector Management (Department of Planning and Local Government) Proclamation 2008 (dated 16 October 2008) proclaimed that effective from 16 October 2008 the administrative unit title of 'Planning SA' would be altered to the Department of Planning and Local Government.

In 2008-09 the Public Sector Management (Department of Planning and Local Government - Transfer of Employees) Proclamation 2008 (dated 30 October 2008) proclaimed that effective from 3 November 2008 the Office for State and Local Government Relations, Office for Southern Suburbs and Office for the Northern Suburbs would transfer to the Department of Planning and Local Government.

In September 2006 the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings. In late 2007 State Cabinet approved the shared services model developed by the Shared Services Reform Office for the creation of Shared Services SA (SSSA) in DTF.

The business services of SA Government agencies have progressively transferred to SSSA in a series of transition programs known as Tranches. Cabinet approved Tranche 1 services on 15 October 2007. PIRSA's Tranche 1 services, namely accounts payable and accounts receivable, transitioned SSSA on 14 July 2008, followed by the payroll services, that transitioned on 4 August 2008.

The next Tranche of services to transition was approved by Cabinet on 8 December 2008. PIRSA's Tranche 2 services transitioned to SSSA on 9 June 2009, this included the financial accounting functions.

(e) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of AASB 101 and specific revised accounting standards and APSSs.

Where presentation and classification of items in the financial statements have been amended comparative figures have been adjusted to conform to changes in presentation in these financial statements unless impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

Comparatives presented in the administered financial statements

The administrative restructuring that occurred during the 2008-09 financial year has had a significant impact on the comparative data presented in the consolidated administered financial statements.

The comparatives for the reported actuals need to be interpreted as under:

	2010	2009
The administered entities of the former Office for State/Local Government Relations business unit consisting of the Local Government Tax Equivalent Fund, Outback Areas Community Development Trust and SA Local Government Grants Commission transferred on 3 November 2008	no figures reported	4 months actuals reported for the period to 03.11.2008

The administered funds that remain with the Department (refer note A3) have no physical property, plant and equipment or full-time labour resources associated with their activities.

(f) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

(g) Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables, which are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

(h) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

(i) Income and expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured.

Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The notes accompanying the financial statements disclose income, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions classified according to their nature.

The following are specific recognition criteria:

Revenues from (payments to) SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon their receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department and the appropriation is recorded as contributed equity.

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy, taxation revenues and expiation fees received on behalf of the government and paid directly to the Consolidated Account.

Amounts appropriated to the Department for transfer to eligible beneficiaries in accordance with legislation or other authoritative requirements are not available to the Department for use in achieving its objectives and therefore are not recognised as revenues, but are reported as revenues in the administered financial statements schedule. Similarly, the amounts transferred are not recognised as expenses, but are reported as administered expenses in the administered financial statements schedule.

Fees and charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Contributions received/paid

Contributions are recognised as an asset and income when the Department obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Generally, the Department has obtained control or the right to receive for:

- contributions with unconditional stipulations — this will be when the agreement becomes enforceable ie the earlier of when the receiving entity has formally been advised that the contribution (eg grant application) has been approved; agreement/contract is executed; and/or the contribution is received
- contributions with conditional stipulations — this will be when the enforceable stipulations specified in the agreement occur or are satisfied; ie income would be recognised for contributions received or receivable under the agreement.

All contributions received by the Department have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

For contributions payable, the contribution will be recognised as a liability and expense when the entity has a present obligation to pay the contribution and the expense recognition criteria are met.

All contributions paid by the Department have been contributions with unconditional stipulations attached.

Resources received/provided free of charge

Resources received/provided free of charge are recorded as revenue and expenditure in the Statement of Comprehensive Income at their fair value.

Resources provided free of charge (contributions of services) are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated. These are recorded in the expense line items to which they relate.

Administered - royalty receipts

Royalty revenue relates to minerals and petroleum production and is collected pursuant to the *Roxby Downs (Indenture Ratification) Act 1982*, *Whyalla Steel Works Act 1958*, *Mining Act 1971* and the *Petroleum and Geothermal Energy Act 2000*. Royalty revenue is recognised as income when received.

Administered - contributions received from industry

Under the *Primary Industries Funding Scheme Act 1988* certain administered industry funds may impose a levy on industry participants to raise funds for the conduct of approved projects to advance research or development in the industry sector. For each industry fund, regulations under the Act specify the amount and nature of levies payable. Revenue from this source is recognised as income when received.

Net gain on non-current assets

Income from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Employee benefits expenses

Employee benefits expense includes all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation plan in respect of current services of current Departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Depreciation and amortisation of non-current assets

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as property, plant and equipment.

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land, heritage assets and assets held for sale are not depreciated.

Depreciation and amortisation of non-current assets (continued)

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings and infrastructure	20-70
Leasehold improvements	10
Plant and equipment	3-20
Intangibles	1-4

Borrowing costs

All borrowing costs are recognised as expenses.

(j) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

(k) Assets

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Where an asset line item combine amounts expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be recovered after more than 12 months.

The notes accompanying the financial statements disclose financial assets where the counterparty/ transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank, on hand and foreign currencies.

For the purposes of the Statement of Cash Flows, cash consists of cash and cash equivalents as defined above.

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from the sale of goods and services, prepayments, loans, GST input tax credits recoverable and other accruals.

Trade receivables arise in the normal course of selling goods and services to other SA Government agencies and to the public. Trade receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Other debtors arise outside the normal course of selling goods and services to other SA Government agencies and to the public.

Collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Department will not be able to collect the debt. Bad debts are written off when identified.

Other financial assets

The Department measures financial assets at historical cost.

Inventories

(i) Biological assets and agricultural produce

Biological assets are livestock, vines and fruit trees and are valued at fair value less estimated point-of-sale costs. Agricultural produce, including wool, fruit and harvested crops, is valued at fair value less estimated point-of-sale costs. Gains and losses resulting from measurement at fair value, and from changes in fair value, are recognised in the Statement of Comprehensive Income.

Other inventories

(ii) Other inventories are measured at the lower of cost or their net realisable value.

Inventories include maps, publications, seed stocks and other goods and property held either for sale or distribution at no or nominal cost in the ordinary course of business. It excludes depreciating assets.

Inventories held for distribution, for no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential.

Other inventories (continued)

Cost is measured on the basis of the first-in first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the Statement of Comprehensive Income in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

Non-current asset acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal cost as part of a restructuring of administrative arrangements then the assets are recognised at book value, ie the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value of \$2000 or greater are capitalised.

Componentisation of complex assets is only performed when the asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Every five years the Department revalues its land, buildings and leasehold improvements. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised in the Statement of Comprehensive Income.

Any revaluation decrease is recognised as an expense in the Statement of Comprehensive Income, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

(i) Land and buildings

Land, buildings and infrastructure were independently reviewed to fair value as at 30 June 2008. Valuations comprised independent valuations received from Liquid Pacific Pty Ltd who valued the Department's assets located in the metropolitan and near country areas. Valuation increments/decrements were recorded where applicable for land, buildings and infrastructure, which represents roads, fencing, signage etc.

A desktop review in both June 2009 and June 2010 has resulted in minor increases in value that fall under the threshold that require revaluation changes.

(ii) Leasehold improvements

Leasehold improvements are brought to account at cost and are revalued in accordance with the valuation processes outlined above.

(iii) *Core trays*
Core trays were independently valued by Liquid Pacific Pty Ltd at 30 June 2008.

(iv) *Plant and equipment*
In accordance with APF III all plant and equipment below the revaluation threshold are deemed to have been revalued to their fair values immediately following recognition at cost.

Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which an asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets an impairment loss is offset against the respective asset revaluation surplus for that class of asset.

Construction and works in progress

Works in progress relate to costs associated with the systems development, purchases of plant and equipment and other developments

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Department only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

All research and development costs that do not meet the capitalisation criteria in AASB 138 are expensed.

Water licences that are tradeable in an active open market are valued at fair value by reference to current market values for water trading at the locations where the licences are held. Other water licences are valued at fair value by reference to the current cost of water in the market where the licence is held and the costs incurred to acquire the right to access the resource. Where water use restrictions apply within the year the value of the resource is diminished and an impairment allowance is recognised.

Subsequent expenditure on intangible assets has not been capitalised. This is because the Department has been unable to attribute this expenditure to the intangible asset rather than to the Department as a whole.

(I) *Liabilities*

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Where a liability line item combine amounts expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be settled after more than 12 months.

The notes accompanying the financial statements disclose financial liabilities where the counterparty/ transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

Payables

Payables include creditors, accrued expenses and employment on-costs. Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period.

Creditors include all unpaid invoices received relating to the normal operations of the Department.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Payables (continued)

Employment on-costs include superannuation contributions, workers compensation and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave. The Department makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur.

There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

Borrowing/financial liabilities

The Department measures debt at historical cost.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Department has entered into operating leases.

(i) *Operating leases*

Operating lease payments are recognised as an expense on a straight-line basis that is representative of the pattern of benefits derived from the leased assets.

(ii) *Lease incentives*

All incentives for the agreement of a new or renewed operating leases are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

The aggregate benefits of lease incentives received by the Department in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement whichever is shorter.

Financial guarantees

The Department may accept bank guarantees or other forms of securities like mortgages over land as security for loans advanced and receives securities in accordance with Acts administered by the Department for mining and petroleum to ensure that a mine operator rehabilitates a site and complies with all statutory requirements on cessation of a licence.

These financial guarantees and securities are recognised as contingent assets (refer note 37) as the Department only has claim to the funds in the event that a borrower defaults on the conditions of a loan agreement or a mine licensee fails to perform its legislative requirements with respect to mine rehabilitation.

Employee benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid.

Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

(i) *Wages, salaries, annual leave and sick leave*

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where annual leave is payable later than 12 months, the liability will be measured at present value.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

(ii) *Long service leave*

The liability for long service leave is recognised after an employee has completed 5.5 years (6.5 years) of service. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

(ii) *Long service leave (continued)*

The unconditional portion of the long service leave provision is classified as current as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

(iii) *Employee benefit on-costs*

Employee benefit on-costs (payroll tax and superannuation) are recognised separately under payables.

Provisions

Provisions are recognised when the Department has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Department expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

(m) **Unrecognised contractual commitments and contingent assets and liabilities**

Commitments include operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value (refer note 37).

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

(n) **Reserves**

The committed grants reserve for Prudential and Rural Financial Services was established to provide for grant commitments which are committed but not advanced as at the end of the financial year.

(o) **Trust funds**

The Department has received monies in a trustee capacity for trusts as set out in note 38. As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the Department's objectives, the revenues and expenditures are only disclosed by way of note and are not brought to account in the Department's financial statements.

(p) **Facilitation of infrastructure construction and development**

The Jervois to Langhorne Creek and Currency Creek pipeline project is part of the State Government's Murray Futures project funded by the Australian Government's Water for the Future program. The Department entered into arrangements with SA Water, Department of Water, Land and Biodiversity Conservation and the Creek's Pipeline Company (CPC) to facilitate the construction and development of the pipeline. The State's contribution was funded by capital raisings undertaken by CPC.

During 2009-10 the Department paid the South Australian Water Corporation \$32.64 million (\$56.85 million) for construction of the pipeline and \$175 000 (\$616 000) was paid for other costs associated with the project primarily relating to professional services to address the legal and taxation issues in the construction of the contracts and the structure of financial transaction, to provide advice on capital raising strategies and other project management costs. This expenditure is reflected in the financial statements as under:

	Note	2010 \$	2009 \$
Capital grants	9	117 000	483 000
Supplies and services	7	49 000	133 000
Other expenses	11	900	-

Total expenditure for the year on infrastructure construction and development was \$32.815 million (\$57.466 million).

During 2009-10 the Department recovered \$89.49 million from CPC for construction and development costs and \$491 000 (\$482 000) (included under note 14) from the Department of Water, Land and Biodiversity Conservation for other reimbursable costs of the project.

(p) Facilitation of infrastructure construction and development (continued)

Total revenue for the year from infrastructure construction and development was \$89.98 million (\$482 000).

\$56 million was returned to DTF for appropriation provided during 2008-09 (refer note 21).

The pipeline was completed during the year and ownership was transferred to CPC receiving network access and water entitlements to the value of their investment while exclusive access to the reserve capacity in the pipeline for future increases in demand was vested to the Minister for Water Security under a deed of fixed charge.

3. Financial instruments/Financial risk management

The Department has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (deposits with the Treasurer) and liabilities (borrowings from the SA Government). The Department's exposure to market risk and cash flow interest risk is minimal.

Credit risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department. The Department measures credit risk on a fair value basis and monitors risk on a regular basis.

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure transactions occur with customers with appropriate credit history.

Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Department's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in note 40 represents the Department's maximum exposure to financial liabilities.

Market risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

A sensitivity analysis has not been undertaken for the interest rate risk of the Department as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

4. Changes in accounting policies

There were no accounting policy changes during 2009-10 that impact the Department's financial statements for the first time in 2009-10.

Except for AASB 2009-12, which the Department has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2010. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

5. Activities of the Department

In achieving its objectives, the Department provides a range of services classified into the following activities:

Activity 1: Mineral Resources Development

The vision of the Mineral Resources Development program is to make South Australia a favoured mineral investment destination for private investment with mineral exploration expenditure to be maintained at (or above) \$100 million per annum until 2010 and mineral production and processing to reach \$4 billion by 2014. The Minerals Resources Development program will also lead the nation in attracting geothermal resource investment with a target of \$800 million of investment to establish geothermal energy resources in the period 2002-16.

Activity 2: Agriculture, Food and Fisheries

To deliver specialist services and advice across South Australia, fostering growth and development, prosperity, quality of life, while supporting environmentally sustainable development of the State's resources.

Activity 3: Forestry Policy

Support the sustainable development of an internationally competitive forest industry, regional development and the provision of services from State Government forest reserves.

The disaggregated disclosure schedule presents expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2009 and 30 June 2010.

Certain items of the Department's Statement of Financial Position are not allocated to activities and are reported as 'General/not attributable'. Assets and liabilities are only attributed to activities where this can be done reliably. Property, plant and equipment assets are only allocated where there is exclusive custody, control and regulation of the use of the asset, by a specific activity. Where this criteria is not met the asset value is classified as 'General/not attributable'.

6. Employee benefit expenses	2010	2009
	\$'000	\$'000
Salaries and wages	86 656	88 983
TVSP (refer below)	10 542	-
Annual leave	7 695	8 142
Long service leave	3 858	3 977
Employment on-costs - superannuation	10 061	11 303
Employment on-costs - other	5 563	5 663
Workers compensation	690	397
Board and committee fees ⁽¹⁾	309	335
Other employee related expenses	1 110	815
Total employee benefit expenses	126 484	119 615

(1) 2009 comparative has been restated as payments to panel members of the Brukungu Technical Advisory Group have been reclassified as consultancy expenses (refer note 7, footnote disclosure (5)).

TVSPs	2010	2009
	\$'000	\$'000
Amount paid to these employees:		
TVSPs	10 542	-
Annual leave and long service leave paid with TVSPs during the reporting period	3 633	-
Total amount paid	14 175	-
Recovery from DTF ⁽¹⁾	(9 633)	-
Net cost to agency	4 542	-

The number of employees who were paid TVSPs during the reporting period was 88 (0).

(1) TVSP recovery recognised in other revenue at note 19.

Remuneration of employees	2010	2009
	Number	Number
The number of employees whose total remuneration received or receivable falls within the following bands:		
\$100 000 - \$109 999	74	61
\$110 000 - \$119 999	34	37
\$120 000 - \$129 999	21	14
\$130 000 - \$139 999	16	15
\$140 000 - \$149 999	10	7
\$150 000 - \$159 999	6	7
\$160 000 - \$169 999	4	5
\$170 000 - \$179 999	6	1
\$180 000 - \$189 999	2	3
\$190 000 - \$199 999	1	2
\$200 000 - \$209 999	4	2
\$210 000 - \$219 999	2	2
\$220 000 - \$229 999	2	1
\$230 000 - \$239 999	-	1
\$240 000 - \$249 999	-	1
\$250 000 - \$259 999	3	1
\$270 000 - \$279 999	3	-
\$280 000 - \$289 999	3	-
\$290 000 - \$299 999	1	-
\$300 000 - \$309 999	-	1
\$310 000 - \$319 999	4	-
\$320 000 - \$329 999	1	-
\$330 000 - \$339 999	2	-
Total	199	161

Remuneration of employees (continued)

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by the above employees for the year was \$27.74 million (\$20.59 million) including separation packages. TVSP payments to the value of \$1.85 million (\$nil) and associated terminal leave payments of \$941 000 (\$nil) are included in the total remuneration to employees who received remuneration of \$100 000 or more.

Analysis of the above table of remuneration of employees categorised by the number of executive and non-executive employees is provided below:

	2010 Number	2009 Number
Executives	36	36
Non-executive	163	125
Total	<u>199</u>	<u>161</u>

The total number of executives receiving remuneration of \$100 000 or more remained the same during 2009-10. However this is represented by two retirements/resignations and one move from executive to non-executive, offset by one additional executive appointed during 2008-09 whose aggregate annual earnings now exceed the threshold, one promotion from non-executive to executive and one executive new to PIRSA in 2009-10.

The total number of non-executives receiving remuneration of \$100 000 or more increased by 38 in 2010 compared to 2009. The increase is mainly due to government enterprise bargaining outcomes which have resulted in the inclusion of 46 employees previously beneath the \$100 000 remuneration level, separation payments made to five employees who accepted TVSPs, a further four employee resignation/retirements and also one employee who moved from executive to non-executive. This was offset by the retirement/resignation of 18 employees whose total remuneration for 2010 fell below the \$100 000 level.

7. Supplies and services

	2010 \$'000	2009 \$'000
Supplies and services provided by entities within SA Government:		
Professional and technical services ^{(1) (3)}	931	1 327
Administrative and operating costs	-	6
Utility and property costs	3 398	2 905
Computing and communications costs	2 307	1 988
Shared services costs	2 711	2 313
Fleet SA vehicle lease and operating costs ⁽⁴⁾	4 937	5 342
Operating lease costs - accommodation costs	5 145	5 280
Other vehicle and equipment operating costs	91	69
Property and risk insurance	533	527
Total supplies and services - SA Government entities	<u>20 053</u>	<u>19 757</u>
Supplies and services provided by entities external to the SA Government:		
Professional and technical services ^{(2) (5)}	16 007	16 785
Administrative and operating costs	12 052	12 303
Utilities and property costs	3 376	4 699
Computing and communications costs	5 811	5 929
Travel ⁽²⁾	4 426	5 717
Other vehicle and equipment operating costs	979	1 379
Staff development and safety ⁽²⁾	1 981	2 155
Operating lease costs	43	253
Total supplies and services - non-SA Government entities	<u>44 675</u>	<u>49 220</u>
Total supplies and services	<u>64 728</u>	<u>68 977</u>

(1) Includes consultancy costs which are further broken down below and audit fees payable to the Auditor-General (refer note 12).

(2) Includes payments to SA Government entities totalling less than \$100 000.

(3) The 2009 comparative has been restated to recognise acquisitions below the asset capitalisation threshold of the Department that were previously reflected under property, plant and equipment at note 27.

(4) Includes all payments to Fleet SA for leasing, operating and maintaining vehicles under short and long term hire agreements.

(5) The 2009 comparative has been restated for the reclassification from 'Remuneration of boards and committee members' (note 42) payments of \$239 000 (\$382 000) made to the five panel members comprising the Brukunga Technical Advisory Group. This group was formed as an independent panel to provide expert advice in the field of acid mine drainage and to recommend the most cost effective and suitable technical solution for remediation of the Brukunga mine site. A technical review of the accounting treatment of the remuneration and expenses incurred by this group was conducted during the year, with a result that the expenditure for the services provided would be more appropriately reported as consultancy advice.

7. Supplies and services (continued)

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2010		2009	
	Number	\$'000	Number	\$'000
Below \$10 000	12	58	7	21
Between \$10 000 and \$50 000	20	375	19	481
Above \$50 000	9	861	12	1 947
Total paid/payable to the consultants engaged	41	1 294	38	2 449

8. Depreciation and amortisation expense

	2010	2009
	\$'000	\$'000
Depreciation:		
Plant and equipment	4 229	3 689
Buildings and infrastructure	2 554	2 639
Core trays	115	110
Total depreciation	6 898	6 438
Amortisation:		
Leasehold improvements	291	152
Intangibles	1 422	1 697
Total amortisation	1 713	1 849
Total depreciation and amortisation expense	8 611	8 287

9. Grants and subsidies

Grants and subsidies paid/payable to entities within the SA Government

The major grant programs paid to entities within the SA Government:

Rural assistance programs	-	50
State drought assistance programs	2 740	4 146
All other payments individually valued at less than \$500 000	990	1 085
Total grants and subsidies - SA Government entities	3 730	5 281

The major grant programs paid to entities external to the SA Government:

Exceptional circumstances (interest rate subsidies)	55 135	70 217
State drought assistance programs	6 354	10 962
Rural assistance programs	964	943
Marketing development management	646	-
Roxby Downs Council subsidy	600	800
Improvement and sustainability of sweet potato	430	-
Plan for Accelerated Exploration programs	300	1 649
Minerals Skills Centre	300	620
Soil for yield and quality	100	587
Food industry market development	93	554
MISA investment (redevelopment of the biological containment facility)	-	2 600
Geoscience Assistance program	-	750
All other payments individually valued at less than \$500 000	8 484	9 550
Total grants and subsidies - non-SA Government entities	73 406	99 232
Total grants and subsidies	77 136	104 513

10. Borrowing costs

Interest payable on borrowings	51	181
Guarantee fees	6	11
Total borrowing costs	57	192

11. Other expenses

Other expenses paid/payable to entities external to the SA Government:

Publications, seed and miscellaneous stocks - cost of sales	366	360
Write-down of stocks and assets to realisable value	15	44
Contributions to external bodies	4	1
Deemed cost of produce consumed ^{(2) (5)}	3 259	767
Impairment reversal	(4)	-
Property, plant and equipment write-offs	2	8
Bad debts and allowances for doubtful debts ⁽³⁾	112	-
Royalty payments	91	116
Bounty payments ⁽⁴⁾	483	-
Workers compensation revaluation	265	(244)
Other ⁽¹⁾	194	99
Total other expenses	4 787	1 151

(1) Includes payments to SA Government entities totalling less than \$100 000.

11. Other expenses (continued)

- (2) Publications, seed and other miscellaneous stocks are disclosed separately from the cost of sales of agricultural and livestock. This line predominantly represents the value of the inventory movement within the year and excludes the cost of crop harvesting from the use of internal resources. These amounts are included within the financial statements under the notes for 'Employee benefit costs' and 'Supplies and services'.
- (3) The 2009 comparative appears under note 19 reflecting a reduction in the provision in that year.
- (4) A trial was conducted during the year at Lake Albert to investigate methods to reduce overpopulation of European Carp in a manner that would minimise impact on local communities and the river and lakes habitat. A bounty payment was made to commercial fisherman based on the weight of their fish catch.
- (5) During the year the Flaxley Dairy was closed and the cattle herd was sold, resulting in an expensed inventory value of \$921 000 which is offset by sales income of \$1.468 million under note 17.

12. Auditor's remuneration

	2010	2009
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	325	257
Total auditor's remuneration	<u>325</u>	<u>257</u>

Other services

No other services were provided by the Auditor-General's Department.

13. Revenues from fees and charges

User fees and charges received/receivable from entities within SA Government:

Agriculture and Fisheries, consultancies and services	180	345
Rural Solutions, consultancies and services	8 913	9 389
South Australian Research and Development Institute, consultancies and services	104	129
Mining and petroleum application fees, rentals and licences	3	-
Other	599	613
Total revenues from fees and charges - SA Government entities	<u>9 799</u>	<u>10 476</u>

User fees and charges received/receivable from entities external to SA Government:

Agriculture and Fisheries, consultancies and services	2 676	2 367
Rural Solutions, consultancies and services	8 058	9 684
South Australian Research and Development Institute, consultancies and services	2 945	2 753
Mining and petroleum application fees, rentals and licences	10 760	10 728
Other	498	914
Total revenues from fees and charges non-SA Government entities	<u>24 937</u>	<u>26 446</u>
Total revenues from fees and charges	<u>34 736</u>	<u>36 922</u>

User fees and charges are categorised to reflect the nature of the income received and the division delivering the services sought.

14. Advances and grants

State grants ⁽¹⁾	20 116	23 744
Commonwealth grants	1 706	2 650
Industry grants	23 067	21 734
Total advances and grants revenue	<u>44 889</u>	<u>48 128</u>

- (1) New Federal-State funding arrangement commenced on 1 January 2009. The comparative has been restated to recognise that Commonwealth National Partnership Payments are now classified as 'Commonwealth revenues' under note 15.

The above advances and grants are allocated to a large range of projects involving the Commonwealth, other State Government departments and industry groups. Advances and grants were applied to the following business sectors.

	2010	2009
	\$'000	\$'000
Advances and grants received/receivable from entities within SA Government:		
South Australian Research and Development Institute ⁽¹⁾	8 688	10 495
Fisheries ⁽¹⁾	6 564	6 539
Biosecurity	1 750	-
Prudential and Rural Financial Services	822	857
Aquaculture ⁽¹⁾	704	1 007
Agriculture and wine	598	2 505
Minerals and Petroleum	350	1 218
Commercial investment division	501	-
Other	29	817
Total advances and grants revenue - SA Government entities	<u>20 006</u>	<u>23 438</u>

14. Advances and grants (continued)	2010	2009
Advances and grants received/receivable from entities external to SA Government:	\$'000	\$'000
South Australian Research and Development Institute	23 969	23 577
Fisheries	35	135
Biosecurity	30	-
Aquaculture	208	14
Agriculture and wine	294	306
Prudential and Rural Financial Services ⁽²⁾	180	-
Minerals and Petroleum	99	137
Rural Solutions	62	483
Other	6	38
Total advances and grants revenue - non-SA Government entities	<u>24 883</u>	<u>24 690</u>
Total advances and grants revenue	<u>44 889</u>	<u>48 128</u>

- (1) Costs recovered from the Fisheries Research and Development Fund and the Aquaculture Resource Management Fund for the administration of licences are applied to the delivery of projects in compliance, research and fishing industry development in the divisions of Fisheries, South Australian Research and Development Institute and Aquaculture.

In 2009-10 the amount received from the Fisheries Research and Development Fund and the Aquaculture Resource Management Fund was \$11.726 million (\$12.072 million).

- (2) The 2009 comparative has been restated for exceptional circumstances funding received direct from the Commonwealth before the new Federal-State funding arrangement commenced on 1 January 2009, refer note 15.

The major contributions received during 2009-10, with a value exceeding \$500 000 were for the following projects and programs:	2010	\$'000
Fishwatch Management	5 096	
SA Abalone Fishery	1 236	
NCRIS Photobioreactor Facility	1 020	
Rock Lobster Fishery	958	
Fisheries policy development and management	954	
Branched Broomrape	837	
SA Integrated Marine Observation System (SAIMOS)	799	
National Variety trials	790	
National Oat Breeding program	765	
Marine Scale Fishery	764	
Aquaculture policy development and management	678	
Irrigation Research and Technical Diffusion	600	
Ovine Johnes Disease program	549	
Improvement and sustainability of sweet potato	524	
Second generation biofuels research and development program	511	
All other projects with an individual value of less than \$500 000	<u>28 808</u>	
Total advances and grants revenue	<u>44 889</u>	

15. Commonwealth revenues	2010	2009
	\$'000	\$'000
Exceptional circumstances/drought assistance	50 603	65 530
Exotic pest diseases preparedness	18	-
Total Commonwealth revenues ⁽¹⁾	<u>50 621</u>	<u>65 530</u>

- (1) Commonwealth funding for specific projects and to facilitate and/or reward states that deliver on nationally significant reforms are classified as 'national partnership payments'. These payments are received by the Department through DTF. The new Federal-State funding arrangement commenced on 1 January 2009. The comparative has been restated to recognise all Commonwealth receipts during 2008-09 for programs now classified as 'national partnership payments' and which were previously classified under note 14.

16. Interest revenues	2010	2009
	\$'000	\$'000
Interest from entities within the SA Government	1 646	2 297
Loans to the rural sector	93	233
Other	3	-
Total interest revenues	<u>1 742</u>	<u>2 530</u>

17. Sale of goods	2010	2009
Sale of goods received/receivable from entities external to SA Government:		
Publications, books, maps and compact discs	276	359
Livestock ⁽²⁾	2 325	1 354
Agriculture produce	1 820	1 855
Other	395	416
Total sale of goods ⁽¹⁾	<u>4 816</u>	<u>3 984</u>

- (1) Includes revenues from SA Government entities totalling less than \$100 000.

- (2) During the year the Flaxley Dairy was closed and the cattle herd was sold, resulting in sales income of \$921 000, which is offset by an expensed inventory value of \$1.468 million. Refer note 11.

18. Net gain (loss) from disposal of non-current assets	2010	2009
Land and buildings:	\$'000	\$'000
Proceeds from disposal	330	251
Net book value of assets disposed	288	140
Net gain from disposal of land and buildings	42	111
Plant and equipment:		
Proceeds from disposal	131	124
Net book value of assets disposed	145	146
Net loss from disposal of plant and equipment	(14)	(22)
Total assets:		
Total proceeds from disposal	461	375
Total value of assets disposed	433	286
Total net gain from disposal of non-current assets	28	89
(a) Net gain (loss) from disposal of other assets		
Other:		
Proceeds from disposal	-	10 500
Net book value of assets disposed	-	10 500
Total net gain (loss) from disposal of other assets	-	-
19. Other income		
Other income received/receivable from entities within SA Government:		
Seed and other royalties	556	627
Reimbursements/recoveries	2 192	4 853
Reimbursements/recoveries for Separation Payments ⁽³⁾	9 633	-
Sponsorship contributions	198	166
Gains from changes in fair value of biological assets ⁽²⁾	204	64
Reduction in provision for doubtful debts ⁽⁴⁾	-	38
Diesel fuel rebates	174	104
Other	347	303
Total other income ⁽¹⁾	13 304	6 155
(1) Includes revenue transactions with SA Government entities under \$100 000.		
(2) The changes in fair values of livestock is reconciled along with the movement in inventory in note 24.		
(3) On 23 March 2009 Cabinet approved budget savings measures and full-time equivalent reductions. As part of these measures a TVSP scheme was established to assist agencies achieve the 2009-10 reduction targets. The cost of separation payments made by the Department (refer note 6) to employees identified as excess, were partially reimbursed from DTF.		
(4) The 2010 comparative appears under note 11 reflecting an increase in the provision in the current year.		
20. Resources received free of charge	2010	2009
Other income received/receivable from entities within SA Government:	\$'000	\$'000
Fair value of assets acquired free of charge ⁽¹⁾	49	10 845
Total resources received free of charge - SA Government entities	49	10 845
Other income received/receivable from entities external to SA Government:		
Fair value of assets acquired free of charge	-	1 219
Total fair value of assets acquired free of charge - non-SA Government entities	-	1 219
Total resources received free of charge - non-SA Government entities	49	12 064
(1) During the year, heritage assets held by Minister Holloway's office were transferred to PIRSA from the Department of Trade and Economic Development. The fair value of the assets received was \$48 750.		
21. Revenues from (payments to) SA Government	2010	2009
Revenues from SA Government:	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	134 931	125 463
Appropriation received from the Treasurer's Contingency Fund ^(a)	1 695	9 143
Appropriation received from the Governor's Appropriation Fund ^(a)	474	53 628
Total revenues from SA Government	137 100	188 234
Payments to SA Government:		
Appropriation returned to Treasury and Finance ^(b)	(14 924)	-
Other payments to the Consolidated Account ^{(1)(b)}	(47 000)	(10 500)
Total payments to SA Government	(61 924)	(10 500)
Net revenues from SA Government	75 176	177 734
(1) 2010 — Due to delays in receiving Commonwealth funding in 2008-09 DTF provided appropriation in that year to offset the Department's payments to SA Water (refer note 2(p)) for construction of the Jervois to Langhorne Creek and Currency Creek irrigation pipeline. The additional appropriation in 2008-09 comprised \$47 million received from the Governor's Appropriation Fund ^(a) and \$9 million from the Treasurer's Contingency Fund ^(a) . The \$56 million was returned to the Consolidated Account in 2009-10 ^(b) .		
2009 — Return to the Consolidated Account of the proceeds received from the sale of a 4.2GL water licence to the Department of Water, Land and Biodiversity Conservation to complete South Australia's water recovery target of 35GL under the Living Murray Initiative. The proceeds from the sale of \$10.5 million are reflected in note 18(a) and the first time recognition of the asset is recognised under note 28.		

21. Revenues from (payments to) SA Government (continued)

Total revenue from government for operational and capital funding consisted of \$134.931 million (\$125.463 million, net of appropriation transferred under administrative restructures) appropriated to the Department under the annual *Appropriation Act*. Additional amounts were received during the year from the Treasurer via the Governor's Appropriation Fund of \$474 000 (\$53.628 million) and a further \$1.695 million (\$9.143 million) was received from the Treasurer's Contingency Fund. At the end of the year a net \$14.924 million (\$nil) was returned to Treasury reflecting new or changes to current program funding offset by savings, program reductions, return of Langhorne Creek irrigation pipeline funding received in 2008-09 and carryovers of funding.

22. Cash

	2010 \$'000	2009 \$'000
Deposits with the Treasurer	77 783	80 430
Imprest account and cash on hand	16	19
Foreign currencies held with SAFA	-	548
Total cash	77 799	80 997

Deposits with the Treasurer include the following fund balances that have restricted conditions:

Funds held in the accrual appropriation excess funds account. The balance of these funds is not available for general use (ie the funds can only be used in accordance with the Treasurer's/Under Treasurer's approval)	10 704	17 653
Funds held pursuant to the <i>Rural Industry Adjustment and Development Act 1985</i> and other State and Commonwealth schemes for rural financial assistance	42 278	50 916
External funds held in the nature of grants or under cooperative agreements where unspent funds may be returned to the funder	5 195	5 799
Cash securities held for mining remediation. The Department only has claims to these funds if the licensee fails to perform its legislative requirements. Refer note 33.	4 092	1 914
Deposits with the Treasurer held as working capital, but subject to DTF budget and cash alignment policies	15 514	4 148
Total deposits with the Treasurer	77 783	80 430

Interest rate risk

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer are bearing a floating interest rate between 2.85 percent and 4.07 percent. The carrying amount of cash and cash equivalents approximates fair value.

23. Receivables

	2010 \$'000	2009 \$'000
Current:	\$'000	\$'000
Receivables ⁽¹⁾	11 096	9 986
Allowance for doubtful debts	187	114
	10 909	9 872
Loans receivable	1 495	1 335
Workers compensation recoveries	15	16
Accrued interest on loans and deposits	175	146
Other accrued revenue	13 185	1 761
GST receivable ⁽²⁾	2 238	3 116
Prepayments	288	584
	15 901	5 623
Total current receivables	28 305	16 830
Non-current:		
Loans receivable	370	264
Workers compensation recoveries	55	57
Total non-current receivables	425	321
Total receivables	28 730	17 151
Receivables from SA Government entities:		
Receivables	3 329	3 960
Accrued interest revenues	146	131
Other accrued revenue	1 386	841
Other	7	7
Total receivables from SA Government entities	4 868	4 939

23. Receivables (continued)	2010	2009
Receivables from non-SA Government entities:	\$'000	\$'000
Receivables	7 580	5 912
GST receivables	2 238	3 116
Other accrued revenues	11 799	920
Accrued interest revenues	29	15
Loan receivables	1 865	1 599
Other	351	650
Total receivables from non-SA Government entities	<u>23 862</u>	<u>12 212</u>
Total receivables	<u>28 730</u>	<u>17 151</u>

- (1) 2009 comparatives have been restated for an invoicing value correction.
- (2) The 2009 comparative has been restated to reflect amounts recoverable from the ATO on a net basis in accordance with Urgent Issues Group Interpretation 1031 (paragraph 9) on 'Accounting for Goods and Services Tax (GST)'. The restatement presents GST on a net basis and therefore requires a reduction of \$1.386 million in the amount of GST receivable with an offsetting reduction in GST payable (formerly shown as a payable in note 29).

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

- (a) Maturity analysis of receivables - refer note 40.
- (b) Categorisation of financial instruments and risk exposure information - refer note 40.

In accordance with the APSs contained in the APF IV, the Department measures loans at historical cost. Where there is objective evidence that a loan is impaired, provision equal to the difference between the carrying value and the present value of expected future repayments is made.

Allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in 'Other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movement in the allowance for doubtful debts (impairment loss)	2010	2009
	\$'000	\$'000
Carrying amount at 1 July	114	204
Increase (Decrease) in the allowance	112	(38)
Amounts written off	(39)	(52)
Carrying amount at 30 June	<u>187</u>	<u>114</u>

Bad and doubtful debts

The Department has recognised in other expense an increase in the provision for doubtful debt expense of \$112 000. The Department has written off debts of \$39 000 during the year against provisions created in previous years. AASB 139 requires that there be objective evidence of impairment before an allowance for loss can be recognised.

24. Inventories	2010	2009
Current inventories:	\$'000	\$'000
Biological assets:		
Livestock (at fair value less estimated point of sale costs) ⁽¹⁾	987	2 706
Agricultural produce (at fair value less estimated point of sale costs)	153	223
	<u>1 140</u>	<u>2 929</u>
Other inventories:		
Publications and maps (at the lower of cost and realisable value)	55	117
Plants and related items (at the lower of cost and realisable value)	32	23
	<u>87</u>	<u>140</u>
Total current inventories	<u>1 227</u>	<u>3 069</u>
Non-current inventories:		
Orchards and vineyards (at fair value less estimated point of sale costs)	262	273
Total non-current inventories	<u>262</u>	<u>273</u>
Total inventories	<u>1 489</u>	<u>3 342</u>

24. Inventories (continued)

	Orchards, vineyards & agricultural produce	Livestock
	2010	2009
	\$'000	\$'000
Balance at 1 July	223	2 706
Increase due to acquisitions	588	288
Decrease due to sales	(457)	(2 500)
Used as feed stock	(793)	-
Harvests transferred to inventories	628	-
Increase due to natural accretion	-	812
Inventory changes (biological growth)	-	(115)
Change in fair value less estimated point of sale costs	(36)	(204)
Balance at 30 June	<u>153</u>	<u>987</u>
Current	153	987
Non-current	<u>262</u>	<u>-</u>
	<u>415</u>	<u>987</u>

(1) During the year the Flaxley Dairy was closed and the cattle herd was sold, resulting in a reduction of \$921 000 in the fair value of livestock and a consequential reduction in milk production and milk sale revenue, which is reflected under 'Sale of goods' at note 17.

Agricultural activities are carried on to assist with research, but are conducted on a commercial basis. At 30 June 2010 inventory included 10 095 sheep, 818 cattle, 933.52 tonnes of crops and grain and 54.81 hectares of vines and fruit trees.

Production for the year included 1.967 million litres of milk, 456.258 tonnes of grapes and fruit, 7459 lambs, 717 calves, 105.38 tonnes of wool and 3675.14 tonnes of other grain crops.

25. Financial assets

	2010	2009
	\$'000	\$'000
Non-current:		
Investments in shares	<u>4 503</u>	<u>4 691</u>
Total financial assets	<u>4 503</u>	<u>4 691</u>

The Department 's investments include:

Ordinary shares in Australian Grain Technologies Pty Ltd, a joint venture entity involved in research to assist wheat breeding programs. The purchase consideration for these shares consisted of a mixture of cash and leased facilities.

The Department holds joint control along with the University of Adelaide, Grains Research and Development Corporation and SunPrime. The Department's 18 percent shareholding has been recognised at cost.

Ordinary shares in Provisor Pty Ltd, purchased in 2003-04 (\$189 800), a grape and wine research company. The Department's shareholding in Provisor Pty Ltd does not give it a controlling interest in the company and the investment is recorded at cost. The company has entered into liquidation and the investment has been written down to its estimated recoverable amount.

An allocation of shares in Barossa Infrastructure Limited (\$12 500), acquired in 2000-01, to secure a water entitlement for the Department's research farm located at Nuriootpa. The investment has an associated 15 year water infrastructure levy payable (\$81 750) under a fixed schedule until 2014-15, calculated on the megalitres of water allocated under the scheme. The remaining commitment under the schedule is reflected under note 36.

	2010	2009
	\$'000	\$'000
Movement in financial assets:		
Carrying amount at 1 July	4 691	4 691
Investment write-down to recoverable amount	(188)	-
Carrying amount at 30 June	<u>4 503</u>	<u>4 691</u>

(a) Maturity analysis of financial assets - refer note 40.

(b) Categorisation of financial instruments and risk exposure information - refer note 40.

26. Non-current assets classified as held for sale

	2010	2009
	\$'000	\$'000
Land	75	345
Plant and equipment	<u>174</u>	<u>33</u>
Total property held for sale	<u>249</u>	<u>378</u>

The Department reviews its asset base annually. Property, plant and equipment that is surplus to requirements or no longer meets current business needs are regularly disposed of by sale or auction.

Reconciliation of non-current assets classified as held for sale

The following table shows the movement of non-current assets held for sale during 2009-10:

	2010 \$'000	2009 \$'000
Carrying amount at 1 July:	378	33
Transfer in Loxton land ⁽¹⁾	-	345
Disposals	(270)	-
Transfer from property plant and equipment	141	-
Carrying amount at 30 June	<u>249</u>	<u>378</u>

(1) In February 2009 land situated at Sections 222, 223 and 224 Bookpurnong Road, Loxton, was converted from Crown land to freehold title to facilitate disposal. The land was valued at fair realisable value by Southwick Goodyear Pty Ltd on 28 April 2009 and was reclassified to assets held for resale at 30 June 2009. Sections 223 and 224 were sold in October 2009.

27. Property, plant and equipment

	2010 \$'000	2009 \$'000
Land and buildings:		
Land at fair value	32 135	32 145
Buildings and infrastructure at fair value	76 710	76 713
Accumulated depreciation	(5 299)	(2 809)
Total land and buildings	<u>103 546</u>	<u>106 049</u>
Leasehold improvements:		
Leasehold improvements at fair value	6 573	6 562
Accumulated amortisation	(4 634)	(4 343)
Total leasehold improvements	<u>1 939</u>	<u>2 219</u>
Plant and equipment:		
Core trays at fair value	4 598	4 598
Accumulated depreciation - core trays	(225)	(110)
Plant and equipment at cost (deemed fair value)	51 587	49 583
Accumulated depreciation - plant and equipment	(32 523)	(30 719)
Constructions and works in progress	1 755	1 050
Total plant and equipment	<u>25 192</u>	<u>24 402</u>
Heritage assets:		
Heritage assets at fair value	102	53
Total heritage assets	<u>102</u>	<u>53</u>
Total property, plant and equipment	<u>130 779</u>	<u>132 723</u>

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2009-10:

	Land \$'000	Bldgs & infra- structure \$'000	Leasehold imprvmnts \$'000	Core trays \$'000	Plant & equipmnt \$'000	Construc- tions & works in progress \$'000	Heritage assets \$'000	Total \$'000
2010								
Carrying amount at 1 July	32 145	73 808	2 117	4 488	18 866	1 201	53	132 678
Recognition of Loxton land ⁽¹⁾	345	-	-	-	-	-	-	345
Transfer Loxton land to assets held for sale ⁽¹⁾	(345)	-	-	-	-	-	-	(345)
Depreciation adjustment for assets acquired 2008-09 ⁽²⁾	-	45	(17)	-	(2)	-	-	26
Recognition of lease hold improvements for 101 Grenfell Street ⁽³⁾	-	-	119	-	-	-	-	119
Retrospective recognition of asset acquired in 2008-09 ⁽⁴⁾	-	51	-	-	2	-	-	53
Derecognition of assets capitalised in prior years ⁽⁵⁾	-	-	-	-	(2)	(151)	-	(153)
Carrying amount at 1 July after prior period correction	<u>32 145</u>	<u>73 904</u>	<u>2 219</u>	<u>4 488</u>	<u>18 864</u>	<u>1 050</u>	<u>53</u>	<u>132 723</u>
Additions	-	61	11	-	4 715	705	-	5 492
Disposals	(10)	-	-	-	(145)	-	-	(155)
Depreciation/amortisation expense	-	(2 554)	(291)	(115)	(4 229)	-	-	(7 189)
Assets acquired free of charge	-	-	-	-	-	-	49	49
Transfer out ⁽⁶⁾	-	-	-	-	(141)	-	-	(141)
Carrying amount at 30 June	<u>32 135</u>	<u>71 411</u>	<u>1 939</u>	<u>4 373</u>	<u>19 064</u>	<u>1 755</u>	<u>102</u>	<u>130 779</u>

(1) In February 2009 land situated at Sections 222, 223 and 224 Bookpurnong Road, Loxton, was converted from Crown land to freehold title to facilitate disposal. This land is valued at fair realisable value by Southwick Goodyear Pty Ltd. on 28 April 2009. The land was reclassified to assets held for resale at 30 June 2009. Sections 223 and 224 were sold in October 2009.

Reconciliation of property, plant and equipment (continued)

- (2) Depreciation adjustments for retrospective recognition of assets acquired in 2008-09.
- (3) Under the incentive package for the long-term lease of 101 Grenfell Street, the Department holds a convertible right for fitout improvements of the accommodation. The 2009 comparative has been restated to recognise leasehold improvements completed at 30 June 2009 (\$118 535).
- (4) Retrospective recognition of assets acquired in 2008-09.
- (5) Derecognition includes expenditure initially capitalised in 2007-08 for the Lincoln Marine Sciences Centre has now been recognised as a grant for the development of the facility as ownership and control vests with Adelaide University (\$151 000) and reclassification as operating expenditure assets acquired in 2008-09 that were below the capitalisation threshold of the Department.
- (6) Transfer of asset at net value to assets held for resale - plant and equipment disposal group.

Valuation of land, buildings and infrastructure

During 2007-08 land, buildings and infrastructure were reviewed and revalued to fair value as at 30 June 2008 in accordance with AASB 116. Valuations comprised independent valuations received from Liquid Pacific Pty Ltd who valued the Department's assets located in the metropolitan and near country areas. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

A desktop review of the movement in property, building and infrastructure values was also undertaken by Liquid Pacific Pty Ltd as at 30 June 2010. Land and building and improvement values were estimated to have changed by +5.23 percent and -0.85 percent respectively on aggregate 2007-08 values. The movement from the last formal valuation appraisal is not considered material and has not been reflected in the financial statements.

Heritage assets

During 2009 the Department received assets from the Department of Trade and Economic Development. These are 'assets in use' and are valued at fair value for insurance purposes, taking into account their present condition. The assets were last valued on 12 May 2008 by Bonhams and Bruce, approved valuers of the Auctioneers and Valuers Association of Australia.

In 2005 the Department sponsored an art commission with the Tjunga Palya art group in the Anangu Pitjantjatjara Yankunytjatjara Lands (APY Lands) through the Plan for Accelerated Exploration program. Three paintings were presented to the Department in 2007-08. These were valued by independent qualified valuer Harold E Gallasch of Tineriba Tribal Gallery.

Precious metals include medallions of historical significance and specimen stones. These were valued by Platinum Diagnostics at current replacement value from an antique or specialist coin dealer in the South Australian market.

Impairment

There were no indications of impairment of property, plant and equipment, infrastructure and tangible assets at 30 June 2010.

Resources received free of charge

During the year, heritage assets held by Minister Holloway's office were transferred to the Department from the Department of Trade and Economic Development. The fair value of the assets received is \$48 750.

Carrying amount of property, plant and equipment

Property, plant and equipment includes \$36 million of fully depreciated assets still in use.

28. Intangible assets		2010	2009
Software:		\$'000	\$'000
Computer software		10 704	10 080
Accumulated amortisation		(7 881)	(6 459)
Total software		<u>2 823</u>	<u>3 621</u>
Computer software development (works in progress)		251	314
Water and convertible accommodation lease rights at fair value ⁽¹⁾		2 281	2 280
Impairment losses against water right		(2)	(6)
Total water and convertible accommodation lease rights at fair value ⁽¹⁾		<u>2 279</u>	<u>2 274</u>
Total intangible assets		<u>5 353</u>	<u>6 209</u>

Reconciliation of intangibles

The following table shows the movement of Intangibles during 2009-10:

	Computer software	Computer software development	Water and convertible accomm lease rights	Total \$'000
Carrying amount at 1 July	3 621	314	2 393	6 328
Leasehold improvements for 101 Grenfell Street ⁽²⁾	-	-	(119)	(119)
Carrying amount at 1 July after prior period correction	<u>3 621</u>	<u>314</u>	<u>2 274</u>	<u>6 209</u>

Reconciliation of intangibles (continued)

	Computer software	Computer software development	Water and convertible accomm lease rights	Total \$'000
Additions	624	(63)	-	561
Amortisation expense	(1 422)	-	-	(1 422)
Impairment losses against water right	-	-	5	5
Carrying amount at 30 June	2 823	251	2 279	5 353

- (1) An agreement secures access to water resources for the research farm operated by the South Australian Research and Development Institute at Nuriootpa. This provides a perpetual right to an annual water allocation. This right is valued at fair value by reference to the current cost of water in the market where the licence is held, the cost incurred to acquire the right to access the resource and the value of infrastructure levy contributions to facilitate the development of the service. Where water use restrictions apply within the year the value of the resource is diminished and an impairment allowance is recognised. The water allocation in 2010-11 is assumed to be restricted to 62 percent (2 percent) and therefore an impairment allowance of 38 percent (98 percent) is recognised.
- (2) Under the incentive package for the long-term lease of 101 Grenfell Street, the Department holds a convertible right for fitout improvements of the accommodation. The 2009 comparative has been restated to recognise a reduction in the value of the right for 'fit out' works in progress at 30 June 2009, which is now recognised under note 27.

The Department has no contractual commitments for the acquisition of intangible assets.

29. Payables

	2010 \$'000	2009 \$'000
Current:		
Creditors ⁽¹⁾	559	1 910
Accrued expenses	7 196	5 237
Accrued interest on borrowings	17	17
Employment on-costs	2 087	2 045
Total current payables	9 859	9 209
Expected to be paid more than 12 months after reporting date:		
Employment on-costs	2 396	2 528
Total expected to be paid more than 12 months after reporting date	2 396	2 528
Total payables	12 255	11 737

Government/non-Government payables

Payables to SA Government entities:		
Creditors	198	197
Accrued expenses	2 703	4 134
Accrued interest on borrowings	17	17
Employment on-costs	4 360	4 573
Total payables to SA Government entities	7 278	8 921
Payables to non-SA Government entities:		
Creditors	361	1 713
Accrued expenses	4 493	1 103
Employment on-costs	123	-
Total payables to non-SA Government entities	4 977	2 816
Total payables	12 255	11 737

- (1) The 2009 comparative has been restated to recognise payment due to the Department for Transport, Energy and Infrastructure for buildings on Loxton land, that were contracted for sale.

The employer superannuation on-cost rate has reduced from the 2009 rate of 12.01 percent to 11.69 percent, reflecting the superannuation mix of the Department's employee profile at 30 June 2010. The net financial effect of this change in estimate in the current financial year is a decrease in the employment on-cost of \$74 000. In addition, the benchmark number of years for recognising long service leave liability reduced from 6.5 years in 2009 to 5.5 years. This change had a corresponding financial impact on both payroll tax and superannuation on-costs of \$32 000 and \$33 000 respectively.

Interest rate risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the related employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

- (a) Maturity analysis of payables - refer note 40.
 (b) Categorisation of financial instruments and risk exposure information - refer note 40.

30. Financial liabilities/borrowings	2010	2009
(a) Borrowings consists of:	\$'000	\$'000
Indebtedness to SAFA	91	225
Indebtedness to the Treasurer	1 380	1 100
Total financial liabilities/borrowings	<u>1 471</u>	<u>1 325</u>
(b) Balance of borrowings outstanding classifications:		
Current	<u>1 471</u>	<u>1 325</u>
Total financial liabilities/borrowings	<u>1 471</u>	<u>1 325</u>

Borrowings have no maturity date and are recognised at cost in accordance with APF IV APS 2.1.

The interest rate is determined by the Treasurer at the time of settling the loan approval and remains fixed over its term.

The weighted average interest rate for borrowings as at 30 June 2010 is 4.899 percent (7.64 percent).

- (a) Maturity analysis of borrowings - refer note 40.
- (b) Categorisation of financial instruments and risk exposure information - refer note 40.
- (c) Defaults and breaches - there were no defaults or breaches on any of the above liabilities throughout the year.

Movement in financial liabilities/borrowings	2010	2009
	\$'000	\$'000
Carrying amount at the 1 July	1 325	3 003
Additional borrowings during the year	420	653
Repayments of borrowings	(274)	(2 331)
Carrying amount at 30 June	<u>1 471</u>	<u>1 325</u>

31. Employee benefits		
Current:		
Annual leave	7 133	7 376
Long service leave	2 678	2 894
Accrued salaries and wages	2 685	2 620
Total current employee benefits	<u>12 496</u>	<u>12 890</u>
Non-current:		
Long service leave ⁽¹⁾	<u>22 884</u>	<u>23 802</u>
Total non-current employee benefits	<u>22 884</u>	<u>23 802</u>
Total employee benefits	<u>35 380</u>	<u>36 692</u>

The total current and non-current employee expense (ie aggregate employee benefit in note 31 plus related on-costs in note 29) for 2010 is \$39.86 million (\$41.26 million).

- (1) Based on an actuarial assessment performed by DTF, the benchmark for the measurement of the long service leave liability was revised to 5.5 years (6.5 years). The net financial effect of the change in the current financial year is an increase in long service leave entitlements and a corresponding increase in leave expense of \$621 000.

32. Provisions	2010	2009
Current:	\$'000	\$'000
Provision for workers compensation	485	454
Other provisions	-	203
Total current provisions	<u>485</u>	<u>657</u>
Non-current:		
Provision for workers compensation	1 578	1 344
Other provisions	-	-
Total non-current provisions	<u>1 578</u>	<u>1 344</u>
Total provisions	<u>2 063</u>	<u>2 001</u>
Carrying amount at 1 July	2 001	2 395
Increase (Decrease) in the provision	62	(244)
Restructuring transfer	-	(150)
Carrying amount at 30 June	<u>2 063</u>	<u>2 001</u>

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

33. Other liabilities		2010	2009
Current:		\$'000	\$'000
Lease incentive ⁽¹⁾		274	274
Unearned revenue		8 274	6 595
Security deposits		4 092	1 914
Total current other liabilities		<u>12 640</u>	<u>8 783</u>
Non-current:			
Other liabilities		54	48
Lease incentive ⁽¹⁾		1 642	1 916
Total non-current other liabilities		<u>1 696</u>	<u>1 964</u>
Total other liabilities		<u>14 336</u>	<u>10 747</u>

(1) Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Securities deposits are received to ensure that a mine operator rehabilitates a site and complies with all statutory requirements on cessation of a licence. Cash deposits are classified as 'security deposits'. The value of securities held in the form of bank guarantees are reflected as a contingent asset (refer note 37) as the Department only has a claim on these funds if the licensee fails to perform its legislative requirements.

34. Equity		2010	2009
		\$'000	\$'000
Retained earnings		126 090	124 846
Asset revaluation surplus		49 288	49 292
Committed grants reserve		8 019	8 851
Total equity		<u>183 397</u>	<u>182 989</u>

The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is disposed of or assets are transferred to another SA Government entity upon an administrative restructure.

35. Transferred functions

No transfers occurred in 2009-10 financial year.

Transfers that occurred in 2008-09 were as follows:

The Public Sector Management (Planning SA) Proclamation 2008 (dated 26 June 2008) proclaimed that effective from 1 July 2008 the former PIRSA business unit 'Planning SA' would be established as a separate administrative unit of the Public Service. All existing functions were transferred to Planning SA on 1 July 2008.

The Public Sector Management (Department of Planning and Local Government - Transfer of Employees) Proclamation 2008 (dated 30 October 2008) proclaimed that effective 3 November 2008 the Office for State and Local Government Relations (OSLGR), Office for Southern Suburbs and Office for the Northern Suburbs would transfer to the Department of Planning and Local Government (DPLG).

In September 2006 the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings. In late 2007 Cabinet approved the shared services model developed by the Shared Services Reform Office for the creation of SSSA in DTF.

The business services of SA Government agencies have progressively transferred to SSSA in a series of transition programs known as tranches. Cabinet approved Tranche 1 services on 15 October 2007, which comprised accounts payable, accounts receivable and payroll services. PIRSA's Tranche 1 services, namely accounts payable and accounts receivable, transitioned to SSSA on 14 July 2008, followed by the payroll services, which transitioned on 4 August 2008.

The next tranche of services to transition was approved by Cabinet on 8 December 2008. PIRSA's Tranche 2 services, which transitioned to SSSA on 9 June 2009, included the financial accounting function.

	Transfer to DPLG Planning SA	Transfer to DPLG OSLGR	Transfer to DPLG Southern Suburbs	Transfer to SSSA	Total
Assets:	\$'000	\$'000	\$'000	\$'000	\$'000
Current:					
Cash	2 339	-	-	519	2 858
Receivables	342	4	-	-	346
	<u>2 681</u>	<u>4</u>	<u>-</u>	<u>519</u>	<u>3 204</u>

35. Transferred functions (continued)

	Transfer to DPLG Planning SA \$'000	Transfer to DPLG OSLGR \$'000	Transfer to DPLG Southern Suburbs \$'000	Transfer to SSSA \$'000	Total \$'000
Non-current:					
Receivables	-	3	-	-	3
Property, plant and equipment	663	13	5	-	681
	<u>663</u>	<u>16</u>	<u>5</u>	<u>-</u>	<u>684</u>
Total assets	3 344	20	5	519	3 888
Liabilities:					
Current:					
Payables	499	29	3	25	556
Employee benefits	1 371	201	17	192	1 781
Provisions	5	31	5	-	41
Other	149	-	-	-	149
	<u>2 024</u>	<u>261</u>	<u>25</u>	<u>217</u>	<u>2 527</u>
Non-current:					
Payables	206	34	2	25	267
Employee benefits	2 162	358	13	277	2 810
Provisions	13	82	14	-	109
	<u>2 381</u>	<u>474</u>	<u>29</u>	<u>302</u>	<u>3 186</u>
Total liabilities	4 405	735	54	519	5 713
Equity:					
Contributed capital	1 483	-	-	-	1 483
Total net assets transferred	<u>(2 544)</u>	<u>(715)</u>	<u>(49)</u>	<u>-</u>	<u>(3 308)</u>

Net assets transferred by the Department as a result of an administrative restructure were at the carrying amount. The net assets transferred were treated as a distribution to the SA Government as owner.

36. Unrecognised contractual commitments

	2010 \$'000	2009 \$'000
Operating lease commitments		
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	5 112	4 906
Later than one year and not later than five years	20 352	18 369
Later than five years	10 291	14 048
Total operating lease commitments	<u>35 755</u>	<u>37 323</u>
Representing:		
Non-cancellable operating leases	35 755	37 323
Total operating lease commitments	<u>35 755</u>	<u>37 323</u>

Operating leases relate to property, which are non-cancellable leases, with rental payable monthly in advance. Contingent rental provisions within the lease agreements allow for the review of lease payments every two years. Any changes in lease payments would be based on market rates. Options exist to renew the leases at the end of their terms.

Non-cancellable operating leases have also been entered into for plant and office equipment. Rental is generally payable in advance. The rental period may continue beyond the expiry date expressed in the initial agreement, in which case, the agreement extends until either party gives written notice of their intention to terminate the agreement.

Capital commitments

Capital expenditure contracted for at the reporting date but are not yet recognised as liabilities in the financial report, are payable as follows:

	2010 \$'000	2009 \$'000
Within one year	124	763
Total capital commitments	<u>124</u>	<u>763</u>

Capital commitments relate to current contractual agreements for the development and supply of plant and equipment.

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

	2010 \$'000	2009 \$'000
Within one year	6 590	6 344
Later than one year but not later than five years	12 986	14 935
Total remuneration commitments	<u>19 576</u>	<u>21 279</u>

Amounts disclosed include commitments arising from executive service contracts. The Department does not offer fixed-term remuneration contracts greater than five years.

Other commitments	2010	2009
	\$'000	\$'000
Within one year	2 871	3 017
Later than one year but not later than five years	2 410	2 798
Later than five years	-	4
Total other commitments	<u>5 281</u>	<u>5 819</u>

The Department's other commitments include agreements with Fleet SA for long-term hire of light vehicles and other amounts owing under fixed price contracts outstanding at the end of the reporting period.

Committed grants	2010	2009
	\$'000	\$'000
Grants committed but not advanced at the end of the year	<u>8 019</u>	<u>8 851</u>
Total committed grants	<u>8 019</u>	<u>8 851</u>

Grants committed in support of rural projects contain conditions to be met before payments are made.

37. Contingent assets and contingent liabilities

Contingent assets

The Department owns intangible assets consisting of intellectual property which includes core samples provided by the mineral and petroleum industries, which are stored by the Department. These assets are not recognised in the financial statements due to difficulties in determining reliable fair values.

The Department receives securities in accordance with Acts administered by the Department for mining and petroleum. These are obtained to ensure that a mine operator rehabilitates a site and complies with all statutory requirements on cessation of a licence. The amount held as security deposits at 30 June 2010 is \$75 million in bank guarantees. The Department only has a claim on these funds if the licensee fails to perform its legislative requirements.

The Department may also accept bank guarantees or other forms of securities like mortgages over land as security for loans advanced. Bank guarantees held at 30 June 2010 have a potential realisable value of \$1.57 million (\$1.7 million). The Department may claim on these funds if the borrower defaults on the conditions of the loan agreement.

Contingent liabilities

The nature of activities that the Department is involved in can create potential exposure to environmental, fisheries and mining matters, which the Department may be required to remedy in the future. The Department has some potential outstanding litigation in a number of these areas, specifically resulting from interpretation of past mining practices and petroleum exploration.

Certain matters associated with contaminants such as contaminated land and hazardous materials have been identified and are managed in accordance with recognised standards. This includes the environmental liabilities of past mining practices where there is no longer an active licence. For new activities, it is a lease condition that rehabilitation be undertaken by the leaseholder before a lease is surrendered. The Department's responsibility is to ensure that a lease is not surrendered before appropriate rehabilitation has occurred, thus minimising the likelihood of future environmental risks to government. Work is progressing to determine any liabilities that may be associated with this role. At this time, the financial impact cannot be reliably estimated.

38. Trust funds

The Trust funds of the Department are:

Pleuro Pneumonia Fund

This Fund consists of monies belonging to all State Governments and the Federal Government. The Fund is controlled by the Standing Committee of Agriculture and all expenditure is subject to the approval of the Chairman. Funds are to be used principally for publication of the history of the Pleuro Pneumonia Eradication Campaign and are held in a Section 21 Deposit Account.

Extractive Areas Rehabilitation Fund

This Fund is credited with amounts by way of royalty on extractive minerals and is used for the rehabilitation of land disturbed by mining operations. The funds collected are used to limit damage to any aspect of the environment by such mining operations in addition to the promotion of research into methods of mining engineering and practice by which environmental damage might be reduced.

Aggregate details of the transactions and balances relating to these Trust funds for the year ended 30 June are as follows:

	Pleuro Pneumonia Fund	Extractive Areas Rehabilitation Fund	Total	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Operations:					
Revenue	3	3 790	3 793	3 629	
Expenditure	(7)	(3 980)	(3 987)	(943)	
Net operating surplus	<u>(4)</u>	<u>(190)</u>	<u>(194)</u>	<u>2 686</u>	

Extractive Areas Rehabilitation Fund (continued)

	Pleuro Pneumonia Fund \$'000	Extractive Areas Rehabilitation Fund \$'000	2010 \$'000	Total 2009 \$'000
Net assets:				
Cash at bank	82	12 542	12 624	12 896
Payables	-	-	-	(78)
Net assets	82	12 542	12 624	12 818
Funds:				
Balance of funds at 1 July	86	12 732	12 818	10 132
Net receipts	(4)	(190)	(194)	2 686
Fund balance 30 June	82	12 542	12 624	12 818
Commitments in place at 30 June	-	2 004	2 004	6 130

39. Cash flow reconciliation	2010	2009
Reconciliation of cash - cash at 30 June as per:	\$'000	\$'000
Statement of Cash Flows	77 799	80 997
Statement of Financial Position	77 799	80 997

Reconciliation of net cash (used in) provided by operating activities to net cost of providing service

Net cash provided by (used in) operating activities	1 962	(866)
Revenue from SA Government	(137 100)	(188 234)
Return to Consolidated Account	61 924	10 500
Non-cash items:		
Depreciation and amortisation	(8 611)	(8 287)
Loss on disposal of assets	28	89
Doubtful debts write off	(40)	14
Other non-cash items	48	362
Changes in assets/liabilities (net of restructure transfer):		
Increase in receivables	11 459	5 973
Decrease in inventories	(1 842)	(75)
(Increase) Decrease in payables and provisions	(45)	933
Increase (Decrease) in employee benefits	1 312	(2 585)
Increase in other liabilities	(3 863)	(2 067)
Net cost of providing services	(74 768)	(184 183)

40. Financial instruments/financial risk management

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 3.

		2010		2009	
	Note	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets					
Cash	22	77 799	77 799	80 997	80 997
Loans and receivables - at cost:					
Loans and receivables ⁽¹⁾	23	9 445	9 445	7 511	7 511
Investments - at cost:					
Other financial assets	25	4 503	4 503	4 691	4 691
Total financial assets		91 747	91 747	93 199	93 199
Financial liabilities					
Financial liabilities - at cost:					
Payables ⁽¹⁾	29	361	361	1 713	1 713
Interest bearing liabilities	30	1 471	1 471	1 325	1 325
Total financial liabilities		1 832	1 832	3 038	3 038

(1) Amount of receivables and payables disclosed here excludes statutory receivables and payables (amounts owing from/to SA Government and GST input tax credit payable and recoverable). They are carried at cost.

Currently the Department does not hold any collateral as security to any of its financial assets.

Ageing analysis of financial assets

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
2010				
Not impaired:				
Receivables	6 727	904	1 814	9 445
Other financial assets	4 503	-	-	4 503
Impaired:				
Receivables	-	-	187	187
Total financial assets	<u>11 230</u>	<u>904</u>	<u>2 001</u>	<u>14 135</u>
2009				
Not impaired:				
Receivables	5 502	780	1 229	7 511
Other financial assets	4 691	-	-	4 691
Impaired:				
Receivables	-	-	114	114
Total financial liabilities	<u>10 193</u>	<u>780</u>	<u>1 343</u>	<u>12 316</u>

Maturity analysis of financial assets and liabilities

	Carrying amount \$'000	Contractual maturities		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2010				
Financial assets:				
Cash	77 799	77 799	-	-
Loans and receivables	9 445	9 075	370	-
Other financial assets	4 503	4 503	-	-
Total financial assets	<u>91 747</u>	<u>91 377</u>	<u>370</u>	<u>-</u>
Financial liabilities:				
Payables	361	361	-	-
Interest bearing liabilities	1 471	1 471	-	-
Total financial liabilities	<u>1 832</u>	<u>1 832</u>	<u>-</u>	<u>-</u>
2009				
Financial assets:				
Cash	80 997	80 997	-	-
Loans and receivables	7 511	7 246	265	-
Other financial assets	4 691	4 691	-	-
Total financial assets	<u>93 199</u>	<u>92 934</u>	<u>265</u>	<u>-</u>
Financial Liabilities:				
Payables	1 713	1 713	-	-
Interest bearing liabilities	1 325	1 325	-	-
Total financial liabilities	<u>3 038</u>	<u>3 038</u>	<u>-</u>	<u>-</u>

41. Events after balance date

The Public Sector (Reorganisation of Public Sector Operations) Notice 2010 (dated 1 July 2010) proclaimed that effective from 1 July 2010 the Biosecurity Division of the Department for Water, Land and Biodiversity Conservation will transfer to the Department.

42. Remuneration of board and committee members

Members that were entitled to receive remuneration during the 2009-10 financial year are listed below in the following summary table:

The number of members whose remuneration received or receivable falls within the following bands:	2010 Number	2009 Number
\$0	176	196
\$1 - \$9 999	152	156
\$10 000 - \$19 999	6	3
\$20 000 - \$29 999	1	2
\$30 000 - \$39 999	-	1
\$40 000 - \$49 999	1	-
Total number of members	<u>336</u>	<u>358</u>

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$306 063 (\$319 551).

Amounts paid to a superannuation plan for members was \$19 984 (\$20 212).

42. Remuneration of board and committee members (continued)

In accordance with DPC Circular 16, government employees do not receive any remuneration for board/committee duties during the financial year.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

Advisory Board of Agriculture

Baldock H L	Lewis R K*	Ridgway J E
Colliver P H	Loffler A R	Rose P F
Correll Y A	Meissner A D (retired)	Walter V L (retired)
Dennis M D	Page G M	Wheaton P
Ferne N W	Pinder L K	Wilksch T J (retired)
Knight G R*	Pledge S R (retired)	Williams A M
Konzag R B	Rathjen A	Willson R L

Aquaculture Tenure Allocation Board

Bradsen J	O'Loughlin J M	Seamark R F (DM)
Gillanders B M	Prince D A	White M (DM)
Hill M K	Rigg C L	

South Australian Alpaca Advisory Group

Lang R A	Porter J R (retired)	Sims W G
Mossop W*	Sadler L	Warland SL
Peters M		

Aquaculture Advisory Committee

Anderson G I	Marshall J R (retired)	Peddler F W (retired)
Coates J L	Mitchell M P	Stehr H
Dolan P*	Montgomerie H L*	Westphalen G
Dyer A M	Nowak B F (retired)	Zeidler W (DM)
Jeffriess B C	Payne S	Zippel B L (retired)

Board of Examiners for Mine Managers

Coker J J	Reynolds P J	Van Leuven MA
Marshall G*		

South Australian Deer Advisory Group

Delaine M J	Schulz J L	Tuckwell C D
Phillips J M	Stevens M S	Varcoe J R
Laylock B J*	Stott L (retired)	

South Australian Goat Advisory Group

Carter L Z	Lauterbach P C	Stokes A E
Gossip A J L	Nolan R S	

Brukung Minesite Remediation Board

Jenke E C	MacDonald R A	Tyne E D*
Johnson D*	Stuart A	Vincent C
MacDonald H C		

Genetically Modified Crops Advisory Committee

Annisson G	Cummins L K	Masters G A
Baldock H L	Harvey H M	Richards R H
Bowden M S	Kemp N	Spranz U B
Cornish J G*	Levy J A W	

Barley Exporting Advisory Committee

Andrew J N	Hill J H L	Treloar P A*
Coldrey M E	Murdoch S K	
Cooper C S	Roberts K*	

South Australian Horse Industry Advisory Group

Adams S E	Carr M R	Hale S
Arnott J A (retired)	Cavanagh D R	Haynes R H (retired)
Axon J E	Dickason C* (retired)	Horridge P S
Baltussen M K (retired)	Fieldler J	Rolton G

* Government employees

Horticulture Industry Development Board

Cox J B	Little D J	Tobin P J
Demasi A	Mooney P A*	Walker C J
Fennell J* (retired)	Ross J* (retired)	Warhurst E A (retired)
Fraser M B (retired)	Stafford C R	Zerella C D

Resources Industry Development Board

Agius A	Gould I G	McMillen I C
Carr P F	Guglielmo T	Roberts J B
Carter D N	Heithersay P S*	Yates K R
Goldsworthy E R	McKenzie G (Finlaysons Law Firm)	Yeeles R

Mining Act Review Steering Group

Austin S	Moyle D W	Tyne E D*
Beckworth A	Mills L*	Windle B
Dalton P	Roberts J B	Vincent C
Freeman P*		

PIRSA Risk and Audit Committee

Archer S*	Heithersay P S*	Montgomerie H L*
Blencowe S G M	Mooney P A*	

Meat Food Safety Advisory Committee

Ackland T M	Marinos M C	Sharman A
Bourne S L	Raven G D*	Smith G R
Jenkins F*	Rock M	Wedd R B
Kidman S A	Robinson J O	Wigg A P
Knoll F P	Sandercock P	Zammit L O
Martin G L		

Olympic Dam Community Consultative Forum

Baldry K*	Heithersay P S*	Walsh S
Brake L	Ludby N	Whitworth T*
Forbes M	McGrath I	Wilson G
Farrow M	Mitchell M	Yeeles R
Harris F	Oag D	

Rural Solutions SA Advisory Board

Archer S*	Filby S M	Hills D G W
Cooper C S	Goodes W T*	Sneddon Y

Strathalbyn Community Consultative Committee

Brazzalotto B	Farrier M	Rusby T*
Carrangis F	Irwin C W	Sheldon T
Currie J	Jettner S	Woolford A
Davis B	Pederick A	

Yumbarra Ministerial Advisory Committee

Moyle D W

Forest Industry Development Board

Barnett C J	Fargher J D	Peterson C
Bull L M	McCormack R J	Pinder L K
Dunstone A S		

PIRSA Animal Ethics Committee

Baker R (retired)	Glatz P*	Lewis P* (retired)
Bartlett D B	Henderson W R	McNicholl J E*
Cooper J G	Hocking-Edwards J*	McGrath K
Craven E (retired)	Jones D*	Wyatt S*

Rural Assistance Appeals Committee

Davidson W M	Hollands D J	Hylton-Keele L*
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Horticulture Plant Health Consultative Committee

Armstrong I L (retired)	Fuller G	Ranford T M
Chown M	Feutrill C (retired)	Raven G D*
Cartwright D *(retired)	Green A S*	Redmond M L
Demasi A	Hannay J*	Sparnon I
Dalwood G	Nankivell A	

* Government employees

Horticulture Industry Charges Panel

Dalwood G W	Ranford T M
Green A S (retired)	Redmond M L
Hathaway S L	Scalzi P G
Mundy J (retired)	Simpson D (retired)
Potts C J	

Singer A J (retired)
Smith Y (retired)
Stepien E A

Resources & Energy Sector Infrastructure Council

Carter B*	Hallion J*
Cunningham B (retired)	Heithersay P S*
Dalla Valle D	Hook R*
Gray M	Kuchel J
Guglielmo T	Owens L

Roberts S J
Umlauff H
White J
Worrall L*

Eyre Peninsula Farming System Board

Bates A	Hunt E (retired)
Cronin B (retired)	James C R
Dunn M	Kullman P
Guerin S	Lymn C (retired)
Hedde B (retired)	Maddocks S*

McDonald G*
Polkinghorne A (retired)
Smith B
Thomas G*
Willmott D

Beef Industry Development Board

Bainger M T C	Maguire T
Bell A K	Ogilvie A D
Buckley A L	Smith G R*
Maddocks S*	

Treloar B G A
Umberger W J
Zammit L O

Pork Industry Development Board

Burford L K	Lewis B
Hamann R K	McMahon J
Hampel G T	McLean L N

Parish I G W
Sapwell C M
Starick S R

Extractive Areas Rehabilitation Fund Project Assessment Panel

Crimes A*	Miller C M
Falland S G	Marshall G*
Heithersay P S*	

O'Neill H E
Whiffen P

Sheep Industry Development Board

Amey L J	Maddocks S*
Blake M L	Pfeiffer I G
Dalla H M V	Ryan B G
Black Sheep Meat Co. (Gunner L)	

Stephan C R
Tegen S (retired)
Wedd R B

Dairy Industry Development Board

Basham D K B	Kourou A G
Ewing V	Lloyd K
Gilbert G J	MacDonald V F

Pfeiffer J L

Roxby Downs Advisory Reference Group

Case P*	Heithersay P S*
Cossey B	

Kelley M

Fisheries Council of SA

Cooper C S	Morison J B
Deane C H	Pennington R T
Evans B J (retired)	Sherriff R J
McShane P E	Smallridge M*

Stevens R A
Watts T J
Wright L
Zacharin W* (retired)

SA Fisheries Research Advisory Board

Cheshire A	Jefferies B C*
Doroudi M*	Montgomerie H L*
Gillanders B M	

Pennington R T
Zacharin W*

* Government employees

**Statement of Administered Comprehensive Income
for the year ended 30 June 2010**

	Note	2010 \$'000	2009 \$'000
EXPENSES:			
Employee benefits costs	A4	588	815
Supplies and services	A5	1 167	1 264
Depreciation	A7	-	60
Grants and subsidies	A8	21 730	59 515
Levies payments	A9	2 139	841
Payment of royalties to Consolidated Account	A15	124 990	152 413
Other expenses	A10	1 969	2 179
Total expenses		152 583	217 087
INCOME:			
Revenue from fees and charges	A11	20 235	21 333
Advances and grants	A12	98	37 231
Interest revenue	A13	536	716
Levies collection	A14	1 837	955
Royalties	A15	124 990	152 413
Sale of goods	A16	-	3
Other income	A17	1 852	2 333
Total income		149 548	214 984
NET COST OF PROVIDING SERVICES		3 035	2 103
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	A18	3 796	4 699
Payments to SA Government	A18	-	(26)
Net revenues from SA Government		3 796	4 673
NET RESULT		761	2 570
OTHER COMPREHENSIVE INCOME			
Changes in property, plant and equipment asset revaluation reserve	A26	-	(2 809)
TOTAL COMPREHENSIVE RESULT		761	(239)

Net result and total comprehensive result are attributable to the SA Government as owner

**Statement of Administered Financial Position
as at 30 June 2010**

		2010	2009
CURRENT ASSETS:	Note	\$'000	\$'000
Cash	A19	30 934	34 793
Receivables	A20	746	972
Total current assets		31 680	35 765
CURRENT LIABILITIES:			
Payables	A21	11 561	19 697
Employee benefits	A22	8	-
Other current liabilities	A23	2 599	2 047
Total current liabilities		14 168	19 014
NET ASSETS		17 512	16 751
EQUITY:			
Retained earnings	A24	17 512	16 751
TOTAL EQUITY		17 512	16 751

**Statement of Administered Changes in Equity
for the year ended 30 June 2010**

	Note	Asset revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2008		2 809	33 648	36 457
Prior period correction		-	(211)	(211)
Restated balance at 30 June 2008		2 809	33 437	36 246
Net result for 2008-09		-	2 570	2 570
Revaluation surplus adjustment as a result of administrative restructure	A26	(2 809)	-	(2 809)
Total comprehensive result for 2008-09		(2 809)	2 570	(239)
Net assets transferred as a result of an administrative restructure	A26	-	(19 256)	(19 256)
Balance at 30 June 2009	A24	-	16 751	16 751
Net result for 2009-10		-	761	761
Balance at 30 June 2010	A24	-	17 512	17 512

All changes in equity are attributable to the SA Government as owner

**Statement of Administered Cash Flows
for the year ended 30 June 2010**

		2010	2009
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:	Note	\$'000	\$'000
Employee benefit payments		(580)	(855)
Supplies and services		(1 217)	(373)
Grants and subsidies		(21 730)	(59 745)
Payment of royalties to Consolidated Account		(130 460)	(158 445)
Levy payments		(2 139)	(841)
Other payments		(1 857)	(2 729)
Cash used in operations		(157 983)	(222 988)
CASH INFLOWS:			
User fees and charges		20 787	21 448
Sale of goods		-	3
Advances and grants		98	37 253
Interest received		518	862
Levy collections		2 060	955
Royalties		124 990	152 413
Other receipts		1 875	2 331
Cash generated from operations		150 328	215 265
CASH FLOWS FROM (PAYMENTS TO) SA GOVERNMENT:			
Receipts from SA Government		3 796	4 699
Payments to SA Government		-	(26)
Cash generated from SA Government		3 796	4 673
Net cash used in operating activities	A25	(3 859)	(3 050)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		-	(46)
Cash used in investing activities		-	(46)
Net cash used in investing activities		-	(46)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Payments from restructuring activities		-	(15 863)
Cash used in financing activities		-	(15 863)
Net cash used in financing activities		-	(15 863)
NET DECREASE IN CASH		(3 859)	(18 959)
CASH AT 1 JULY		34 793	53 752
CASH AT 30 JUNE	A19	30 934	34 793

**Schedule of Expenses and Income
attributable to Administered Activities
for the year ended 30 June 2010**

(Activities - refer note A3)	2010					
	1	2	3	4	5	6
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:						
Employee benefits and costs	-	-	-	-	-	-
Supplies and services	13	44	50	58	20	14
Depreciation and amortisation	-	-	-	-	-	-
Grants and subsidies	63	693	317	650	250	190
Levies payments	-	-	-	-	-	-
Payment of royalties to the Consolidated Account	-	-	-	-	-	-
Other expenses	-	1	-	-	-	-
Total expenses	76	738	367	708	270	204
INCOME:						
Revenue from fees and charges	108	706	377	871	257	234
Advances and grants	-	-	-	-	-	-
Interest revenues	2	13	6	22	6	3
Levies collection	-	-	-	-	-	-
Royalties	-	-	-	-	-	-
Other income	-	-	-	-	1	-
Total income	110	719	383	893	264	237
NET COST OF PROVIDING SERVICES	(34)	19	(16)	(185)	6	(33)
REVENUES FROM (PAYMENTS TO)						
SA GOVERNMENT:						
Revenues from government	-	-	-	-	-	-
Payments to government	-	-	-	-	-	-
Net revenues from SA Government	-	-	-	-	-	-
NET RESULT	34	(19)	16	185	(6)	33
(Activities - refer note A3)	7	8	9	10	11	12
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits and costs	-	3	-	-	-	-
Supplies and services	52	12	34	621	5	6
Depreciation and amortisation	-	-	-	-	-	-
Grants and subsidies	210	93	105	11 738	-	29
Levies payments	-	-	-	-	1 961	-
Payment of royalties to the Consolidated Account	-	-	-	-	-	-
Other expenses	-	-	-	54	-	-
Total expenses	262	108	139	12 413	1 966	35
INCOME:						
Revenue from fees and charges	299	162	178	12 424	-	36
Advances and grants	-	-	-	103	-	-
Interest revenues	7	94	2	-	10	-
Levies collection	-	-	-	-	1 744	-
Royalties	-	-	-	-	-	-
Other income	-	-	-	5	-	-
Total income	306	256	180	12 532	1 754	36
NET COST OF PROVIDING SERVICES	(44)	(148)	(41)	(119)	212	(1)
REVENUES FROM (PAYMENTS TO)						
SA GOVERNMENT:						
Revenues from government	-	-	-	-	-	-
Payments to government	-	-	-	-	-	-
Net revenues from SA Government	-	-	-	-	-	-
NET RESULT	44	148	41	119	(212)	1

**Schedule of Expenses and Income
attributable to Administered Activities
for the year ended 30 June 2010 (continued)**

(Activities - refer note A3)	2010					
	13	14	15	16	17	18
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:						
Employee benefits and costs	4	-	36	-	-	-
Supplies and services	8	4	64	5	91	6
Depreciation and amortisation	-	-	-	-	-	-
Grants and subsidies	590	-	1 672	205	288	79
Levies payments	-	-	-	-	-	-
Payment of royalties to the Consolidated Account	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Total expenses	602	4	1 772	210	379	85
INCOME:						
Revenue from fees and charges	314	1	1 878	174	562	55
Advances and grants	-	-	-	-	-	-
Interest revenues	63	4	267	3	12	8
Levies collection	-	-	-	-	-	-
Royalties	-	-	-	-	-	-
Other income	29	-	-	-	-	-
Total income	406	5	2 145	177	574	63
NET COST OF PROVIDING SERVICES	196	(1)	(373)	33	(195)	22
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:						
Revenues from government	-	-	-	-	-	-
Payments to government	-	-	-	-	-	-
Net revenues from SA Government	-	-	-	-	-	-
NET RESULT	(196)	1	373	(33)	195	(22)
(Activities - refer note A3)		19	20	21	22	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:						
Employee benefits and costs		-	-	-	545	588
Supplies and services		-	-	-	60	1 167
Depreciation and amortisation		-	-	-	-	-
Grants and subsidies		1 304	3 254	-	-	21 730
Levies payments		-	-	-	178	2 139
Payment of royalties to the Consolidated Account		-	-	124 990	-	124 990
Other expenses		5	-	-	1 909	1 969
Total expenses		1 309	3 254	124 990	2 692	152 583
INCOME:						
Revenue from fees and charges		1 487	-	-	-	20 235
Advances and grants		(5)	-	-	112	98
Interest revenues		13	-	-	1	536
Levies collection		-	-	-	93	1 837
Royalties		-	-	124 990	-	124 990
Other income		-	-	-	1 817	1 852
Total income		1 495	-	124 990	2 023	149 548
NET COST OF PROVIDING SERVICES		(186)	3 254	-	669	3 035
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:						
Revenues from government		-	3 291	-	505	3 796
Payments to government		-	-	-	-	-
Net revenues from SA Government		-	3 291	-	505	3 796
NET RESULT		186	37	-	(164)	761

NOTES TO AND FORMING PART OF THE ADMINISTERED ITEMS FINANCIAL STATEMENTS

A1. Summary of significant accounting policies

The Department of Primary Industries and Resources SA (the Department) accounting policies are contained in note 2.

A2. Effect of changes in accounting policies, changes in accounting estimates and errors

During 2009-10 there were no prior period adjustments recognised in the Statement of Comprehensive Income.

A3. Administered funds of the Department

The activity schedule provides details of expenses and revenues applicable to the administered funds of the Department.

Information about the Department's administered funds is set out below.

Activity 1: Clare Valley Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 21 February 2008. The primary purposes of the Fund are to promote the Clare Valley wine industry, undertake research and development and encourage communication and cooperation between participants in the Clare Valley wine industry.

Activity 2: Barossa Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 29 November 2007. The primary purposes of the Fund are to promote the Barossa wine industry, undertake research and development and encourage communication and cooperation between participants in the Barossa wine industry.

Activity 3: SA Grape Growers Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 29 November 2007. The primary purposes of the Fund are to promote the SA grape growers industry, undertake research and development and encourage communication and cooperation between participants in the SA grape growers industry.

Activity 4: Eyre Peninsula Grain Growers Rail Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 7 September 2006. The primary purpose of the Fund is to collect \$2 million towards the cost of improving the Eyre Peninsula grain railway line and associated equipment or infrastructure.

Activity 5: Adelaide Hills Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 8 August 2003. The primary purposes of the Fund are to promote the Adelaide Hills wine industry, undertake research and development and encourage communication and cooperation between participants in the Adelaide Hills wine industry.

Activity 6: McLaren Vale Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 5 June 2003. The primary purposes of the Fund are to promote the McLaren Vale wine industry, undertake research and development and encourage communication and cooperation between participants in the McLaren Vale wine industry.

Activity 7: Rock Lobster Fishing Industry Fund

The fund was established under the *Primary Industry Funding Schemes Act 1998* on 19 June 2008. The primary purposes of the Fund are to collect industry funds for use by industry organisations to implement or facilitate research projects, industry development and management projects, and marketing projects for the benefit of the rock lobster fishing industry, in accordance with the strategic plan developed by the South Australian Rock Lobster Advisory Council Incorporated.

Activity 8: SA Pig Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 October 2001. The primary purposes of the Fund are to undertake research, investigations or other programs relating to pigs, pig products or any other aspect of the pig industry and payment of compensation in line with Regulations.

Activity 9: Citrus Growers Fund

The fund was established under the *Primary Industry Funding Schemes Act 1998* on 20 October 2005. The primary purposes of the Fund are to collect industry funds for use by industry organisations to undertake or facilitate research and development and encourage communication and cooperation between participants in the citrus industry.

Activity 10: Fisheries Research & Development Fund

Under the *Fisheries Management Act 2007*, all commercial licence fees received by the Department are required to be paid into this fund. The primary purposes of the Fund are to carry out research, exploration, experiments, works or operations for the conservation, management or enhancement of living resources found in waters to which the *Fisheries Management Act 2007* applies or promotion of any fishing, fish farming or fish processing activity.

Activity 11: Grains Industry Levy Fund

Two voluntary levies are collected from grain producers under the *Commonwealth Wheat Marketing Act 1989*. A 5 cent levy is collected and returned quarterly to the South Australian Farmers Federation. A 16 cent levy is collected and returned quarterly to the South Australian Grains Industry Trust Fund.

Activity 12: Olive Industry Fund

The fund was established under the *Primary Industry Funding Schemes Act 1998* on 26 February 2009. The primary purposes of the fund are to collect industry funds for use by industry organisations to undertake market development, branding and promotion activities, to facilitate research and development, and to promote the South Australian olive industry or olive products.

Activity 13: SA Cattle Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 July 2000. The primary purposes of the fund are to undertake programs relating to cattle, cattle products or any other aspect of the cattle industry, and payment of compensation and other amounts in line with Regulations.

Activity 14: Deer Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 29 August 2002. The primary purposes of the fund are to undertake programs relating to deer, deer products or any other aspect of the deer industry, and payment of compensation and other amounts in line with Regulations.

Activity 15: SA Sheep Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998*. The purposes of the fund are to make financial assistance or ex gratia payments to farmers in line with the Regulations, undertake projects as recommended by the South Australian Sheep Advisory Group and provide contributions to the Dog Fence Board towards the maintenance or improvement of the dog proof fence.

Activity 16: Langhorne Creek Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 14 June 2001. The primary purposes of the Fund are to promote the Langhorne Creek wine industry, undertake research and development and encourage communication and cooperation between participants in the Langhorne Creek wine industry.

Activity 17: Riverland Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 14 June 2001. The primary purposes of the Fund are to promote the Riverland wine industry, undertake research and development and encourage communication and cooperation between participants in the Riverland wine industry.

Activity 18: SA Apiary Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 31 January 2001. The primary purpose of the Fund is to undertake programs relating to the apiary industry or apiary products or any other aspect of the apiary industry recommended by the Apiary Industry Advisory Group.

Activity 19: Aquaculture Resource Management Fund

The fund, established under the *Aquaculture Act 2001*, came into operation on 11 November 2002. Under that Act, fees are paid into the Fund and are to be utilised primarily for the purposes of any investigation or other projects relating to the management of aquaculture resources.

Activity 20: ForestrySA Community Service Obligations

The Department receives appropriation to make payment to ForestrySA representing community service obligations for the provision of management of native forests for biodiversity conservation, community use of forest reserves, forest research programs and provision of community fire protection services near the forest reserves.

Activity 21: Royalties

The Department receives royalties levied on minerals and petroleum production on behalf of the State Government. The royalties received are deposited into the Consolidated Account.

Activity 22: Other Funds

This is the total of all other administered funds including the payment of the Minister's salary and allowances, and production receipts from companies for forwarding to native title claimants.

A4. Employee benefits costs	2010 \$'000	2009 \$'000
Salaries and wages	564	719
Annual leave	-	19
Long service leave	-	7
Employment on-costs - superannuation	1	23
Employment on-costs - other	1	15
Board fees	22	32
Total employee benefits costs	588	815

Primary Industries and Resources

A5. Supplies and services	2010	2009
Supplies and services provided by entities within the SA Government:	\$'000	\$'000
Professional and technical services ⁽¹⁾	121	108
Utility and property costs	-	1
Computing and communications costs	-	3
Operating lease costs	-	5
Total supplies and services - SA Government entities	<u>121</u>	<u>117</u>
Supplies and services provided by entities external to the SA Government:		
Professional and technical services	548	535
Administrative and operating costs	455	473
Utility and property costs	21	82
Computing and communications costs	4	7
Travel	8	24
Vehicle and equipment operating costs	-	14
Staff development and safety	10	12
Total supplies and services - non-SA Government entities	<u>1 046</u>	<u>1 147</u>
Total supplies and services	<u>1 167</u>	<u>1 264</u>

(1) Includes audit fees paid/payable to the Auditor-General (refer note A6).

The comparatives for 2009 include part year expenses for the administered entities of the Department of Planning and Local Government which transferred in 2009.

A6. Auditor's remuneration	2010	2009
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	72	61
Total auditor's remuneration	<u>72</u>	<u>61</u>

Other services

No other services were provided by the Auditor-General's Department.

A7. Depreciation and amortisation expense		
Depreciation and amortisation:		
Plant and equipment	-	15
Buildings and infrastructure	-	14
STED systems	-	31
Total depreciation and amortisation expense	<u>-</u>	<u>60</u>

The 2009 depreciation expense relates to assets transferred to the Administered entities of the Department of Planning and Local Government during 2009.

A8. Grants and subsidies		
Grants and subsidies paid/payable to entities within the SA Government:		
SA Grape Growers Industry Fund	-	173
Eyre Peninsula Grain Growers Rail Fund	650	350
Pig Industry Fund	76	23
Fisheries Research and Development Fund	11 023	11 065
Grain Industry Levy Fund	-	4
SA Cattle Industry Fund	568	633
SA Sheep Industry Fund	1 193	1 208
Apiary Industry Fund	48	37
Aquaculture Resource Management Fund	704	1 007
ForestrySA - community service obligation payment	3 255	3 150
Total grants and subsidies - SA Government entities	<u>17 517</u>	<u>17 650</u>

Grants and subsidies paid/payable to entities external to the SA Government:		
Clare Valley Wine Industry Fund	63	-
Olive Industry Fund	29	-
Barossa Wine Industry Fund	693	531
SA Grape Growers Industry Fund	317	240
Adelaide Hills Wine Industry Fund	250	250
McLaren Vale Wine Industry Fund	190	274
Rock Lobster Fishing Industry Fund	210	180
Pig Industry Fund	17	-
Citrus Growers Fund	105	141
Fisheries Research and Development Fund	714	694
Cattle Industry Fund	22	29
Sheep Industry Fund	479	132
Langhorne Creek Wine Industry Fund	205	214
Riverland Wine Industry Fund	288	576
Aquaculture Resource Management Fund	600	962
Apiary Industry Fund	31	-
Office of Local Government Administered Items ⁽¹⁾	-	1 269
Outback Areas Community Development Trust ⁽¹⁾	-	119
South Australian Local Government Grants Commission ⁽¹⁾	-	36 242
Other industry funds	-	12
Total grants and subsidies - non-SA Government entities	<u>4 213</u>	<u>41 865</u>
Total grants and subsidies	<u>21 730</u>	<u>59 515</u>

(1) The comparatives for 2009 include part year expenses for items transferred to the administered entities of the Department of Planning and Local Government during 2009.

A9. Levies payments	2010	2009
	\$'000	\$'000
Commonwealth levy payments	1 961	630
Organisation for Economic Cooperation and Development Report levy	178	211
Total levies payments	<u>2 139</u>	<u>841</u>
A10. Other expenses		
Doubtful debt expense	60	-
Native Title - royalty payments	1 909	2 179
Total other expenses	<u>1 969</u>	<u>2 179</u>
A11. Revenue from fees and charges		
Industry contribution	6 759	7 636
Fishing licences	11 280	11 227
Other fees and levies	2 137	2 388
Other	59	82
Total fees and charges	<u>20 235</u>	<u>21 333</u>
A12. Advances and grants		
State grants	15	-
Commonwealth grants ⁽¹⁾	42	36 774
Industry grants	41	340
Intra-government transfer	-	117
Total advances and grants	<u>98</u>	<u>37 231</u>
(1) The 2009 Commonwealth grant revenue comparative relates to first quarter funding received by the Local Government Grants Commission, which as a result of an administrative restructure in 2009, is now reported as an administered entity of the Department of Planning and Local Government.		
A13. Interest revenue	2010	2009
	\$'000	\$'000
Interest from entities within the SA Government	536	716
Total interest revenue	<u>536</u>	<u>716</u>
A14. Levies collection		
Commonwealth levy collection	1 837	808
Organisation for Economic Cooperation and Development Report levy collection	-	147
Total levies collection	<u>1 837</u>	<u>955</u>
A15. Royalties		
Royalties	124 990	152 413
Total royalties received from non-SA Government entities	<u>124 990</u>	<u>152 413</u>
Royalty revenue relates to minerals and petroleum production and are collected pursuant to the <i>Roxby Downs (Indenture Ratification) Act 1982</i> , <i>Whyalla Steel Works Act 1958</i> , <i>Mining Act 1971</i> and the <i>Petroleum and Geothermal Energy Act 2000</i> .		
Royalty revenue for the year comprised:		
Minerals production	68 280	84 766
Petroleum production	56 710	67 647
Total royalties received from non-SA Government entities	<u>124 990</u>	<u>152 413</u>
Royalty receipts are returned to the Consolidated Account in the month following collection. During the year \$130.460 million (\$158.445 million) was paid to DTF (refer Statement of Cash Flows).		
A16. Sale of goods		
Publications, books, maps and compact discs ⁽¹⁾	-	3
Total sale of goods	<u>-</u>	<u>3</u>
(1) Includes revenues from SA Government entities totalling less than \$100 000.		
A17. Other income		
Reimbursements/recoveries	31	259
Reduction in provision for doubtful debts	-	1
Native Title - royalty receipts ⁽¹⁾	1 817	2 034
Other	4	39
Total other income ⁽¹⁾	<u>1 852</u>	<u>2 333</u>
(1) Royalties are received from producers party to Native Title agreements. The revenue received is subsequently paid to claimants (refer note A10).		

A18. Revenues from SA Government	2010	2009
Revenues from SA Government:	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i> ⁽¹⁾	3 291	4 189
Reimbursements received for Parliamentary salaries and expense allowances	505	510
Total revenues from SA Government	<u>3 796</u>	<u>4 699</u>
Payments to SA Government:		
Other payments to the Consolidated Account	-	(26)
Total payments to SA Government	<u>-</u>	<u>(26)</u>
Net revenues from SA Government	<u>3 796</u>	<u>4 673</u>

(1) The Department receives appropriation for its administered funds in accordance with the *Appropriation Act* for the financial year. Appropriation is received for forestry related community service obligations that are delivered by ForestrySA and for parliamentary salaries and electorate expense allowances.

A19. Cash	2010	2009
	\$'000	\$'000
Deposits with the Treasurer	30 934	34 793
Total cash	<u>30 934</u>	<u>34 793</u>

Interest rate risk

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer are bearing a floating interest rate between 2.85 percent and 4.07 percent. The carrying amount of cash and cash equivalents approximates fair value.

A20. Receivables	2010	2009
Current:	\$'000	\$'000
Receivables	675	898
Allowance for doubtful debts	(55)	(7)
	<u>620</u>	<u>891</u>
Accrued interest on deposits	52	34
Other accrued revenue	24	47
Prepayments	50	-
	<u>126</u>	<u>81</u>
Total current receivables	<u>746</u>	<u>972</u>
Receivables from SA Government entities:		
Receivables	-	55
Accrued interest revenues	52	34
Total receivables from SA Government entities	<u>52</u>	<u>89</u>
Receivables from non-SA Government entities:		
Receivables	620	836
Other accrued revenues	24	47
Prepayments	50	-
Total receivables from non-SA Government entities	<u>694</u>	<u>883</u>
Total receivables	<u>746</u>	<u>972</u>

Interest rate and credit risk

All goods and services provided for which payment has not been received are classified as receivables. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value and there is no concentration of credit risk.

Allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in 'Other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2010	2009
	\$'000	\$'000
Carrying amount at 1 July	7	7
Increase in the provision	60	-
Amounts written off	(12)	-
Carrying amount at 30 June	<u>55</u>	<u>7</u>

Bad and doubtful debts

The Department has recognised a change in its bad and doubtful debt expense in the Statement of Comprehensive Income and debts to the value of \$12 000 were written off during the year.

A21. Payables	2010	2009
Current:	\$'000	\$'000
Creditors	-	334
Accrued expenses	1 180	787
Royalties payable to the Consolidated Account	10 368	15 838
Other	13	8
Total current payables	<u>11 561</u>	<u>16 967</u>
Government/Non-government payables		
Payables to SA Government entities:		
Accrued expenses	857	320
Royalties	10 368	15 838
Total payables to SA Government entities	<u>11 225</u>	<u>16 158</u>
Payables to non-SA Government entities:		
Creditors	-	334
Accrued expenses	323	467
Other	13	8
Total payables to non-SA Government entities	<u>336</u>	<u>809</u>
Total payables	<u>11 561</u>	<u>16 967</u>
A22. Employee benefits		
Current:		
Accrued salaries and wages	8	-
Total current employee benefits	<u>8</u>	<u>-</u>

The total current and non-current employee expense (ie aggregate of the employee benefit in note A22 plus related on-costs in note A21) for 2010 is \$7600 (\$nil).

A23. Other liabilities		
Current		
Unearned revenue	2 599	1 952
Other liabilities	-	95
Total current other liabilities	<u>2 599</u>	<u>2 047</u>
A24. Equity		
Retained earnings	17 512	16 751
Total equity	<u>17 512</u>	<u>16 751</u>

All changes in equity are attributable to the SA Government as owner.

A25. Cash flow reconciliation	2010	2009
Reconciliation of cash - cash at 30 June as per:	\$'000	\$'000
Statement of Administered Cash Flows	30 934	34 793
Statement of Administered Financial Position	30 934	34 793
Reconciliation of net cash used in operating activities to net cost of providing services:		
Net cash used in operating activities	(3 859)	(3 050)
Revenue from SA Government	(3 796)	(4 699)
Payments to SA Government	-	26
Non-cash items:		
Depreciation and amortisation	-	(60)
Doubtful debts expense reduction	-	1
Changes in assets/liabilities (net of restructure transfer):		
(Decrease) Increase in receivables	(226)	427
Decrease in payables and provisions	5 406	5 279
(Increase) Decrease in employee benefits	(8)	14
Increase in other liabilities	(552)	(41)
Net cost of providing services	<u>(3 035)</u>	<u>(2 103)</u>

A26. Transferred functions
No transfers occurred during 2009-10 financial year.

Transfers that occurred during the 2008-09 financial year

The Public Sector Management (Planning SA) Proclamation 2008 (dated 26 June 2008) proclaimed that effective from 1 July 2008 the former Department of Primary Industries and Resources business unit 'Planning SA' would be established as a separate administrative unit of the Public Service. All existing functions were transferred to Planning SA on 1 July 2008.

The Public Sector Management (Department of Planning and Local Government) Proclamation 2008 (dated 16 October 2008) proclaimed that effective from 3 November 2008 the administrative unit title of 'Planning SA' would be altered to the Department of Planning and Local Government (DPLG).

Transfers that occurred during the 2008-09 financial year (continued)

The Public Sector Management (Department of Planning and Local Government - Transfer of Employees) Proclamation 2008 (dated 30 October 2008) proclaimed that effective from 3 November 2008 the administered entities of the Office for State and Local Government Relations (OSLGR) would transfer to DPLG.

As a result of the above proclamations the following administered activities were transferred to DPLG:

The former Office for State/Local Government Relations business units, consisting of the Local Government Tax Equivalents Fund, Outback Areas Community Development Trust (OACDT) and South Australian Local Government Grants Commission, transferred on 3 November 2008 to DPLG.

	Planning and Development Fund \$'000	Admin- istered planning fees \$'000	West Beach Trust \$'000	Local government admin items \$'000
Current assets:				
Cash	12 503	550	43	18
Receivables	93	-	-	-
Inventories	-	-	-	-
Non-current assets				
Property, plant and equipment	3 478	-	-	-
Total Assets	16 074	550	43	18
Current liabilities:				
Payables	16	550	460	-
Employee benefits	-	-	-	-
Non-current liabilities:				
Payables	-	-	-	-
Employee benefits	-	-	-	-
Total liabilities	16	550	460	-
Equity:				
Asset revaluation surplus	1 406	-	-	-
Total net assets transferred	14 652	-	(417)	18

	OACDT \$'000	Local Government Grants Commission \$'000	Total \$'000
Current assets:			
Cash	767	1 982	15 863
Receivables	178	-	271
Inventories	20	-	20
Non-current assets			
Property, plant and equipment	3 716	-	7 194
Total assets	4 681	1 982	23 348
Current liabilities:			
Payables	24	14	1 064
Employee benefits	36	45	81
Non-current liabilities:			
Payables	8	5	13
Employee benefits	74	51	125
Total liabilities	142	115	1 283
Equity:			
Asset revaluation reserve	1 403	-	2 809
Total net assets transferred	3 136	1 867	19 256

Net assets transferred by the Department as a result of an administrative restructure were at the carrying amount. The net assets transferred were treated as a distribution to the Government as owner.

A27. Unrecognised contractual commitments

Section 7 of the Primary Industry Funding Schemes (Eyre Peninsula Grain Growers Rail Fund) Regulations 2006, provides for the creation of a fund to raise \$2 million towards the cost of improving the Eyre Peninsula grain railway line and associated equipment and infrastructure. The rail line has been completed and costs in excess of \$2 million. Final payments for the initiative will be transferred to the Department of Transport, Energy and Infrastructure during 2010-11.

Other commitments	2010	2009
	\$'000	\$'000
Within one year	600	-
Total other commitments	600	-

A28. Contingent assets and liabilities

The Department is not aware of any contingent assets or liabilities affecting the administered entities comprising the consolidated financial report as at 30 June 2010.

A29. Events after balance date

The Public Sector (Reorganisation of Public Sector Operations) Notice 2010 (dated 1 July 2010) proclaimed that effective from 1 July 2010 the Dog Fence Board will transfer from the Department of Water, Land, Biodiversity and Conservation to the Department. The transfer will consist of 2.4 full time equivalents and net assets of \$349 000.

A30. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the year are listed below in the following summary table:

The number of members whose remuneration received or receivable falls within the following bands:	2010	2009
	Number	Number
\$0	12	13
\$1 - \$9 999	32	31
Total	44	44

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$21 574 (\$24 924).

Amounts paid to a superannuation plan for board and committee members was \$685 (\$563).

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

In accordance with the DPC Circular 16, government employees do not receive any remuneration for board/committee duties during the financial year.

* Government employees

South Australian Ovine Johnes Disease Committee

Altschwager P R	Cooper L T	Dennis K I
Gogel L D	Hammat T S	Harris J W (retired)
Hassell G M	Heinrich A S	Pocock M J
Trengrove Dr C	Westbrook K D	

South Australian Pig Industry Advisory Group

Flight K M	Fyfe A R	Gierke S*
Hamann R K	Lloyd B R	McLean L N
McMahon J	Sapwell C M	Schmidt P
Starick M J		

South Australian Sheep Advisory Group

Andrews F G	Buchanan N (retired)*	Hall J M
Hassell G M	Kellock J	Kidman S A
Mills L J	Petrenas E*	Pfeiffer I G
Power G M	Symons J B	

South Australian Cattle Advisory Board

Anderson M J*	Buchanan N*	Dennis K I
Hassell G M	Honner T (retired)	Ogilvie A D
Oldfield A S	Slape K	Smith K R
Stacey J C	Withers I A S	Young S M

SOUTH AUSTRALIA POLICE

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australia Police (SAPOL) is an administrative unit established under the PSA. SAPOL is responsible to the Minister for Police.

Functions

The functions of SAPOL are to:

- uphold the law
- preserve the peace
- prevent crime
- assist the public in emergency situations
- coordinate and manage responses to emergencies
- regulate road use and prevent vehicle collisions.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of SAPOL for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by SAPOL in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial statements and internal controls.

During 2009-10, areas of review included:

- payroll
- management of annual leave entitlements
- accounts payable
- expiation revenue
- financial accounting
- revenue and receipting
- compliance with TIs 2 and 28
- workers compensation
- Police Security Services Branch
- costing of capital works projects.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South Australia Police as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the South Australia Police in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities except for the matters raised in relation to workers compensation and management of annual leave entitlements as outlined under 'Communication of audit matters' are sufficient to provide reasonable assurance that the financial transactions of the South Australia Police have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Commissioner of Police. Responses to the management letters were generally considered to be satisfactory. There were two major matters raised with SAPOL, namely workers compensation and management of annual leave entitlements. In addition, a number of areas for improvement were identified. These matters and the related responses are detailed below.

Workers compensation

A review of workers compensation arrangements identified a number of matters including:

- historical recalculation and reconciliation between SIMS (workers compensation system) and HRMS (payroll system) for income maintenance payments needed to be completed to ensure that the SIMS system was up to date
- sample testing of workers compensation invoices found some were not appropriately authorised by an officer in accordance with delegations
- sample testing revealed an incorrect income maintenance payment and there was evidence of an error rate in income maintenance payments which required investigation.

SAPOL responded that it is implementing procedures to ensure the accuracy of SIMS data. Income maintenance payments have been independently checked and a revised payment calculation template implemented to ensure accuracy of calculations.

Management of annual leave entitlements

Audit reviewed the management of annual leave balances at SAPOL. The review was triggered by an upward trend in annual leave balances within SAPOL over a number of years. The Commissioner's Standard 3.4 (Commissioner for Public Employment) states no employee should have more than one year's recreation leave outstanding at the end of a 'service year' without appropriate approval. Audit noted there were a number of employees with large annual leave balances. Audit reviewed a sample of employees with annual leave balances over one year's entitlement for appropriate approval. A significant number of employees reviewed did not have the carry forward of their annual leave balance approved at the end of their service year.

In response, SAPOL has taken steps to implement procedures to ensure that police officers and employees comply with Commissioner's Standard 3.4, take annual leave when due and only apply for the approval of annual leave carried forward in exceptional circumstances.

Other business cycle control improvements

- There is not an effective control over leave for commissioned officers to ensure that all leave is recorded and accounted for.
- Some leave forms are not being submitted or followed up in a timely manner.
- A number of manual journals were found to be approved by unauthorised employees.

- Controls were not always followed for some changes made to the chart of accounts.

In response SAPOL advised of action taken to address the matters raised and progress made will be monitored by SAPOL's Audit and Risk Management section.

Implementation of TIs 2 and 28

TIs 2 and 28 require SAPOL to develop, implement, document and maintain a robust and transparent financial management compliance program which is aimed at assessing the effectiveness of its internal controls.

SAPOL has updated its policies and procedures contained in its procedure manual. It has allocated responsibility for compliance testing, and established a compliance program. It has an up to date version of a compliance checklist. This checklist is in accordance with the toolkit promulgated by DTF. Its purpose is to assist in the assessment of the adequacy of the control environment. SAPOL has reported the results of the assessment and compliance to the Audit Committee.

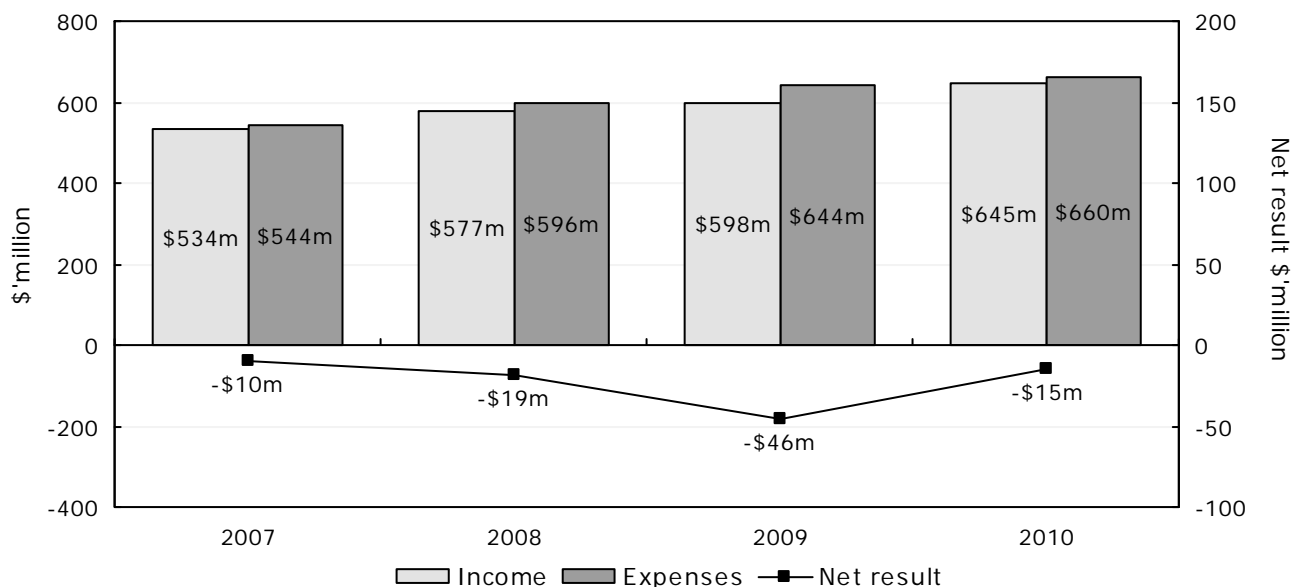
INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2010	2009
	\$'million	\$'million
EXPENSES		
Employee benefits expenses	523	516
Supplies and services	120	110
Other expenses	17	18
Total expenses	660	644
INCOME		
Revenues from fees and charges	20	18
Other revenues	5	10
Total income	25	28
NET COST OF PROVIDING SERVICES	635	616
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT		
Revenues from SA Government	620	574
Payments to SA Government	-	(4)
Net result	(15)	(46)
Total comprehensive result	(15)	(46)
NET CASH USED IN OPERATING ACTIVITIES	(10)	(1)
ASSETS		
Current assets	24	45
Non-current assets	262	244
Total assets	286	289
LIABILITIES		
Current liabilities	76	87
Non-current liabilities	208	201
Total liabilities	284	288
TOTAL EQUITY	2	1

Statement of Comprehensive Income

The following chart shows the income, expenses and net result for the four years to 2010.



Net result

The net result was a deficit of \$15 million representing a \$31 million decrease in the deficit recorded in 2009. That deficit decrease reflects an increase in government funding of \$50 million which was greater than the increase in total expenses of \$16 million.

Income

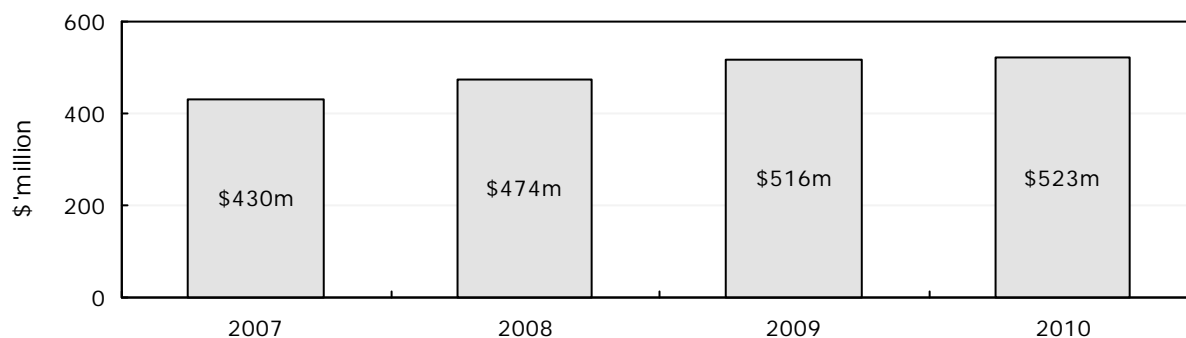
SAPOL receives government funding based on annual budgeted expenditure, less estimated revenues from fees and charges and other sources. Net revenues from the State Government increased by \$50 million (9 percent) to \$620 million.

Expenses

Total expenses increased by \$16 million in the 2010 financial year. That increase was largely attributed to increases in:

- supplies and services of \$10 million due to increases in accommodation and property related expenses, communication and computing expenses and motor vehicle related expenses
- employee benefits expenses of \$7 million as shown below.

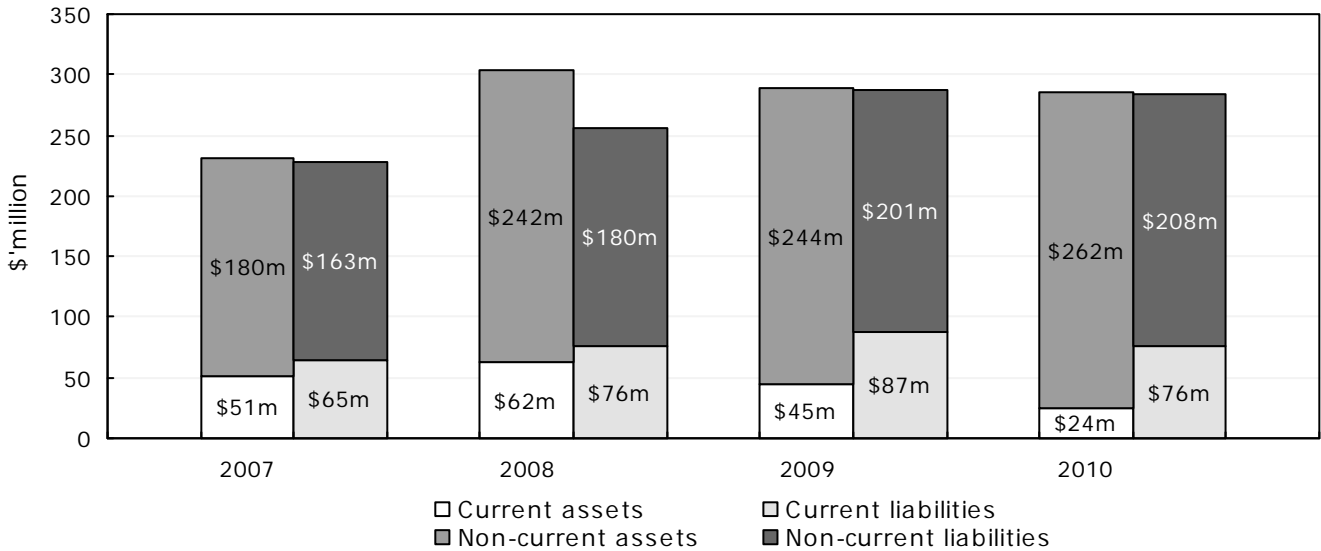
The following chart shows the employee benefits expenses for the four years to 2010.



The main factors accounting for the increase in 2010 were an increase in salaries expense of \$22 million due to increases in salary rates associated with police officer and PSA employees offset by a decrease in the provision expense for workers compensation of \$13 million.

Statement of Financial Position

For the four years to 2010, a structural analysis of assets and liabilities is shown in the following chart.



Assets

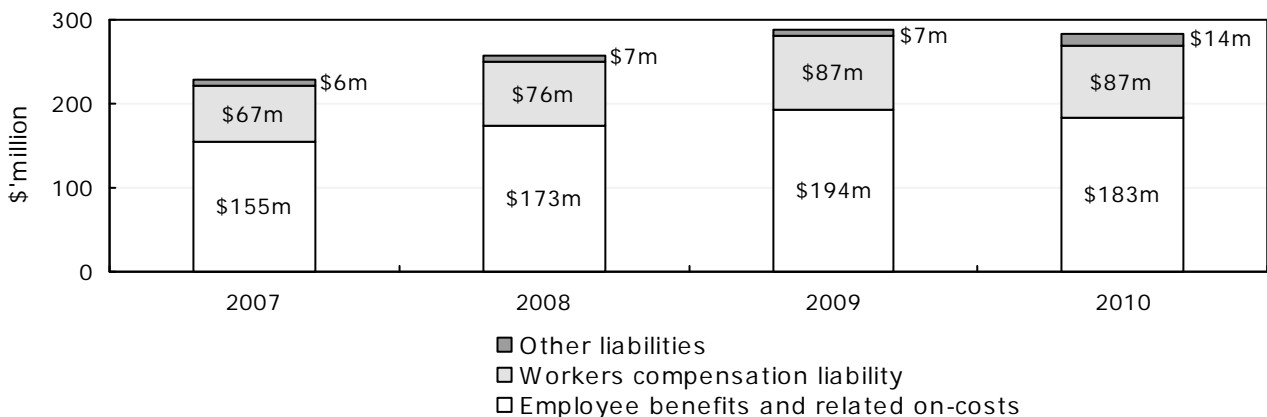
Current assets decreased by \$21 million to \$24 million during 2010 due to a decrease in cash and cash equivalents of \$31 million offset by an increase in receivables of \$9 million. The decrease in the cash position was impacted by processing delays in the transfer of funding at year end. For details refer to note 14 to the financial statements. This decrease in the cash position has contributed to a larger negative liquidity position as current assets of \$24 million are exceeded by current liabilities of \$76 million.

SAPOL’s non-current assets have increased by \$18 million to \$262 million. This mainly reflects a net increase in capital works in progress of \$28 million offset by the depreciation charge of \$17 million. The capital works in progress is mainly for the construction of police stations, and for police complex and academy redevelopment.

Employee benefits and workers compensation

Employee benefits, related on-costs and workers compensation liabilities totalled \$270 million (\$281 million) and represent 95 percent (98 percent) of total liabilities. At June 2010, the workers compensation liability of \$87 million (\$87 million) represented 31 percent (30 percent) of total liabilities of \$284 million (\$288 million). The provision for workers compensation showed an increasing trend in the years 2007 to 2009. For the 2010 year, the provision remained consistent with the previous year. This was due to the payout of a number of long-term employee claims.

The significance of employee related liabilities compared to total liabilities is shown in the following chart.



Total equity

Total equity and net assets are consistent with the previous year at \$2 million (\$1 million). The small net equity position was maintained from the previous year even though the result was a deficit of \$15 million. Net equity was maintained as the Government made a capital contribution of \$15 million in 2009-10.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2010.

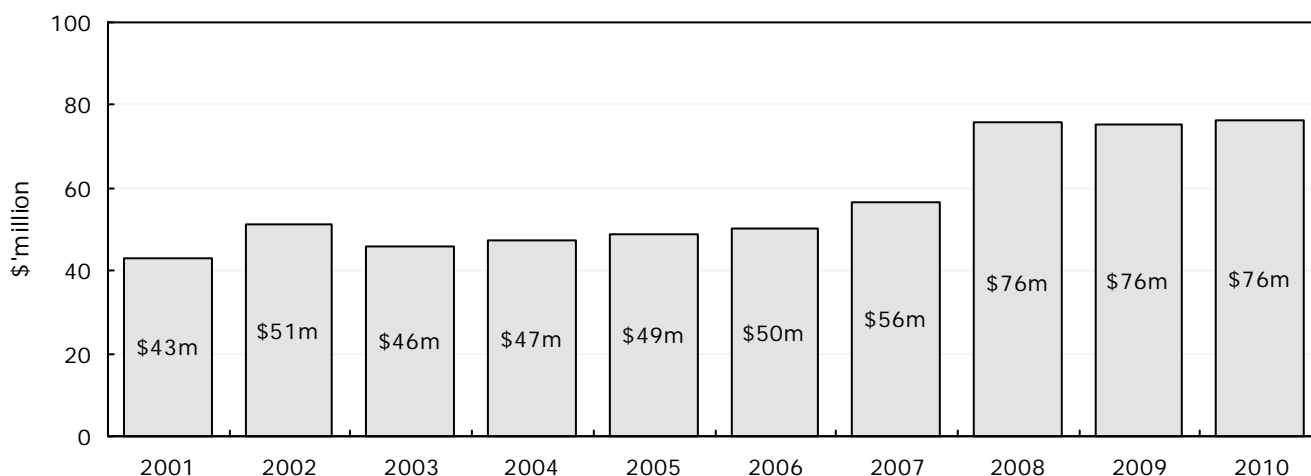
	2010 \$'million	2009 \$'million	2008 \$'million	2007 \$'million
Net flows				
Operating	(10)	(1)	22	20
Investing	(36)	(17)	(12)	(15)
Financing	15	-	-	-
Change in cash	(31)	(18)	10	5
Cash at 30 June	4	35	53	43

For 2009-10, cash flows from operating activities were negative \$10 million. This indicates that operating funding received from the SA Government in 2009-10 was not sufficient to cover all operating cash outflows. Additional funding was provided through a financing inflow of \$15 million in the form of a capital contribution. This capital contribution was not sufficient to meet the total of the operating and investing outflows. As a result, the carry forward cash balance from the previous year was used to meet this shortfall in inflows and resulted in a reduction in cash held at 30 June. The decrease in the cash position was impacted by processing delays in the transfer of funding at year end. For details refer to note 14 to the financial statements.

Administered items

Expiation fees

Expiation fees are collected by SAPOL on behalf of the Government. SAPOL treats the collection of expiation revenue pursuant to the requirements of the *Expiation of Offences Act 1996* as an administered item and pays them to the Consolidated Account. The following chart shows the expiation fees collected and paid over ten years.



SAPOL has in previous years identified a range of factors which have contributed to variations in the level of expiation fee revenue year to year. SAPOL's reasons include changes in:

- legislation (eg the introduction of the 50 km per hour speed zone in metropolitan areas)
- the number and type of speed detection devices
- driver behaviour in response to road safety strategies.

For 2010, the expiation fees collected were consistent with the two previous years.

**Statement of Comprehensive Income
for the year ended 30 June 2010**

	Note	2010 \$'000	2009 \$'000
EXPENSES:			
Employee benefits expenses	5	522 876	515 526
Supplies and services	6	119 689	110 336
Depreciation and amortisation expense	7	17 283	17 166
Write-down of non-current assets		310	986
Total expenses		660 158	644 014
INCOME:			
Revenues from fees and charges	8	19 905	18 263
Interest revenues	9	8	25
Commonwealth revenues	10	232	1 771
Net gain from the disposal of non-current assets	11	159	281
Other revenues	12	4 827	7 281
Total income		25 131	27 621
NET COST OF PROVIDING SERVICES		635 027	616 393
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	13	554 740	519 900
Contributions from the Community Emergency Services Fund	13	18 418	17 986
Contributions from the Community Road Safety Fund	13	34 700	34 700
Intra-government transfers	13	12 423	1 415
Payments to SA Government	13	-	(3 817)
Net revenues from SA Government		620 281	570 184
NET RESULT		(14 746)	(46 209)
TOTAL COMPREHENSIVE RESULT		(14 746)	(46 209)

Net result and total comprehensive result are attributable to the SA Government as owner

**Statement of Financial Position
as at 30 June 2010**

	Note	2010 \$'000	2009 \$'000
CURRENT ASSETS:			
Cash and cash equivalents	14	4 228	35 242
Receivables	15	18 958	9 525
Inventories		288	313
		23 474	45 080
Non-current assets held for sale	16	339	286
Total current assets		23 813	45 366
NON-CURRENT ASSETS:			
Receivables	15	920	1 080
Property, plant and equipment	17	213 856	221 296
Capital works in progress		36 138	8 545
Intangible assets	18	11 174	12 949
Total non-current assets		262 088	243 870
Total assets		285 901	289 236
CURRENT LIABILITIES:			
Payables	19	20 503	16 280
Employee benefits	20	41 598	55 062
Provisions	21	13 789	15 485
Total current liabilities		75 890	86 827
NON-CURRENT LIABILITIES:			
Payables	19	17 779	17 956
Employee benefits	20	116 584	110 588
Provisions	21	73 916	72 404
Total non-current liabilities		208 279	200 948
Total liabilities		284 169	287 775
NET ASSETS		1 732	1 461
EQUITY:			
Contributed capital	22	15 017	-
Asset revaluation surplus	22	85 605	85 605
Retained earnings	22	(98 890)	(84 144)
TOTAL EQUITY		1 732	1 461
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	24		
Contingent liabilities	25		

**Statement of Changes in Equity
for the year ended 30 June 2010**

		Contributed	Asset revaluation	Retained	Total
	Note	capital	surplus	earnings	\$'000
			\$'000	\$'000	\$'000
Balance at 30 June 2008		-	85 605	(37 935)	47 670
Net result for 2008-09		-	-	(46 209)	(46 209)
Total comprehensive result for 2008-09		-	-	(46 209)	(46 209)
Balance at 30 June 2009	22	-	85 605	(84 144)	1 461
Net result for 2009-10	22	-	-	(14 746)	(14 746)
Total comprehensive result for 2009-10	22	-	-	(14 746)	(14 746)
Transactions with SA Government as owner:					
Equity contribution received	22	15 017	-	-	15 017
Balance at 30 June 2010	22	15 017	85 605	(98 890)	1 732

All changes in equity are attributable to the SA Government as owner

**Statement of Cash Flows
for the year ended 30 June 2010**

		2010	2009
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employee benefit payments		(526 832)	(483 216)
Payments for supplies and services		(116 916)	(111 984)
GST paid to the ATO		(14 690)	(12 300)
Cash used in operations		(658 438)	(607 500)
CASH INFLOWS:			
Fees and charges		20 700	17 795
Interest received		8	25
GST receipts from customers		3 112	1 997
GST recovered from the ATO		11 092	9 743
Other receipts		4 463	6 560
Cash generated from operations		39 375	36 120
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		608 953	574 086
Payments to SA Government		-	(3 817)
Cash generated from SA Government		608 953	570 269
Net cash used in operating activities	23	(10 110)	(1 111)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(36 141)	(17 722)
Proceeds from the sale of property, plant and equipment		272	705
Net cash used in investing activities		(35 869)	(17 017)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Capital contributions from government		15 017	-
Cash transferred as a result of restructuring activities	26	(52)	(172)
Net cash provided by (used in) financing activities		14 965	(172)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(31 014)	(18 300)
CASH AND CASH EQUIVALENTS AT 1 JULY		35 242	53 542
CASH AND CASH EQUIVALENTS AT 30 JUNE	14	4 228	35 242

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2010

(Activities - refer note 4)	1		2		3	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:						
Employee benefits expenses	204 721	208 604	156 439	159 333	60 952	57 971
Supplies and services	43 003	40 415	37 308	36 173	14 690	13 304
Depreciation and amortisation expense	6 216	6 241	4 967	5 026	2 320	2 383
Write-down of non-current assets	121	395	96	318	45	151
Total expenses	254 061	255 655	198 810	200 850	78 007	73 809
INCOME:						
Revenues from fees and charges	14 133	12 976	1 176	1 007	3 294	3 117
Interest revenues	3	11	3	8	1	3
Commonwealth revenues	95	746	74	586	29	215
Net gain from disposal of non-current assets	55	73	53	112	25	53
Other revenues	1 972	3 031	1 541	2 395	606	938
Total income	16 258	16 837	2 847	4 108	3 955	4 326
Net cost of providing services	237 803	238 818	195 963	196 742	74 052	69 483
REVENUES FROM (PAYMENTS TO)						
SA GOVERNMENT:						
Revenues from SA Government	232 131	222 082	191 521	183 594	72 309	64 654
Payments to SA Government	-	(1 607)	-	(1 263)	-	(464)
NET REVENUES FROM SA GOVERNMENT	232 131	220 475	191 521	182 331	72 309	64 190
NET RESULT	(5 672)	(18 343)	(4 442)	(14 411)	(1 743)	(5 293)

(Activities - refer note 3)	4		5		Total	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:						
Employee benefits expenses	28 566	27 377	72 198	62 241	522 876	515 526
Supplies and services	8 197	7 912	16 491	12 532	119 689	110 336
Depreciation and amortisation expense	1 293	1 588	2 487	1 928	17 283	17 166
Write down of non-current assets	-	-	48	122	310	986
Total expenses	38 056	36 877	91 224	76 823	660 158	644 014
INCOME:						
Revenues from fees and charges	-	-	1 302	1 163	19 905	18 263
Interest revenues	-	-	1	3	8	25
Commonwealth revenues	-	-	34	224	232	1 771
Net gain from disposal of non-current assets	-	-	26	43	159	281
Other revenue	-	-	708	917	4 827	7 281
Total income	-	-	2 071	2 350	25 131	27 621
Net cost of providing services	38 056	36 877	89 153	74 473	635 027	616 393
REVENUES FROM (PAYMENTS TO)						
SA GOVERNMENT:						
Revenues from SA Government	37 206	34 227	87 114	69 444	620 281	574 001
Payments to SA Government	-	-	-	(483)	-	(3 817)
NET REVENUES FROM SA GOVERNMENT	37 206	34 227	87 114	68 961	620 281	570 184
NET RESULT	(850)	(2 650)	(2 039)	(5 512)	(14 746)	(46 209)

SAPOL has applied the trends from the February 2009 activity survey that reflects movements in resource allocations mainly from Crime Prevention and Road Safety to Public Order. This movement represents the increased emphasis in the last few years on enhanced police accessibility, response to calls for assistance and proactively ensuring public areas and streets are safe for community use and business activity through the targeted use of patrols and other measures.

A Disaggregated Disclosure - Assets and Liabilities has not been produced as that information is not readily attributable to activities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of South Australia Police

The South Australia Police Department (SAPOL) operates within the *Police Act 1998*, the Police Regulations 1999 and the PSA.

The mission statement of SAPOL as set out in the Corporate Business Plan 2009-10 is 'working together to reassure and protect the community from crime and disorder'. This mission statement is reflected in the following core functions:

- Uphold the law
- Preserve the peace
- Prevent crime
- Assist the public in emergency situations
- Coordinate and manage responses to emergency situations
- Regulate road use and prevent vehicle collisions.

2. Summary of significant accounting policies

(a) Statement of Compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with AASs and TIs and APSS promulgated under the provisions of the PFAA.

Except for AASB 2009-12, which SAPOL has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAPOL for the reporting period ending 30 June 2010. These are outlined in note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying SAPOL's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- the manner of selection and application of accounting policies ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSS issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSS require the following note disclosures that have been included in these financial statements:
 - (a) Revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date classified according to their nature.
 - (b) Expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income).
 - (c) Employee TVSP information.
 - (d) Employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.
 - (e) Board/Committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

SAPOL's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The continued existence of SAPOL in its present form and with its present activities is dependent on government policy and on continuing appropriations by Parliament for SAPOL's administration and outputs.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented.

(c) Reporting entity

SAPOL is a government department of the State of South Australia and operates within the *Police Act 1998*, the *Police Regulations 1999* and the *PSA*. SAPOL is an administrative unit acting on behalf of the Crown. The financial statements and accompanying notes include all the controlled activities of SAPOL. Transactions and balances relating to administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are significant in relation to SAPOL's overall financial performance and position, they are disclosed in the administered financial statements at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for controlled items.

(d) Transferred functions

The Public Sector Management (Shared Services SA (13)) Proclamation 2009 (dated 15 October 2009) declared that the taxation and financial services from SAPOL's Business Service transition to DTF Shared Services SA with effect from 19 October 2009. (Refer note 26).

(e) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSS has required a change. Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

(f) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

(g) Taxation

SAPOL is not subject to income tax. SAPOL is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

Income, expenses and assets are recognised net of the amount of GST except that:

- where the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables, with the exception of prepayments, and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO. If GST is not payable to, or recoverable from, the ATO the commitments and contingencies are disclosed on a gross basis.

GST recoverable from, or payable to, the ATO associated with administered items transactions are included in the SAPOL statements.

(h) Events after the end of the reporting period

Relates to disclosure about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

(i) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to SAPOL will occur and can be reliably measured. Income has been aggregated according to its nature in accordance with APF II, APS 3.2 and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Fees and charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the client or by reference to the stage of completion. Fees and charges controlled by SAPOL are recognised as income in the SAPOL financial statements. Fees and charges are deemed to be controlled where they can be deployed for the achievement of SAPOL objectives. Such amounts are not required to be paid to the Consolidated Account or other funds not controlled by SAPOL.

Fees and charges (continued)

Fees and charges collected by SAPOL but not controlled are not recognised as income in the SAPOL financial statements but are reported as administered income in the administered items financial statements. Such amounts are required to be paid to the Consolidated Account or other funds not controlled by SAPOL. (Refer note A4).

Contributions received

Contributions are recognised as an asset and income when SAPOL obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Generally SAPOL has obtained control or the right to receive for:

- contributions with unconditional stipulations – this will be when the agreement becomes enforceable ie the earlier of when SAPOL has formally been advised that the contribution (eg grant application) has been approved; agreement/contract is executed; and/or the contribution is received
- contributions with conditional stipulations – this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for the contributions received or receivable under the agreement.

All contributions received by SAPOL have been contributions with unconditional stipulations attached and have been recognised as an asset and income on receipt.

Resources received free of charge

Resources received free of charge are recorded as income in the Statement of Comprehensive Income at their fair value in accordance with the APF III, APS 2.12. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

Net gain from disposal of non-current assets

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by the comparing proceeds with the carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings in accordance with APF III, APS 3.11.

Any gain (loss) on disposal is recognised at the date of control of the asset passed to the buyer and is determined after the deduction from proceeds of the asset at that time.

Revenues from SA Government

Appropriations for program funding are recognised as income when SAPOL obtains control over the funding. Control over appropriations is normally obtained upon their receipt and are accounted for in accordance with TI 3.

Other income

Other income consists of donations, recoveries of employee benefits (ie where employees are seconded to Commonwealth programs and SAPOL continues to provide the ongoing salary for the employees) and goods and services (ie where SAPOL incurs expenditure on goods and services and later recovers the expenditure).

(j) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from SAPOL will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Employee benefits

Employee benefits expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents contributions made by SAPOL to superannuation plans in respect of current services of current departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government general purpose financial statements.

Depreciation and amortisation

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as computer software, while depreciation is applied to tangible assets such as property, plant and equipment.

Depreciation and amortisation (continued)

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land and non-current assets held for sale are not depreciated.

Depreciation/Amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings	15-60
Vehicles and transport vessels	3-10
Computers and communications	3-7
Other	5-10
Leasehold improvements	life of lease
Intangible assets	3-7

Payments to SA Government

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy and taxation revenues which are paid directly to the Consolidated Account. Expiation fees received on behalf of the Government are an administered item and paid directly to the Department of Treasury and Finance Consolidated Account. This payment is recognised in the administered items financial statements.

(k) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. SAPOL have a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

(l) Assets

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand, and deposits at call that are readily converted to cash, used in the cash management function on a day-to-day basis and which are subject to insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Administered cash is shown in administered items financial schedules.

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from goods and services, GST input tax credits recoverable, prepayments and other accruals.

Receivables arise in the normal course of selling goods and services to other government agencies and to the public.

Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of receivables is reviewed on an ongoing basis. Bad debts are written off when identified.

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

Inventories

SAPOL holds inventories generally for internal distribution. Inventories held for distribution are measured at lower of cost and replacement value.

Inventories include stationery, capsicum sprays and police horses.

Non-current assets held for sale

Non-current assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

Non-current assets

- *Acquisition and recognition*

Non-current assets are initially recorded at cost plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

Where assets are acquired at no value, or minimal purchase value, they are recorded at their fair value in the Statement of Financial Position.

All non-current tangible assets with a value of \$10 000 or greater are capitalised in accordance with APF III, APSs 2.15 and 7.2.

All other plant and equipment purchases are expensed in the year of purchase.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

- *Revaluation of non-current assets*

In accordance with APF III, all non-current tangible assets are valued at written down current cost (a proxy for fair value). Revaluation of a non-current asset, or group of assets, is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Every three years, SAPOL revalues its land, buildings and leasehold improvements. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, when they are revalued to fair value.

Land, buildings and leasehold improvements controlled by SAPOL were last revalued as at 30 June 2008 following an independent valuation prepared by Valcorp Australia Pty Limited using the fair value methodology. Other non-current assets have been valued at their written down historic cost.

Any revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Statement of Comprehensive Income, in which case the increase is recognised in the Statement of Comprehensive Income.

Any revaluation decrease is recognised in the Statement of Comprehensive Income, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in revaluation surplus for that asset class.

Any accumulated depreciation, as at the revaluation date, is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

- *Impairment*

All significant non-current tangible and intangible assets are tested for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets, an impairment loss is offset against the asset revaluation surplus.

Impairment is generally limited to where an asset's depreciation is materially understated or where the replacement cost is falling.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. SAPOL only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria outlined in AASB 138 (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000 in accordance with APF III, APS 2.15.

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed.

(m) Liabilities

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Payables

Payables include creditors, accrued expenses and employee benefit on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of SAPOL.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or the date the invoice is first received in accordance with TI 11.

Employee benefit on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

SAPOL makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the Police Superannuation Board and the South Australian Superannuation Board and externally managed superannuation schemes have assumed this liability. The only liability outstanding at balance date relates to any contributions due but not yet paid to the Police Superannuation Board and the South Australian Superannuation Board.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

SAPOL has entered into a number of operating lease agreements for buildings and vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items. Operating lease payments are representative of the pattern of benefits to be derived from the leased items and accordingly are charged to the Statement of Comprehensive Income in the period in which they are incurred.

Public Private Partnership

In May 2005 Cabinet approved the execution of a 25 year service contract with Plenary Justice Pty Ltd (Plenary) for regional police stations for SAPOL and courts for the Courts Administration Authority (CAA).

In June 2005 the Minister of Infrastructure signed a Project Agreement.

The Public Private Partnership (PPP) includes police stations at Mt Barker and Gawler, police stations and court facilities at Port Lincoln, Victor Harbor and Berri, and court facilities at Port Pirie.

For accounting purposes the leases are an operating lease.

Under the PPP agreement SAPOL is responsible for paying lease payments to Plenary for sites occupied by both SAPOL and CAA. SAPOL invoices CAA for the sites they occupy.

Lease expenditure and payables related to the facilities occupied by SAPOL is recognised in the SAPOL financial statements. Lease expenditure, revenues and associated payables and receivables related to the facilities occupied by CAA is recognised in the administered items financial statements.

Employee benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Non-current employee benefits are measured at present value and current employee benefits are measured at nominal amounts.

- *Wages, salaries, annual leave and sick leave*
Liabilities for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. Liabilities for annual leave are recognised and are measured as the amount unpaid at the reporting date at the rate of pay expected to be paid when the leave is taken in respect of employee's services up to that date.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

- *Long service leave*
The liability for long service leave is recognised after an employee has completed 8 years of service. An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with SAPOL's experience of employee retention and leave taken.
- *Employee benefit on-costs*
Employee benefit on-costs (payroll tax and superannuation) are recognised separately under payables.

- *Provisions*

Provisions are recognised when SAPOL has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When SAPOL expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

- *Workers compensation*

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision which is based on an actuarial assessment, prepared by Taylor Fry Consulting Actuaries, was provided by the Public Sector Workforce Division of DPC (refer to note 21).

- *Civil actions against police*

A liability has been reported to reflect unsettled actions against SAPOL.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation its carrying amount is the present value of those cash flows.

(n) ***Professional indemnity and general public liability insurance***

SAPOL is a participant in the SA Government's Insurance Program. SAPOL pays a premium to SAFA, SAICORP Division and is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of the funding for claims in excess of the deductible.

(o) ***Unrecognised contractual commitments and contingent assets and liabilities***

Commitments include operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

3. New and revised accounting standards and policies

SAPOL did not voluntarily change any of its accounting policies during 2009-10.

Except for AASB 2009-12, which SAPOL has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by SAPOL for the period ending 30 June 2010. SAPOL has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of SAPOL.

4. Activities of SAPOL

SAPOL has identified five activities that it delivers to the community and the Minister for Police. The identity and description of each SAPOL activity during the year ended 30 June is summarised below. Financial information relating to each activity is reported in the Disaggregated Disclosures - Expenses and Income.

Activity 1: Public order

In support of South Australia's Strategic Plan Objective 2: 'Improving Wellbeing', provision of police services to the community, the investigation and management of public order offences and the management of major events in the state. The outcome is a community that is reassured and protected from crime and disorder, making South Australia a safe place to live, visit and conduct business.

Activity 2: Crime prevention

In support of South Australia's Strategic Plan Objective 2: 'Improving Wellbeing', the provision of crime prevention services through the investigation and management of crimes against the person and property and illegal drug activity together with community programs and education. The outcome is that the incidence and effects of crime are reduced, making South Australia a safe place to live, visit and conduct business.

Activity 3: Road safety

In support of South Australia's Strategic Plan Objective 2: 'Improving Wellbeing', provision of road safety services such as the regulation of road use, education and vehicle collision prevention. The outcomes contribute to a reduced road toll of fatalities and serious injuries, improved road safety and efficient traffic movement. This provides personal and economic benefits to the community, making South Australia a safe place to live, visit and conduct business.

Activity 4: Emergency response and management

In support of South Australia's Strategic Plan Objective 2: 'Improving Wellbeing', provision of rapid and effective management and response services to reduce the incidence and effects of emergencies, thereby maximising the capacity to receive and manage calls for assistance. The outcome is that the effects on individuals and the community from emergency and disaster situations are minimised, making South Australia a safe place to live, visit and conduct business.

Activity 5: Criminal Justice Services

In support of South Australia's Strategic Plan Objective 2: 'Improving Wellbeing', provision of services that promote public confidence in the judicial system through the enforcement of court orders and execution of warrants, prosecution services and the safekeeping and supervision of persons in police custody. The outcome is an efficient, effective, safe and fair support service to the judicial system, making South Australia a safe place to live, visit and conduct business.

5. Employee benefits expenses

	Note	2010 \$'000	2009 \$'000
Salaries and wages		365 352	343 510
Annual leave		44 861	46 248
Long service leave		18 377	18 447
Employee on-costs - superannuation		54 399	55 602
Employee on-costs - other		24 035	23 240
TVSPs (refer below)		691	-
Other employment related expenses		977	911
Workers compensation	21	14 184	27 568
Total employee benefits expenses		<u>522 876</u>	<u>515 526</u>
TVSPs			
Amount paid to these employees:			
TVSPs		691	-
Annual leave and long service leave accrued over the period		<u>102</u>	<u>-</u>
		<u>793</u>	<u>-</u>
Recovery from DTF		-	-
Net amount paid by SAPOL		<u>793</u>	<u>-</u>

The number of employees who were paid TVSPs during the reporting period were 11 (0).

Employee remuneration

The table below includes all employees who received remuneration of \$100 000 or more during the year. The table includes both controlled and administered employees. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$222.6 million (\$149.7 million).

The increase in remuneration is caused by the implementation of the Enterprise Bargaining Agreements for police officers resulting in an increase in the number of police ranks entering the greater than \$100 000 remuneration category, and 27 pay periods (normally 26) in the 2009-10 year.

Remuneration of employees

The number of employees who received remuneration of \$100 000 or more during the year falls within the following bands:	2010 Number	2009 Number
\$100 000 - \$109 999	762	645
\$110 000 - \$119 999	527	404
\$120 000 - \$129 999	345	141
\$130 000 - \$139 999	138	76
\$140 000 - \$149 999	78	24
\$150 000 - \$159 999	30	10
\$160 000 - \$169 999	4	3
\$170 000 - \$179 999	5	-
\$180 000 - \$189 999	1	-
\$190 000 - \$199 999	-	1
\$210 000 - \$219 999	1	1
\$220 000 - \$229 999	2	3
\$230 000 - \$239 999	1	5
\$240 000 - \$249 999	4	-
\$250 000 - \$259 999	1	-
\$260 000 - \$269 999	1	-
\$300 000 - \$309 999	-	1
\$330 000 - \$339 999	1	-
\$350 000 - \$359 999	-	1
\$370 000 - \$379 999	1	-
Total	1 902	1 315

Remuneration of employees by category

Executive	12	12
Non-executive	1 890	1 303
Total	1 902	1 315
Police	1 857	1 293
Public servant	45	22
Total	1 902	1 315

6. Supplies and services

	2010 \$'000	2009 \$'000
Accommodation and property related	21 435	20 206
Administration	16 898	16 614
Communication and computing	26 591	22 553
Consultants	391	58
Employee related	9 475	8 886
Insurance	875	865
Legal	3 310	2 134
Minor equipment	2 677	4 092
Motor vehicle related	23 713	22 253
Shared Services SA	1 850	1 175
Uniforms	2 246	2 100
Utilities	3 621	3 338
Other	6 607	6 062
Total supplies and services	119 689	110 336

Pursuant to the contract arrangements with Justice Group (Plenary), the PPP partner, SAPOL pays lease charges to Plenary for sites occupied by both SAPOL and the CAA. SAPOL on-charges the CAA for lease costs associated with CAA sites. The income and expenditure associated with the sites occupied by CAA are recognised as administration items. The resulting revenues is not off-set against expenditure.

Consultants

The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:	2010 Number	2009 Number	2010 \$'000	2009 \$'000
Below \$10 000	1	4	7	10
Between \$10 000 - \$50 000	3	1	100	48
Above \$50 000	2	-	284	-
Total paid/payable to the consultants engaged	6	5	391	58

External auditor's remuneration

External auditor's remuneration represents amounts paid/payable to the Auditor-General's Department for audit services. No other services were provided by the Auditor-General's Department.

	2010	2009
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	235	191
Total external auditor's remuneration	<u>235</u>	<u>191</u>

Supplies and services provided by entities within the SA Government

The following supplies and services (included in the supplies and services expense amounts shown above) were provided by entities within the SA Government:

Accommodation and property related	16 040	17 174
Administration	1 750	1 691
Communication and computing	10 839	10 825
Employee related	5 688	6 051
Insurance	875	865
Legal	3 126	1 759
Minor equipment	176	75
Motor vehicle related	11 320	10 285
Shared Services SA	1 851	1 175
Utilities	1 082	848
Other	1 652	1 393
Total supplies and services	<u>54 399</u>	<u>52 141</u>

7. Depreciation and amortisation expense

Depreciation:

Buildings and improvements	4 848	4 753
Computing and communications equipment	4 025	4 634
Vehicle and transport vessels	1 505	1 706
Other	2 468	2 101
Total depreciation	<u>12 846</u>	<u>13 194</u>

Amortisation:

Leasehold improvements	1 711	1 733
Internally generated computer software	2 009	1 529
Other computer software	717	710
Total amortisation	<u>4 437</u>	<u>3 972</u>
Total depreciation and amortisation expense	<u>17 283</u>	<u>17 166</u>

8. Revenues from fees and charges

Escorts - wide load/other	2 363	2 320
Firearms licence and registration fees	4 207	3 994
Hoon legislation recoveries	453	210
Police information requests	3 450	3 354
Police security services	7 645	7 000
Prosecution and other court fees	612	602
Other fees	1 175	783
Total revenues from fees and charges	<u>19 905</u>	<u>18 263</u>

Fees and charges received/receivable from entities within the SA Government

The following fees and charges (included in the fees and charges revenues shown above) were received/receivable from entities within the SA Government:

Escorts - wide load/other	1	3
Police information requests	155	256
Police security services	7 490	6 902
Other fees	8	10
Total fees and charges received/receivable from entities within the SA Government	<u>7 654</u>	<u>7 171</u>

9. Interest revenues

Interest on deposit accounts - from entities external to the SA Government	8	25
Total interest revenues	<u>8</u>	<u>25</u>

10. Commonwealth revenues

Commonwealth revenues	232	1 771
Total Commonwealth revenues	<u>232</u>	<u>1 771</u>

During 2009-10 SAPOL recovered costs associated with resources provided at the request of the Commonwealth Government in relation to:

- CrimTrac - Jurisdictional criminal history referrals.

10. Commonwealth revenues (continued)

During 2008-09 SAPOL recovered costs associated with resources provided at the request of the Commonwealth Government in relation to:

- 2003-04 handgun buyback
- CrimTrac - national police data exchange
- CrimTrac - jurisdictional criminal history referrals
- Unified policing model Adelaide Airport
- Operation Themis.

11. Net gain from disposal of non-current assets

	2010	2009
	\$'000	\$'000
Land and buildings:		
Proceeds from disposal	-	5
Net book value of assets disposed	-	(1)
Net gain from disposal of land and buildings	<u>-</u>	<u>4</u>
Plant and equipment:		
Proceeds from disposal	272	700
Net book value of assets disposed	(113)	(423)
Net gain from disposal of plant and equipment	<u>159</u>	<u>277</u>
Total assets:		
Proceeds from disposal	272	705
Net book value of assets disposed	(113)	(424)
Net gain from disposal of total assets	<u>159</u>	<u>281</u>

12. Other revenues

Contributed (donated) asset revenues	55	1 733
Employee benefits recoveries	1 081	1 709
Goods and services recoveries	729	385
Grants	1 101	1 103
Rent revenues	250	306
Sundry receipts	590	983
Other sundry revenues	1 021	1 062
Total other revenues	<u>4 827</u>	<u>7 281</u>

During 2009-10 SAPOL recognised contributed assets related to road safety (fixed red light/speed cameras) of \$55 000 transferred from the Department for Transport, Energy and Infrastructure (DTEI).

During 2008-09 SAPOL recognised contributed assets related to road safety (fixed red light/speed cameras) of \$1.033 million transferred from DTEI and land of \$700 000 related to the establishment of a new police facility at Roxby Downs from the Department for Environment and Heritage.

Other revenue received/receivable from entities within the SA Government

	2010	2009
	\$'000	\$'000
The following other revenue (included in the other revenues shown above) was received/receivable from entities within the SA Government:		
Contributed (donated) asset revenues	55	1 733
Employee benefits recoveries	580	570
Goods and services recoveries	582	275
Grants	566	1 067
Rent revenues	16	1
Sundry receipts	158	124
Other sundry revenues	5	73
Total other revenue received/receivable from entities within the SA Government	<u>1 962</u>	<u>3 843</u>

13. Revenues from (payments to) SA Government

Revenues from SA Government:		
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act</i>	554 740	519 900
Contributions from the Community Emergency Services Fund	18 418	17 986
Contributions from the Community Road Safety Fund	34 700	34 700
Intra-government transfers	12 423	1 415
Total revenues from SA Government	<u>620 281</u>	<u>574 001</u>
Payments to SA Government:		
Other payments to the Consolidated Account*	-	(3 817)
Total payments to SA Government	<u>-</u>	<u>(3 817)</u>

DTF manage appropriation transfers to agencies. SAPOL's budgeted revenues from appropriation for 2009-10 was \$576.648 million. SAPOL received \$554.74 million during 2009-10 with the remaining balance of \$21.908 million received on 6 July 2010 due to a processing delay. The delay was outside SAPOL's control and impacted on SAPOL's revenues, retained earnings, equity and cash held. (Refer Statement of Cash Flows and notes 14 and 22).

13. Revenues from (payments to) SA Government (continued)

In 2009-10, the intra-government transfer comprises:

- \$153 000 for Rural Highways Saturation Program from DTEI
- \$11.822 million for construction of police facilities in APY Lands from DPC
- \$276 000 for a CCTV project from DPC
- \$172 000 for a Substance Abuse Information Desk project from DTF. The funding originated from the Commonwealth Department of Families, Community Services and Indigenous Affairs.

In 2008-09, the intra-government transfer comprises:

- \$153 000 for Rural Highways Saturation Program from DTEI
- \$1.262 million for construction of police facilities in APY Lands from DPC.

* This amount does not include a dividend/distribution to the SA Government as owner.

SAPOL is recognising a payment of \$nil (\$3.817 million) to the Government in 2009-10, pursuant to the Cash Alignment Policy which was implemented in 2004-05.

14. Cash and cash equivalents

	2010	2009
	\$'000	\$'000
Deposits with the Treasurer	3 743	34 646
Cash held in imprest accounts and petty cash	485	596
Total cash and cash equivalents	<u>4 228</u>	<u>35 242</u>

Deposits with the Treasurer

Includes deposits at call and Accrual Appropriation Account.

The level of SAPOL cash holdings as at 30 June 2010 has been impacted by processing delays in the receipt of \$21.908 million appropriation (from DTF), \$8.418 million for the Community Emergency Services Fund (from SA Fire and Emergency Services Commission) and \$2.91 million Community Road Safety Fund (from DTEI) contributions. These amounts have been subsequently received in the 2010-11 financial year. (Refer Statement of Cash Flows and notes 13, 15 and 22).

15. Receivables

	2010	2009
	\$'000	\$'000
Current receivables:		
Receivables	13 119	2 606
Accrued revenues	98	78
Prepayments	2 369	4 317
GST input tax receivables	3 065	2 199
Workers compensation recoveries	307	325
Total current receivables	<u>18 958</u>	<u>9 525</u>

Receivables from entities within the SA Government

The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:

Receivables	12 403	2 064
Accrued revenues	98	78
Prepayments	150	1 207
Total receivables from the SA Government	<u>12 651</u>	<u>3 349</u>

Non-current receivables:

Workers compensation recoveries	920	1 080
Total non-current receivables	<u>920</u>	<u>1 080</u>

The increase in receivables, of \$10.307 million, is due mainly to two invoices: \$8.418 million due from South Australian Fire and Emergency Services Commission; and \$2.91 million due from DTEI outstanding as at 30 June 2010. These invoices are normally paid in the year of issue. The non-payment of these invoices has contributed to the reduction in cash held by SAPOL. (Refer to Statement of Cash Flows and note 14).

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Ageing analysis of receivables - refer note 28.2.

16. Non-current assets held for sale

	2010	2009
	\$'000	\$'000
Buildings and improvements	339	286
Total non-current assets classified as held for sale	<u>339</u>	<u>286</u>

17. Property, plant and equipment	2010	2009
Land:	\$'000	\$'000
Land at fair value ⁽¹⁾	55 012	55 033
Land at cost	688	110
Total land	<u>55 700</u>	<u>55 143</u>
Buildings and improvements:		
Buildings at fair value ⁽¹⁾	129 764	129 935
Buildings at cost	1 148	558
Accumulated depreciation	(9 510)	(4 759)
Total buildings and improvements	<u>121 402</u>	<u>125 734</u>
Leasehold improvements:		
Leasehold improvements at fair value ⁽¹⁾	9 308	9 308
Accumulated amortisation	(3 450)	(1 738)
Total leasehold improvements	<u>5 858</u>	<u>7 570</u>
Computing and communications equipment:		
Computing and communications equipment at cost ⁽²⁾	35 745	34 969
Accumulated depreciation	(25 655)	(22 743)
Total computing and communications equipment	<u>10 090</u>	<u>12 226</u>
Vehicle and transport vessels:		
Vehicle and transport vessels - at cost	13 160	13 335
Accumulated depreciation	(7 596)	(6 823)
Total vehicle and transport vessels	<u>5 564</u>	<u>6 512</u>
Other:		
Other - at cost (deemed fair value) ⁽¹⁾	26 546	24 269
Accumulated depreciation	(11 304)	(10 158)
Total other	<u>15 242</u>	<u>14 111</u>
Total property, plant and equipment	<u>213 856</u>	<u>221 296</u>

(1) Land, buildings and improvements were revalued as at 30 June 2008 by officers from Valcorp Australia Pty Ltd.

(2) Intangible assets - computer software has been separately identified. (Refer note 18).

Movement reconciliation of property, plant and equipment

2010	Land \$'000	Buildings & improvmts \$'000	Leasehold improvmts \$'000	Computer & commnctn equipment \$'000	Vehicles & transport vessels \$'000	Other \$'000
Carrying amount at 1 July	55 143	125 734	7 570	12 226	6 512	14 111
Transfers to (from) capital WIP	-	590	-	2 007	669	3 582
Additions	578	-	-	-	-	-
Transfers between classes	-	-	-	-	-	-
Depreciation expense	-	(4 848)	(1 711)	(4 025)	(1 505)	(2 468)
Donated assets	-	-	-	-	-	55
Asset - recognised through stocktake	-	-	-	29	1	81
Disposals	-	-	-	-	(113)	-
Assets written off	-	(42)	(1)	(147)	-	(119)
Capital WIP - expenses in current period	-	-	-	-	-	-
Transfers to assets held for sale	(21)	(32)	-	-	-	-
Carrying amount at 30 June	<u>55 700</u>	<u>121 402</u>	<u>5 858</u>	<u>10 090</u>	<u>5 564</u>	<u>15 242</u>
		Total property, plant and equipment \$'000	Work in progress \$'000	Intangible assets (internally generated) \$'000	Intangible assets (other compt (software) \$'000	2010 Total \$'000
Carrying amount at 1 July		221 296	8 545	9 941	3 008	242 790
Transfers to (from) capital WIP		6 848	(7 736)	592	296	-
Additions		578	35 549	-	14	36 141
Transfers between classes		-	-	-	-	-
Depreciation expense		(14 557)	-	(2 009)	(717)	(17 283)
Donated assets		55	-	-	-	55
Asset - recognised through stocktake		111	-	50	-	161
Disposals		(113)	-	-	-	(113)
Assets written off		(309)	-	-	(1)	(310)
Capital WIP - expenses in current period		-	(220)	-	-	(220)
Transfers to assets held for sale		(53)	-	-	-	(53)
Carrying amount at 30 June		<u>213 856</u>	<u>36 138</u>	<u>8 574</u>	<u>2 600</u>	<u>261 168</u>

Movement reconciliation of property, plant and equipment (continued)

2009	Land \$'000	Buildings & improvmts \$'000	Leasehold improvmts \$'000	Computer & commnctn equipment \$'000	Vehicles and transport vessels \$'000	Other \$'000
Carrying amount at 1 July	54 334	129 934	9 303	13 623	7 543	12 880
Transfers to (from) capital WIP	-	558	-	3 345	1 021	2 960
Additions	110	-	-	-	-	-
Depreciation expense	-	(4 753)	(1 733)	(4 634)	(1 706)	(2 101)
Donated assets	700	-	-	-	-	1 033
Asset - recognised through stocktake	-	-	-	120	-	168
Disposals	(1)	-	-	-	(239)	(184)
Disposals - transferred for nil consideration	-	-	-	-	-	-
Asset written off	-	(5)	-	(228)	(107)	(645)
Carrying amount at 30 June	55 143	125 734	7 570	12 226	6 512	14 111

	Total Property, plant and equipment \$'000	Work in progress \$'000	Intangible assets (internally generated) \$'000	Intangible assets (other compt (software) \$'000	2009 Total \$'000
Carrying amount at 1 July	227 617	3 764	7 320	3 226	241 927
Transfers to (from) capital WIP	7 884	(12 526)	4 150	492	-
Additions	110	17 308	-	-	17 418
Depreciation expense	(14 927)	-	(1 529)	(710)	(17 166)
Donated assets	1 733	-	-	-	1 733
Asset - recognised through stocktake	288	-	-	-	288
Disposals	(424)	-	-	-	(424)
Disposals - transferred for nil consideration	-	-	-	-	-
Assets written off	(985)	(1)	-	-	(986)
Carrying amount at 30 June	221 296	8 545	9 941	3 008	242 790

18. Intangible assets

	2010 \$'000	2009 \$'000
Computer software:		
Internally developed computer software - at cost (deemed fair value)	17 473	16 831
Accumulated amortisation	(8 899)	(6 890)
Total internally generated computer software	8 574	9 941
Other computer software:		
Other computer software	6 273	5 964
Accumulated amortisation	(3 673)	(2 956)
Total other computer software	2 600	3 008
Total computer software	11 174	12 949

19. Payables

Current payables:		
Accrued employment on-costs	800	3 259
Creditors	13 005	5 761
Payables - employment on-costs	6 698	7 260
Total current payables	20 503	16 280

Current payables to entities within the SA Government

The following payables (included in the payables shown above) were payable to entities within the SA Government:

Accrued employment on-costs	800	3 259
Creditors	5 637	3 575
Payables - employment on-costs	6 698	7 260
Total current payables to entities within the SA Government	13 135	14 094

Non-current payables:

Payables - employment on-costs	17 749	17 927
Other payables	30	29
Total non-current payables	17 779	17 956

Non-current payables to entities within the SA Government

The following payables (included in the payables shown above) were payable to entities within the SA Government:

Employee benefit on-costs	17 749	17 927
Total non-current payables to entities within the SA Government	17 749	17 927

19. Payables (continued)

Creditors and accruals are raised for all amounts due but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they related to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

20. Employee benefits

	2010	2009
	\$'000	\$'000
Current employee benefits:		
Accrued salaries and wages	4 149	17 462
Annual leave	28 369	29 125
Long service leave	9 080	8 475
Total current employee benefits	<u>41 598</u>	<u>55 062</u>
Non-current employee benefits:		
Annual leave	747	1 069
Long service leave	115 837	109 519
Total non-current employee benefits	<u>116 584</u>	<u>110 588</u>
Total employee benefits	<u>158 182</u>	<u>165 650</u>

The total current and non-current employee benefit (ie aggregate employee benefits plus related on-costs) for 2009-10 is \$49.096 million and \$134.333 million respectively (\$65.851 million and \$128.516 million respectively).

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has changed from the 2009 benchmark 8.5 years to 8 years. The net financial effect of the changes in the current financial year is an increase in the long service liability of \$1.111 million and on-costs of \$220 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

21. Provisions

	Note	2010	2009
		\$'000	\$'000
Current provisions:			
Provision for workers compensation	5	13 176	14 915
Provision for civil actions against police		613	570
Total current provisions		<u>13 789</u>	<u>15 485</u>
Non-current provisions:			
Provisions for workers compensation		73 916	72 404
Total non-current provisions		<u>73 916</u>	<u>72 404</u>

Provision Movement

Workers compensation:			
Carrying amount at 1 July		87 319	76 001
Additional provision recognised		14 184	27 568
Reduction due to payments		(14 411)	(16 250)
Carrying amount at 30 June		<u>87 092</u>	<u>87 319</u>
Civil actions against police:			
Carrying amount at 1 July		570	359
Increase in the provision due to revision of estimates		315	366
Reduction due to payments		(272)	(155)
Carrying amount at 30 June		<u>613</u>	<u>570</u>

22. Equity

Contributed capital	15 017	-
Asset revaluation surplus	85 605	85 605
Retained earnings	(98 890)	(84 144)
Total equity	<u>1 732</u>	<u>1 461</u>

The retained earnings represents the residual interest in SAPOL's net assets. The SA Government holds the accumulated deficit interest in SAPOL on behalf of the community.

SAPOL's retained earnings and equity as at 30 June 2010 has been impacted by the delay in the receipt of \$21.908 million appropriation (from DTF). If this appropriation had been received as at 30 June 2010 SAPOL would be reporting a net result of \$7.162 million, retained earnings of (\$76.982 million) and equity of \$23.64 million.

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets.

Land, buildings and improvements were revalued as at 30 June 2008 in accordance with APF III. SAPOL revalues assets on a three yearly cycle.

23. Cash flows reconciliation	2010	2009
Reconciliation of cash and cash equivalents:	\$'000	\$'000
Cash at year end as per:		
Cash and cash equivalents disclosed in the Statement of Financial Position	4 228	35 242
Cash and cash equivalents disclosed in the Statement of Cash Flows	4 228	35 242
	<hr/>	<hr/>
Reconciliation of net cash used in operating activities to net cost of providing services:		
Net cash used in operating activities	(10 110)	(1 111)
Revenues from SA Government	(554 740)	(519 900)
Contribution from the Community Emergency Services Fund	(10 000)	(17 986)
Contribution from Community Road Safety Fund	(31 790)	(34 700)
Intra-government transfer	(12 423)	(1 415)
Payments to SA Government	-	3 817
Non-cash items:		
Depreciation and amortisation expense	(17 283)	(17 166)
Donated assets:		
Road safety cameras (transfer from DTEI)	55	1 033
Land (transfer from Department for Environment and Heritage)	-	700
Net gain from disposal of non-current assets	159	281
Net loss from write-down of non-current assets	(310)	(986)
Capital-work-in-progress expensed	(220)	-
Assets recognised through stock-take	161	288
Accrued non-current assets	-	(476)
Movement in assets and liabilities:		
(Decrease) Increase in receivables	(2 055)	2 614
Decrease in inventories	(25)	(31)
Increase in payables	(4 046)	(4 564)
Decrease (Increase) in employee benefits	7 416	(15 262)
Decrease (Increase) in provisions	184	(11 529)
Net cost of providing services	<hr/> (635 027)	<hr/> (616 393)

24. Unrecognised contractual commitments**Capital commitments**

The total value, net of GST, of capital commitments not provided for as at the end of the reporting period are detailed below. These amounts have not been brought in account in the financial statements.

	2010	2009
	\$'000	\$'000
Not later than one year	3 708	15 450
Later than one year but not later than five years	2 501	7 499
Total capital commitments	<hr/> 6 209	<hr/> 22 949
GST included in operating lease commitments	<hr/> 621	<hr/> 2 295

Major capital commitments as at 30 June 2010 include mobile data terminals, electronic control devices and mobile speed cameras (academy redevelopments, new police stations at Murray Bridge and Roxby Downs, police station redevelopments at Christies Beach and Hindley Street and closed circuit TV).

Other commitments

The total value, net of GST, of other commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought in account in the financial statements.

	2010	2009
	\$'000	\$'000
Not later than one year	9 936	2 170
Later than one year but not later than five years	36 634	1 615
Later than five years	20 817	-
Total other commitments	<hr/> 67 387	<hr/> 3 785
GST included in other commitments	<hr/> 6 739	<hr/> 379

Major other expenditure commitments as at 30 June 2010 include fleet servicing, commissioning and decommissioning, driver drug testing and mobile radar (minor building works, early intervention program, Australian Institute of Police Management and ammunition).

Operating lease commitments

The total value, net of GST, of future non-cancellable operating lease commitments not provided for as at the end of the reporting period are detailed below. These amounts have not been brought in account in the financial statements.

Operating lease commitments (continued)

	2010	2009
	\$'000	\$'000
Not later than one year	23 592	21 808
Later than one year but not later than five years	32 128	44 402
Later than five years	63 149	61 886
Total operating lease commitments	<u>118 869</u>	<u>128 096</u>
GST included in operating lease commitments	<u>11 887</u>	<u>12 810</u>

The property leases are non-cancellable with rental payable in advance. Contingent rental provisions within the lease agreements require minimum lease payments to be increased periodically and generally in line with CPI movements and market conditions. Options exist to renew property leases at the end of the term of the leases.

Operating lease commitments include commitments for PPP leases related to SAPOL occupancies only.

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

	2010	2009
	\$'000	\$'000
Not later than one year	3 645	3 565
Later than one year but not later than five years	5 220	6 455
Total remuneration commitments	<u>8 865</u>	<u>10 020</u>

Amounts disclosed include commitments arising from executive and other service contracts. SAPOL does not offer fixed-term remuneration contracts greater than five years. Amounts disclosed include commitments arising from the Commissioner of Police employment contract.

25. Contingent liabilities**Rewards**

As at 30 June 2010 the value of outstanding rewards for unsolved murders was \$10.6 million (\$10.4 million). No provision has been made in the financial statements for this amount as considerable doubt exists as to the amount and timing of rewards that will actually be paid. This amount is not recognised in the Statement of Financial Position.

26. Transferred functions**Transferred out**

In September 2006, the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings. In late 2007, State Cabinet approved the shared services model developed by the Shared Services Reform Office for the creation of Shared Services SA in DTF.

The business services of SA Government agencies are transferring to Shared Services SA in a series of transition programs known as tranches. In most cases, these services transition in the current state with the current employees, who have been providing these services within the agencies. Cabinet approved Tranche 1 services on 15 October 2007.

Tranche 1 services: accounts payable, accounts receivable and payroll services transitioned to Shared Services SA on 20 October 2008.

Tranche 2 services: general accounting, external reporting, cash management, fixed assets, financial systems support, tax compliance and purchase card services transitioned to Shared Services SA with effect from 19 October 2009.

During 2009-10 three employees (3.3 FTE positions) of SAPOL and annual budget funding of \$254 000 (2010-11) and the following assets and liabilities were transferred to Shared Services SA.

During 2008-09 14 employees (15 FTE positions) of SAPOL and annual budget funding of \$1.599 million (2009-10) and the following assets and liabilities were transferred to Shared Services SA:

	2010	2009
	\$'000	\$'000
Cash	52	172
Total assets	<u>52</u>	<u>172</u>
Payables	5	13
Employee benefits	47	159
Total liabilities	<u>52</u>	<u>172</u>
Total net assets transferred	<u>-</u>	<u>-</u>

27. Remuneration of tribunal and committee members

Members that were entitled to receive remuneration for membership during the 2009-10 financial year were:

Police Review Tribunal

D Smythe (appointment relinquished 11 November 2009)

D Swain

The *Police Act 1998*, at Schedule 1 (Police Review Tribunal) requires the Chief Magistrate of the Magistrates Court to, on the commencement of any proceedings under Divisions 1 or 2 of Part 8, select a Magistrate to constitute the Tribunal for the purpose of those proceedings.

Firearms Review Committee

S Ahrens	R Hamdorf	A Swifte
J Basheer	Y Hill	I Wangel
O Bevan	G Hyde	R Warwick
H Dodd	E Kosmala	K Wigglesworth*

All members of the Firearms Review Committee were appointed until 30 June 2011.

The number of members whose remuneration received/receivable falls within the following bands:	2010 Number	2009 Number
\$0 - \$9 999	13	14
\$10 000 - \$19 999	1	1
Total	14	15

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, super contributions, FBT and salary sacrifice arrangements. The total remuneration received or receivable by members was \$30 000 (\$27 000).

During the 2009-10 financial year, tribunal/committee members were paid superannuation of \$2000 (\$2000).

Unless otherwise disclosed, transactions between members and SAPOL are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct out-of-pocket expenses incurred by relevant members.

* In accordance with DPC Circular 16 government employees did not receive any remuneration for board/committee duties during the financial year.

28. Financial instruments/financial risk management**28.1 Categorisation of financial instruments**

For details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument refer to note 2.

	Note	2010		2009	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets					
Cash and cash equivalents:					
Cash and cash equivalents	14	4 228	4 228	35 242	35 242
Receivables:					
Receivables ⁽¹⁾	15	13 119	13 119	2 606	2 606
Financial liabilities					
Payables:					
Payables ⁽¹⁾	19	13 035	13 035	5 790	5 790

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government certain rights to receive or pay cash may not be contractual and therefore in these situations the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, etc they would be excluded from disclosure. AASB 132 defines contract as enforceable by law. All amounts recorded are carried at cost.

Credit risk

Credit risk arises when there is a possibility of SAPOL's debtors defaulting on their contractual obligations resulting in financial loss to SAPOL. SAPOL measures credit risk on a fair value basis and monitors risk on a regular basis.

SAPOL has minimal credit risk. SAPOL has policies and procedures in place to ensure transactions occur with customers with appropriate credit history. SAPOL does not engage in high risk hedging for its financial assets.

Credit risk (continued)

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently SAPOL does not hold any collateral as security for any of its financial assets. There is no evidence to indicate that financial assets are impaired.

Assets (such as prepaid expenses) for which the future economic benefit is the receipt of goods or services, rather than the right to receive cash or another financial asset, are not financial assets. Workers compensation recovery is not a financial asset as the value is based on an actuarial assessment and no contractual obligation exists. Similarly, items such as deferred revenues and most warranty obligations are not financial liabilities because the outflow of economic benefits associated with them is the delivery of goods and services rather than a contractual obligation to pay cash or another financial asset.

28.2 Ageing analysis of financial assets

The following table discloses the ageing of financial assets and the ageing of impaired assets:

	Past due by				Total \$'000
	Current (not overdue) \$'000	Overdue for less than 30 days \$'000	Overdue for 31-60 days \$'000	Overdue for more than 60 days \$'000	
2010					
Not impaired:					
Receivables	12 693	179	20	227	13 119
2009					
Not impaired:					
Receivables	-	2 497	5	104	2 606

SAPOL has assessed all receivables as not being impaired.

Maturity analysis of financial assets and liabilities

SAPOL has assessed the maturity of its financial assets and liabilities as being less than one year. Receivables and payables with a contractual obligation are settled within 30 days.

Liquidity risk

Liquidity risk arises where SAPOL is unable to meet its financial obligations as they fall due. SAPOL is funded principally from appropriations by the SA Government. SAPOL works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet expected cash flows. SAPOL settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

SAPOL's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

SAPOL has no interest bearing liabilities at the end of the reporting period. There is no exposure to foreign currency or other price risks.

Sensitivity analysis disclosure

A sensitivity analysis of SAPOL's interest rate risk has not been undertaken as it has been determined that the possible impact on net result, total comprehensive result and equity from fluctuations in interest rates is immaterial.

**Statement of Administered Comprehensive Income
for the year ended 30 June 2010**

	Note	2010 \$'000	2009 \$'000
EXPENSES:			
Employee benefits expenses		385	398
Supplies and services	A3	2 090	2 061
Intra-government transfers		9 531	6 837
Total expenses		12 006	9 296
INCOME:			
Revenues from fees, fines and charges	A4	87 856	84 263
Total income		87 856	84 263
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT			
Revenues from SA Government	A5	543	524
Payments to SA Government	A5	(76 399)	(75 518)
Net payments to SA Government		(75 856)	(74 994)
NET RESULT		(6)	(27)
TOTAL COMPREHENSIVE RESULT		(6)	(27)

**Statement of Administered Financial Position
as at 30 June 2010**

	Note	2010 \$'000	2009 \$'000
CURRENT ASSETS:			
Cash and cash equivalents	A6	13 871	12 647
Receivables and prepayments		327	200
Total current assets		14 198	12 847
Total assets		14 198	12 847
CURRENT LIABILITIES:			
Payables - employment on-costs		4	6
Other liabilities	A7	13 591	12 240
Employee benefits	A8	27	38
Total current liabilities		13 622	12 284
NON-CURRENT LIABILITIES:			
Payables - employment on-costs		27	25
Employee benefits - long service leave	A8	175	158
Total non-current liabilities		202	183
Total liabilities		13 824	12 467
NET ASSETS		374	380
EQUITY:			
Retained earnings		374	380
TOTAL EQUITY		374	380
Unrecognised contractual commitments	A10		

**Statement of Administered Changes in Equity
for the year ended 30 June 2010**

	Retained earnings \$'000
Balance at 30 June 2008	407
Net result for 2008-09	(27)
Total comprehensive result for 2008-09	(27)
Balance at 30 June 2009	380
Net result for 2009-10	(6)
Total comprehensive result for 2009-10	(6)
Balance at 30 June 2010	374

**Statement of Administered Cash Flows
for the year ended 30 June 2010**

	2010 Inflows (Outflows) \$'000	2009 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	
CASH OUTFLOWS:		
Employee benefits payments	(382)	(366)
Payments for supplies and services	(1 236)	(552)
Intra-government transfers	(9 253)	(6 903)
Cash used in operations	(10 871)	(7 821)
CASH INFLOWS:		
Fees, fines and charges	85 748	82 305
Other revenues	2 106	1 952
Cash generated from operations	87 854	84 257
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	421	523
Payment to SA Government	(76 180)	(75 906)
Cash generated from SA Government	(75 759)	(75 383)
Net cash provided by operating activities	A9 1 224	1 053
NET INCREASE IN CASH AND CASH EQUIVALENTS	1 224	1 053
CASH AND CASH EQUIVALENTS AT 1 JULY	12 647	11 594
CASH AND CASH EQUIVALENTS AT 30 JUNE	A6 13 871	12 647

**Schedule of Expenses and Income
attributable to Administered Activities
for the year ended 30 June 2010**

	(Refer below)	1		2		3		4	
		2010	2009	2010	2009	2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:									
Employee benefits expenses	-	-	-	-	385	398	-	-	-
Supplies and services	-	-	-	-	-	-	1 982	1 955	-
Intra-government transfers	-	-	9 349	6 784	-	-	-	-	-
Total expenses	-	-	9 349	6 784	385	398	1 982	1 955	-
INCOME:									
Revenues from fees, fines and charges	76 399	75 521	9 349	6 784	-	-	1 979	1 958	-
Total income	76 399	75 521	9 349	6 784	-	-	1 979	1 958	-
REVENUES FROM (PAYMENTS TO)									
SA GOVERNMENT:									
Revenues from SA Government	-	-	-	-	381	365	-	-	-
Payments to SA Government	(76 399)	(75 518)	-	-	-	-	-	-	-
Net revenues from (payments to) SA Government	(76 399)	(75 518)	-	-	381	365	-	-	-
NET RESULT	-	3	-	-	(4)	(33)	(3)	3	-

	(Refer below)	5		6		Total	
		2010	2009	2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:							
Employee benefits expenses	-	-	-	-	385	398	-
Supplies and services	-	-	108	106	2 090	2 061	-
Intra-government transfers	-	-	129	-	53	53	6 837
Total expenses	-	-	129	-	161	159	12 006
INCOME:							
Revenues from fees, fines and charges	129	-	-	-	87 856	84 263	-
Total income	129	-	-	-	87 856	84 263	-
REVENUES FROM (PAYMENTS TO)							
SA GOVERNMENT:							
Revenues from SA Government	-	-	162	159	543	524	-
Payments to SA Government	-	-	-	-	(76 399)	(75 518)	-
Net revenues from (payments to) SA Government	-	-	162	159	(75 856)	(74 994)	-
NET RESULT	-	-	1	-	(6)	(27)	-

1. Expiation fees
2. Victims of Crime levy
3. Special Acts
4. Public Private Partnership (PPP)
5. Firearms Safety Training levy
6. Other

**Schedule of Assets and Liabilities
attributable to Administered Activities
as at 30 June 2010**

(Refer note A2)	1		2		3		4		5	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS:										
Cash and cash equivalents	126	201	7 086	6 158	5 403	5 184	783	515	(141)	(19)
Receivables and prepayments	-	-	-	-	-	-	-	-	144	19
Total assets	126	201	7 086	6 158	5 403	5 184	783	515	3	-
CURRENT LIABILITIES:										
Payables - employment on-costs	-	-	-	-	-	-	-	-	4	6
Other liabilities	126	201	7 086	6 158	5 402	5 184	783	515	-	-
Employee benefits	-	-	-	-	-	-	-	-	27	38
Total current liabilities	126	201	7 086	6 158	5 402	5 184	783	515	31	44
NON-CURRENT LIABILITIES:										
Payables - employment on-costs	-	-	-	-	-	-	-	-	27	25
Employee benefits - long service leave	-	-	-	-	-	-	-	-	175	158
Total non-current liabilities	-	-	-	-	-	-	-	-	202	183
Total liabilities	126	201	7 086	6 158	5 402	5 184	783	515	233	227
NET ASSETS	-	-	-	-	1	-	-	-	(230)	(227)

(Refer note A2)	6		7		8		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS:								
Cash and cash equivalents	-	-	11	-	603	608	13 871	12 647
Receivables and prepayments	183	181	-	-	-	-	327	200
Total assets	183	181	11	-	603	608	14 198	12 847
CURRENT LIABILITIES:								
Payables - employment on-costs	-	-	-	-	-	-	4	6
Other liabilities	183	181	11	-	-	1	13 591	12 240
Employee benefits	-	-	-	-	-	-	27	38
Total current liabilities	183	181	11	-	-	1	13 622	12 284
NON-CURRENT LIABILITIES:								
Payables - employment on-costs	-	-	-	-	-	-	27	25
Employee benefits - long service leave	-	-	-	-	-	-	175	158
Total non-current liabilities	-	-	-	-	-	-	202	183
Total liabilities	183	181	11	-	-	1	13 824	12 467
NET ASSETS	-	-	-	-	603	607	374	380

NOTES TO AND FORMING PART OF THE ADMINISTERED ITEMS FINANCIAL STATEMENTS

A1. Summary of significant accounting policies

All accounting policies for South Australia Police (SAPOL) are contained in note 2. The policies outlined in note 2 apply to both SAPOL and the administered items financial statements except as noted below.

A1.1 Departures from SAPOL 'Summary of significant accounting policies'*Basis of accounting*

Income from expiation fees and Victims of Crime levy fees is recognised on a cash basis. All other elements of SAPOL's Statement of Administered Comprehensive Income, Statement of Administered Financial Position and Statement of Administered Changes in Equity have been prepared on an accrual basis.

A2. Administered items

The following financial transactions are administered by SAPOL as at 30 June 2010. They do not represent controlled transactions of SAPOL. As such they are not recognised in the financial statements of SAPOL.

A2.1 Unclaimed property

SAPOL holds unclaimed monies and proceeds from disposal of found properties. These monies are held for a period of six months and are then passed to the Government. SAPOL treats these items in accordance with Police Regulations 1999.

A2.2 Exhibit monies

SAPOL holds exhibit property being items confiscated at the time of an offence ie items found at a crime scene or which were part of a theft. These items are held as an exhibit which may be presented to the court as evidence at the time the offence is heard. The court may decide that the items are returned or confiscated and passed to the Government.

A2.3 Expiation fees

SAPOL as a central processing agency of expiation notices collects expiation revenue arising from expiation notices issued by police officers and other authorised officers. SAPOL treats the collected expiation revenue pursuant to the requirements of the *Expiation of Offences Act 1996*. Monies collected are paid into the Consolidated Account.

A2.4 Victims of Crime levy

SAPOL as a central processing agency of expiation notices collects Victims of Crime expiation revenues arising from the expiation of offences included on expiation notices issued by police officers and other authorised officers. SAPOL treats the collected Victims of Crime levy revenue pursuant to the requirements of the *Victims of Crime Act 2001*. Monies collected are paid into the Victims of Crime Fund operated by the Attorney-General's Department. These are shown as intra-government transfers in the Statement of Administered Comprehensive Income.

A2.5 Special Acts

SAPOL receives separate appropriation for the payment of salaries in relation to the Commissioner of Police. Funding is provided under 'Recurrent expenditure – Special Acts'.

A2.6 Public Private Partnership

In May 2005 Cabinet approved the execution of a 25 year service contract with Plenary Justice Pty Ltd (Plenary) for regional police stations for SAPOL and courts for the Courts Administration Authority (CAA).

In June 2005 the Minister of Infrastructure signed a project agreement.

The Public Private Partnership (PPP) includes courts facilities at Port Lincoln, Berri and Port Pirie.

For accounting purposes the lease is an operating lease.

Under the PPP agreement SAPOL is responsible for paying lease payments to Plenary for sites occupied by both SAPOL and CAA. SAPOL invoices CAA for the sites that they occupy.

A2.7 Firearms Safety Training levy

SAPOL collects the Firearms Safety Training levy as part of the Firearms Licence fees. The Firearms Safety Training levy is transferred to TAFE SA. The levy subsidises compulsory firearms safety training, run by TAFE SA, that all applicants for firearms licences must undertake before being issued with their firearms licence.

SAPOL is recognising the Firearms Safety Training levy as an administered item for the first time in 2010. Previously this item was recognised in the controlled financial statements.

A2.8 Other

SAPOL receives appropriation with respect to grant payments to Safer Communities Australia Inc and the Australian Crime Prevention Council and a community service obligation payment to South Australian Water Corporation.

SAPOL has no control over the use of the funds listed above.

A3. Supplies and services

	2010	2009
	\$'000	\$'000
PPP lease payments*	1 982	1 955
Other	108	106
Total supplies and services - non-SA Government entities	<u>2 090</u>	<u>2 061</u>
Total supplies and services	<u>2 090</u>	<u>2 061</u>

* This relates to PPP lease payments on behalf of CAA (refer note A2.6). The expenditure is offset by cost recovery from CAA.

A4. Revenues from fees, fines and charges	2010	2009
	\$'000	\$'000
Expiation revenues	76 399	75 521
PPP cost recovery*	1 979	1 958
Victims of Crime levy	9 349	6 784
Firearms Safety Training levy	129	-
Total revenues from fees, fines and charges	<u>87 856</u>	<u>84 263</u>
<i>Fees and charges received/receivable from entities within the SA Government</i>		
The following fees and charges (included in the fees and charges revenues shown above) were received/receivable from entities within the SA Government:		
PPP cost recovery*	1 979	1 958
Total fees and charges received/receivable from entities within the SA Government	<u>1 979</u>	<u>1 958</u>
* This amount includes cost recovery from the CAA for PPP lease payments (refer note A2.6).		
A5. Revenues from (payments to) SA Government		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	543	524
Total revenues from SA Government	<u>543</u>	<u>524</u>
Payments to SA Government:		
Other payments to the Consolidated Account*	(76 399)	(75 518)
Total payments to SA Government	<u>(76 399)</u>	<u>(75 518)</u>
* This amount does not include a dividend/distribution to the SA Government as owner.		
A6. Cash and cash equivalents		
Deposits with the Treasurer	9 604	8 352
Deposits with other institutions	4 267	4 295
Total cash and cash equivalents	<u>13 871</u>	<u>12 647</u>
A7. Other liabilities		
<i>Current other liabilities</i>		
Funds payable to SA Government	6 196	5 699
Exhibit monies held	7 086	6 158
Unclaimed property held for SA Government	126	201
Other payable to non-SA Government	183	182
Total other liabilities	<u>13 591</u>	<u>12 240</u>
<i>Current other liabilities payable to entities within the SA Government</i>		
The following payables (included in the payables shown above) were payable to entities within the SA Government:		
Funds payable to SA Government	6 196	5 699
Exhibit monies held	7 086	6 158
Unclaimed property held for SA Government	126	201
Total current other liabilities payable to entities within the SA Government	<u>13 408</u>	<u>12 058</u>
A8. Employee benefits		
Current employee benefits:		
Accrued salaries and wages	-	8
Annual leave	27	30
Total current employee benefits	<u>27</u>	<u>38</u>
Non-current employee benefits:		
Long service leave	175	158
Total non-current employee benefits	<u>175</u>	<u>158</u>
A9. Cash flows reconciliation		
Reconciliation of cash and cash equivalents:		
Cash at year end as per:		
Cash and cash equivalents disclosed in the Statement of Administered Financial Position	13 871	12 647
Cash and cash equivalents disclosed in the Statement of Administered Cash Flows	<u>13 871</u>	<u>12 647</u>
Reconciliation of net cash provided by operating activities to net result:		
Net cash provided by operating activities	1 224	1 053
Movement in assets and liabilities:		
Increase in receivables	127	9
Increase in payables and provisions	(6)	(1)
Increase in other liabilities	(1 351)	(1 088)
Net result	<u>(6)</u>	<u>(27)</u>

A10. Unrecognised contractual commitments

Operating lease commitments

The total value, net of GST, of future non-cancellable operating lease commitment not provided for as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2010	2009
	\$'000	\$'000
Not later than one year	2 031	1 919
Later than one year but not later than five years	8 685	8 186
Later than five years	41 545	42 406
Total operating lease commitments	<u>52 261</u>	<u>52 511</u>
GST included in operating lease commitments	<u>5 226</u>	<u>5 251</u>

The property leases are non-cancellable with rental payable in advance. Contingent rental provisions within the lease agreements require minimum lease payments to be increased periodically and generally in line with CPI movements and market conditions.

Options exist to renew property leases at the end of the term of the leases.

Operating lease commitments include commitments for PPP leases related to SAPOL occupancies only.

SOUTH AUSTRALIAN ASSET MANAGEMENT CORPORATION

FUNCTIONAL RESPONSIBILITY

The *State Bank of South Australia Act 1983* (as amended) provides for the South Australian Asset Management Corporation (SAAMC), formerly known as the State Bank of South Australia to 'manage, realise and otherwise deal with its remaining assets and liabilities and, with the approval of the Treasurer, other assets and liabilities of the Crown or an instrumentally of the Crown, to the best advantage of the State'. The Act also provides for the Board of Directors of SAAMC to be subject to the control and direction of the Treasurer.

SAAMC and its controlled entities (ie former subsidiary and associated entities of the former State Bank of South Australia) commenced operations on 1 July 1994 with consolidated assets and liabilities of \$8.3 billion and \$8.2 billion respectively. At 30 June 2010 assets and liabilities of SAAMC stood at \$7.1 million and \$5.6 million respectively, leaving total equity of SAAMC at 30 June 2010 at \$1.5 million. This compared to total equity of \$73.3 million at 30 June 2009. The reduction was due to a dividend payment and a capital contribution repayment to the SA Government in June 2010.

At 30 June 2010 SAAMC staffing consisted of a part-time Chief Executive Officer and one temporary employee.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of SAAMC for each financial year.

Assessment of controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by SAAMC in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program involved the review of financial systems and records and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed with respect to the financial statements and internal controls.

During 2009-10, areas of audit attention included: cash and investments; receivables and payables; financial accounting systems, including reconciliation processes; and financial statements verification.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South Australian Asset Management Corporation as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the South Australian Asset Management Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the South Australian Asset Management Corporation have been conducted properly and in accordance with law.

Communication of audit matters

The review of the auditable areas (including financial statements verification) indicated that the financial controls of SAAMC were satisfactory. No matters arose during the audit that required management letter communication to SAAMC.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

The major objective of SAAMC involves the management of the divesting of assets and repayment of liabilities rather than holding for long-term operations and profit generation.

Statement of Comprehensive Income

The following table shows the revenues/recoveries, expenses and net profits for the five years to 2010.

	2010	2009	2008	2007	2006
	\$'million	\$'million	\$'million	\$'million	\$'million
Revenues/Recoveries	4	5	13	6	6
Expenses	-	1	1	1	1
Net profit	4	4	12	5	5

The 2008 net profit resulted from a significant recovery received during that year from a major debtor.

The general trend results of SAAMC in recent years of recording small profits, reflects the near completion of its core mission of the orderly divestiture of certain assets and the extinguishment of certain liabilities of the former State Bank of South Australia.

Statement of Financial Position

The net asset position of SAAMC at 30 June 2010 was \$1.5 million (\$73 million).

At 30 June 2010, the retained earnings of SAAMC were \$745 000 (\$20.6 million) after payment of a dividend of \$23.5 million to the SA Government on direction of the Treasurer pursuant to section 22 of the *State Bank of South Australia Act 1983* (as amended). Contributed capital of SAAMC at 30 June 2010 was \$716 000 (\$52.7 million). The decrease resulted from a repayment of contributed capital of \$52 million to the SA Government pursuant to section 20A of the *State Bank of South Australia Act 1983* (as amended). Refer to Statement of Changes in Equity.

Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2010.

	2010	2009	2008	2007	2006
	\$'million	\$'million	\$'million	\$'million	\$'million
Net cash flows					
Operating	0.2	(1)	7	(2)	16
Investing	76	4	(4)	2	(11)
Financing	(76)	(4)	(4)	-	(6)
Change in cash	0.2	(1)	(1)	-	(1)
Cash at 30 June	0.2	-	1	2	2

Over the years cash flows from investing activities have been used in relation to financing activities, associated with repaying borrowings and/or contributed capital to the Government, or payment of dividends to the Government, or in reinvestment activity principally with SAFA. In 2009-10, outflows of \$76 million from financing activities comprised a dividend payment (\$23.5 million) and capital contribution repayment (\$52 million), both to the SA Government.

**Statement of Comprehensive Income
for the year ended 30 June 2010**

		2010	2009
	Note	\$'000	\$'000
INCOME:			
Interest revenues	5	3 199	4 260
Other revenues	6	415	12
Credit for bad and doubtful debts	12	374	834
Total income		3 988	5 106
EXPENSES:			
Employee benefits expenses	8	204	201
Supplies and services	9	61	52
Other expenses	10	52	515
Total expenses		317	768
Profit before income tax equivalents		3 671	4 338
Income tax equivalent expense	13	-	-
PROFIT AFTER INCOME TAX EQUIVALENTS		3 671	4 338
TOTAL COMPREHENSIVE RESULT		3 671	4 338

Profit after income tax equivalents and comprehensive result are attributable to the SA Government as owner

**Statement of Financial Position
as at 30 June 2010**

		2010	2009
ASSETS:	Note	\$'000	\$'000
Cash and cash equivalents	22(a)	237	53
Investments	14	6 797	79 120
Other financial assets	15	62	183
Total assets		7 096	79 356
LIABILITIES:			
Payables	16	2 739	2 768
Employee benefits	17	181	155
Provisions	18	2 715	3 143
Total liabilities		5 635	6 066
NET ASSETS		1 461	73 290
EQUITY:			
Contributed capital		716	52 716
Retained earnings		745	20 574
TOTAL EQUITY		1 461	73 290
Commitments for expenditure	19		
Contingent assets and liabilities	20		

**Statement of Changes in Equity
for the year ended 30 June 2010**

	Contributed capital \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2008	52 716	20 236	72 952
Profit after income tax equivalents for 2008-09	-	4 338	4 338
Total comprehensive result for 2008-09	-	4 338	4 338
Transactions with SA Government as owner			
Dividend paid	-	(4 000)	(4 000)
Balance at 30 June 2009	52 716	20 574	73 290
Profit after income tax equivalents for 2009-10	-	3 671	3 671
Total comprehensive result for 2009-10	-	3 671	3 671
Transactions with SA Government as owner			
Dividend paid	-	(23 500)	(23 500)
Repayment of contributed capital to SA Government	(52 000)	-	(52 000)
Balance at 30 June 2010	716	745	1 461

All changes in equity are attributable to the SA Government as owner

**Statement of Cash Flows
for the year ended 30 June 2010**

	2010	2009
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH INFLOWS:		
Receipts from the sale of goods and services	51	1 912
Interest received	7	26
GST receipts on receivables	4	266
GST input tax credits claimed	4	266
Other receipts	575	870
Cash generated from operations	641	3 340
CASH OUTFLOWS:		
Employee benefit payments	(233)	(233)
Supplies and services	(206)	(3 879)
GST remitted to ATO	(18)	(194)
Cash used in operations	(457)	(4 306)
Net cash provided by (used in) operating activities	184	(966)
	22(b)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH INFLOWS:		
Proceeds from the sales/maturities of investments	82 738	5 150
Cash generated from investing activities	82 738	5 150
CASH OUTFLOWS:		
Purchase of investments	(7 238)	(1 150)
Cash used in investing activities	(7 238)	(1 150)
Net cash provided by investing activities	75 500	4 000
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Repayment of contributed capital to SA Government	(52 000)	-
Dividend paid to SA Government	(23 500)	(4 000)
Cash used in financing activities	(75 500)	(4 000)
Net cash used in financing activities	(75 500)	(4 000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	184	(966)
CASH AND CASH EQUIVALENTS AT 1 JULY	53	1 019
CASH AND CASH EQUIVALENTS AT 30 JUNE	237	53

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Objectives of South Australian Asset Management Corporation**
The South Australian Asset Management Corporation (SAAMC) is incorporated under the *State Bank of South Australia Act 1983* (as amended). On 1 July 1994, this entity changed its name from State Bank of South Australia to South Australian Asset Management Corporation, as provided for in the *State Bank of South Australia Act 1983* (as amended). The objectives of SAAMC are:
- Meet the long-term obligations and commitments of what was previously known as State Bank of South Australia.
 - Pursue and finalise statutory and other legal actions arising from winding down of all the subsidiaries of the former State Bank of South Australia.
 - Disciplined downsizing of the Statement of Financial Position (Balance Sheet).

1. Objectives of South Australian Asset Management Corporation (continued)

- Generate earnings through the realisation of assets and prudent management of funding.
- Manage limited resources efficiently and productively, maintaining a pool of skills in balance with the downsizing task.
- Be fully accountable to the State of South Australia.
- Maintain a high standard of corporate and business ethics.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provisions of the PFAA.

Except for AASB 2009-12 which SAAMC has early adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAAMC for the reporting period ending 30 June 2010. Refer note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and assumptions requires management to exercise its judgment in the process of applying SAAMC's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in the financial statement:
 - (a) Revenues, expenses, financial assets and liabilities where the counterparty/transaction is within the SA Government as at reporting date, classified according to their nature.
 - (b) Expenses incurred as a result of engaging consultants (refer note 9).
 - (c) Employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees (refer note 7).

SAAMC's Statement of Comprehensive Income, Statement of Financial Position, and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented.

(c) Reporting entity

The financial statements cover SAAMC as an individual reporting entity. SAAMC is a statutory authority of the State of South Australia, established pursuant to the *State Bank of South Australia Act 1983* (as amended).

(d) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs have required a change.

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

(e) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

(f) Events after the end of the reporting period

Where an event occurs after 30 June but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

(g) Taxation

SAAMC is exempt from TI 22 by virtue of the *State Bank (Corporatisation) Act 1994*. SAAMC is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO is classified as part of operating cash flows.

(h) Bad and doubtful debts

Provisioning for bad and doubtful debts is not required. SAAMC's assets are cash and other liquid investments with SAFA.

These assets have a minimum credit risk attached to them due to their nature and they are continuously monitored and individually valued. Any changes to the market values of these assets are immediately taken through the Statement of Comprehensive Income.

(i) Income and expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from SAAMC will occur and can be reliably measured.

Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

(j) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

(k) Investments

Investments represent public and other debt instruments that were purchased with the intention of investing excess liquidity prior to the repayment to the SA Government or as part of the liquidity management function of SAAMC. Such securities are recorded on a mark-to-market valuation basis. Gains and losses realised from the sale of these securities and unrealised gains and losses on revaluation are reflected in the Statement of Comprehensive Income.

(l) Receivables

Receivables include amounts receivable from trade, prepayments and other accruals. Receivables are initially recognised at fair value and subsequently measured at amortised cost less impairment losses. Trade receivables arise in the normal course of selling goods and services to the public and other government agencies. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual agreement. Collectability of trade receivables is reviewed on an ongoing basis. An allowance for impairment is raised when there is objective evidence that SAAMC will not be able to collect the debt. Bad debts are written off when identified.

(m) Employee benefits

Employee benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. The value of commitments to employees is based on projected departure dates of staff and is calculated on the estimated cash entitlement at the time of the expected departure. Provisions required for employee entitlements are not discounted to present value, as the effect of discounting is not material.

Salaries, annual leave and long service leave

The provisions for employee entitlements to salaries and annual leave represent the amount that SAAMC has a present obligation to pay, resulting from employees' services provided up to reporting date. The provision has been calculated at nominal amounts, based on current salary rates, and includes related on-costs.

SAAMC's future obligations for long service leave entitlements, although immaterial, have been fully provided, including on-costs.

Superannuation funds

SAAMC contributes the prescribed employer contribution to the Triple S Scheme administered by the South Australian Superannuation Board and a privately held fund chosen by an employee. Contributions are charged against income as they are made. Refer note 19. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not paid.

(n) Provisions

Provisions are recognised when SAAMC has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When SAAMC expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at reporting date. If the effect of the time value of money is material, provisions are discounted to the present value using a pre tax discount rate that reflects the time value of money and the risks specific to the liability.

(o) Insurance

SAAMC has arranged, through SAFA, SAICORP Division, to insure all major risks of SAAMC. The excess payable under this arrangement varies depending on each class of insurance held.

3. Changes in accounting policies

SAAMC did not voluntarily change any of its accounting policies during 2009-10.

The AASB has released a new standard on operating segments (AASB 8). This new standard, unlike its predecessor, does not apply to SAAMC and accordingly SAAMC does not disclose any information about segments in these financial statements.

Except for AASB 2009-12, which SAAMC has early adopted, the AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by SAAMC for the period ended 30 June 2010. SAAMC has assessed the impact of the new and amended standards and Interpretations and considers there will be no material impact on the accounting policies or the financial statements of SAAMC.

4. Revenues from (payments to) SA Government (Direction from the Treasurer)

Pursuant to subsections 20A(1) and 20A(3) of the *State Bank of South Australia Act 1983* (as amended) the Treasurer of South Australia (the Treasurer) may determine that capital provided to the Bank (SAAMC) may be repaid to the Treasurer. Also section 22 provides that any surplus of funds remaining after the costs of the Bank (SAAMC) have been met in any financial year must be paid into the Consolidated Account or otherwise dealt with as the Treasurer may determine.

On the 28 June 2010, the Treasurer specifically determined and approved the payment of a \$23.5 million dividend to the Consolidated Account on 30 June 2010. The dividend was paid from SAAMC's current earnings and retained profits. In addition the Treasurer requested the repayment of \$52 million of capital previously provided to the Bank (SAAMC). The repayment was made from proceeds out of SAAMC's liquid assets.

5. Interest revenues

	2010	2009
	\$'000	\$'000
Interest from entities external to the SA Government	7	25
Interest from entities within SA Government	3 192	4 235
Total interest income	3 199	4 260

6. Other income

Other sundry income received from entities external to SA Government	415	12
Total other income	415	12

7. Key management personnel and remuneration		
Key management personnel of SAAMC comprise the directors of SAAMC being Mr Brett G Rowse, Ms Linda Hart, Mrs Virginia Martindale and the Chief Executive Officer Mr Andrew G Anastasiades. As the directors are employees of the SA Government no remuneration was paid to them by SAAMC for the discharge of their duties as directors. Remuneration payable to the chief executive officer is \$113 000 representing short-term benefits. This officer was the only employee who received remuneration in excess of \$100 000.		
8. Employee benefits costs		
	2010	2009
	\$'000	\$'000
FBT	5	4
Salaries	115	95
Superannuation and retiring allowances	58	79
Other staff expenses	26	23
Total employee benefits costs	<u>204</u>	<u>201</u>
9. Supplies and services		
Supplies and services provided by entities within the SA Government:		
Insurance	4	4
Other	54	43
Total supplies and services - SA Government entities	<u>58</u>	<u>47</u>
Supplies and services provided by entities external to the SA Government:		
Other	3	5
Total supplies and services - non-SA Government entities	<u>3</u>	<u>5</u>
Total supplies and services	<u>61</u>	<u>52</u>
SAAMC did not engage during the year any consultants as defined by the APF II.		
10. Other expenses		
Other	52	515
Total other expenses	<u>52</u>	<u>515</u>
A concurrent lease was held for a property at 77 Grenfell Street, Adelaide (SA Water House). The lease was signed in 1993 and expired on 15 November 2008. Pursuant to the terms of the lease SAAMC was paid monthly rentals and outgoings in arrears and paid the lessor quarterly in arrears. Although the lease expired in late 2008, \$52 000 in residual outgoings pursuant to the terms of the lease were billed to SAAMC in 2010.		
11. Auditor's remuneration		
	2010	2009
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	30	21
Total audit fees - SA Government entities	<u>30</u>	<u>21</u>
In respect of 2008-09 the amount paid was \$29 900. No other services were provided by the Auditor-General's Department.		
12. Bad and doubtful debts		
Net credit for bad debts written off:		
Recoveries net of recovery costs	(374)	(834)
Net recoveries received	(374)	(834)
Credit for bad and doubtful debts	<u>(374)</u>	<u>(834)</u>
13. Income tax		
The amount provided in respect of income tax differs from the amount prima facie payable on operating profit:		
Prima facie income tax expense calculated at 30 percent (30 percent) on profit	1 101	1 301
Decrease in income tax expense due to non-tax assessable items:		
Tax exempt income - SAAMC	1 101	1 301
Income tax expense (benefit) on profit adjusted for permanent differences:		
Income tax under (over) provided in prior year	-	-
Tax rate differential on overseas income	-	-
Future income tax benefit not brought to account	-	-
Total income tax expense (benefit)	<u>-</u>	<u>-</u>
14. Investments		
Deposits with SA Government entities	6 797	79 120
Total investments	<u>6 797</u>	<u>79 120</u>
15. Other financial assets		
Debtors - SA Government entities	58	179
GST receivable	4	4
Total other financial assets	<u>62</u>	<u>183</u>

16. Payables	2010	2009
Current:	\$'000	\$'000
Creditors	200	165
Accrued expenses	35	99
Non-current:		
Creditors	2 504	2 504
Total payables	<u>2 739</u>	<u>2 768</u>
Government/non-Government payables:		
Payables to SA Government entities:		
Accrued expenses	35	51
Total payables to other SA Government entities	<u>35</u>	<u>51</u>
Payables to non-SA Government entities:		
Creditors	2 704	2 669
Accrued expenses	-	48
Total payables to non-SA Government entities	<u>2 704</u>	<u>2 717</u>
Total payables	<u>2 739</u>	<u>2 768</u>
17. Employee benefits		
Current:		
Annual leave	57	52
Accrued salaries	4	3
Total current employee benefits	<u>61</u>	<u>55</u>
Non-current:		
Long-term long service leave	120	100
Total employee benefits	<u>181</u>	<u>155</u>
18. Provisions		
Workers compensation claims	2 715	3 143
Total provisions	<u>2 715</u>	<u>3 143</u>
Carrying amount at 1 July	3 143	3 148
Amount charged against the provision	(57)	(5)
Amount no longer required written back to profits	(371)	-
Carrying amount at 30 June	<u>2 715</u>	<u>3 143</u>

19. Commitments***Superannuation commitments***

SAAMC contributes to an accumulation benefit employee fund, which is administered by the South Australian Superannuation Board and a privately held superannuation fund as elected by one of the employees. Employer contributions to the funds are made in accordance with the funds' requirements.

SAAMC had one part time and one temporary employee as at reporting date. There was one part time and one temporary employee at the same period last year.

20. Contingent assets and liabilities***Claims by and against SAAMC***

In the ordinary course of business, SAAMC is indirectly involved in litigation, which at the date of adoption of these financial statements has not been resolved. Acting on legal advice, the Directors are of the opinion that on balance the outcomes of any litigation will not have a material impact on the financial statements of SAAMC.

21. Financial instruments/Financial risk management

SAAMC has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about SAAMC's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework of SAAMC and has established appropriate policy to manage the above risks.

21.1 Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2.

21.1 Categorisation of financial instruments (continued)

	Note	2010		2009	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets					
Cash and cash equivalents	22(a)	237	237	53	53
Investments	14	6 797	6 797	79 120	79 120
Other financial assets:					
Receivables	15	62	62	183	183
Financial liabilities					
Financial liabilities - at cost:					
Payables	16	2 739	2 739	2 768	2 768

Credit risk

Credit risk arises when there is the possibility of SAAMC's debtors defaulting on their contractual obligations resulting in financial loss to SAAMC. SAAMC measures credit risk on a fair value basis and monitors risk on a regular basis. There is minimal concentration of credit risk and SAAMC does not engage in any hedging for its financial assets.

21.2 Maturity analysis of financial assets and liabilities

	Floating interest rate \$'000	Contractual maturity			Non-interest bearing \$'000	Total \$'000
		1 year or less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000		
2010						
Financial assets:						
Cash and cash equivalent	237	-	-	-	-	237
Investments	6 797	-	-	-	-	6 797
Receivables	-	-	-	-	62	62
Total financial assets	7 034	-	-	-	62	7 096
Weighted average interest rate	3.95%					
Financial liabilities:						
Other financial liabilities	-	-	-	-	2 739	2 739
Total financial liabilities	-	-	-	-	2 739	2 739
2009						
Financial assets:						
Cash and cash equivalent	53	-	-	-	-	53
Investments	14 753	-	64 367	-	-	79 120
Receivables	-	-	-	-	183	183
Total financial assets	14 806	-	64 367	-	183	79 356
Weighted average interest rate	5.51%	-	5.23%	-	-	
Financial liabilities:						
Other financial liabilities	-	-	-	-	2 768	2 768
Total financial liabilities	-	-	-	-	2 768	2 768

Liquidity risk

Liquidity risk arises where SAAMC is unable to meet its financial obligations as they fall due. SAAMC is an instrumentality of the Crown and is dependent on State Government policy and on an implicit guarantee from the State. SAAMC settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. SAAMC's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

Market risk for SAAMC is only through interest rate risk. Exposure to interest rate risk may arise through the interest revenues received from deposits. SAAMC's cash, cash equivalents and investments are managed through SAFA and any movement in interest rates is monitored on a daily basis. There is no exposure to foreign currency or other price risks.

Sensitivity disclosure analysis

The degree by which interest income would be affected by fluctuations in interest rates in the next 12 months would depend on how the fluctuating rates would move the financial markets in which SAAMC invests through SAFA and how SAFA would manage the relevant investments. A change of 100 basis points in the interest rates received from SAFA at the reporting date would have increased (decreased) profit or loss by \$70 000 (\$426 000). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

22. Notes to the Statement of Cash Flows**(a) Reconciliation of cash**

Cash as at reporting date as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2010	2009
	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	237	53
Balance as per the Statement of Cash Flows	<u>237</u>	<u>53</u>

(b) Reconciliation of profit to net cash provided by (used in) operating activities

Profit for the year	<u>3 671</u>	<u>4 338</u>
Net cash provided by operating activities before change in assets and liabilities	3 671	4 338
Movement in assets and liabilities:		
Decrease in net interest accrued	(3 177)	(4 697)
Decrease in sundry creditors and accruals	(336)	(630)
Increase in employee entitlements	<u>26</u>	<u>23</u>
Net cash provided by (used in) operating activities	<u>184</u>	<u>(966)</u>

23. Related party disclosures**Directors**

The names of each person holding the position of Director of SAAMC during the financial year ended 30 June 2010 are as follows:

Mr Andrew G Anastasiades
Ms Linda Hart
Mrs Virginia Martindale

Ms Nicolle S Rantanen (resigned 08.01.2010)
Mr Brett G Rowse

Directors' transactions

No transactions took place between the Directors of SAAMC and related entities and their related parties, including director-related entities.

SAFA

Related party transactions with SAFA are disclosed in notes 5 and 14. In addition, SAAMC and SAFA participate in the same financial markets and enter into transactions on market terms and conditions.

24. Events after the end of the reporting period

Effective 1 July 2010 SAAMC transferred to SAFA \$2.715 million in assets and liabilities relating to the portfolio of insurance policies issued by the State Government Insurance Commission (SGIC), that were transferred to SAAMC on 30 June 2003 by proclamation under section 30 of the *SGIC (Sale) Act 1995* (SA). The transfer which was approved by the Treasurer on 19 May 2010 will relieve SAAMC from any future obligations arising from insurance claims issued by holders of relevant SGIC policies. Conversely SAAMC will forgo the investment income that would have been generated from \$2.715 million in reserves which were held for the purpose of funding future insurance claims.

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SOUTH AUSTRALIAN FIRE AND EMERGENCY SERVICES COMMISSION

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GLOSSARY OF TERMS

AUSTRALIAN ACCOUNTING STANDARDS - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 133	Earnings per Share
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation of Standards
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures
AASB 2009-12	Amendments to Australian Accounting Standards

AUSTRALIAN INTERPRETATIONS

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

AUSTRALIAN ACCOUNTING STANDARDS - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans

TREASURER'S INSTRUCTIONS – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors' Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies
TI 28	Financial Management Compliance Program

ACCOUNTING POLICY FRAMEWORK - APF

Reference	Title
APF I	Purpose and Scope
APF II	General Purpose Financial Statements Framework
APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
APF V	Income Framework
APF VI	Definitions

LEGISLATION

Reference	Title
ITAA	<i>Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997</i>
NRMA	<i>Natural Resources Management Act 2004</i>
PCA	<i>Public Corporations Act 1993</i>
PFAA	<i>Public Finance and Audit Act 1987</i>
PSA	<i>Public Sector Act 2009</i>
WRCA	<i>Workers Rehabilitation and Compensation Act 1986</i>

ACRONYMS

Reference	Title
AASs	Australian Accounting Standards ¹
AIFRS	Australian equivalents to International Financial Reporting Standards
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer Processing Environment
CPI	Consumer Price Index
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
FBT	Fringe Benefits Tax
GST	Goods and Services Tax
ICT	Information and Communications Technology
SAFA	South Australian Government Financing Authority
TI	Treasurer's Instruction
TVSP	Targeted Voluntary Separation Package

¹ 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board which are in force in relation to the reporting period to which the financial statements relate.

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