

SOUTH AUSTRALIA

Report

of the

Auditor-General

for the

Year ended 30 June 2003

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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. That list is not exhaustive as many other issues are reported in Volumes I, II, III and VI of Part B of this Report.

Reference should also be made to Part A — Audit Overview which also contains comments on specific matters of importance and interest.

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**ATTORNEY-GENERAL; MINISTER FOR JUSTICE;
MINISTER FOR CONSUMER AFFAIRS; MINISTER FOR POLICE;
MINISTER FOR EMERGENCY SERVICES;
MINISTER FOR CORRECTIONAL SERVICES;
MINISTER FOR MULTICULTURAL AFFAIRS**

PORTFOLIO – JUSTICE

INTRODUCTION

This section of this Part of the Report contains the financial statements of, and comments concerning, the operations of those agencies under the direction and control of the following Ministers, namely:

- Attorney-General
- Minister for Justice
- Minister for Consumer Affairs
- Minister for Police
- Minister for Emergency Services
- Minister for Correctional Services
- Minister for Multicultural Affairs

The agencies included herein relating to the portfolio of Justice are:

- Justice - Department of
- Attorney-General's Department
— Public Trustee
- Correctional Services - Department for
- Country Fire Service Board
- Courts Administration Authority
- Emergency Services Administrative Unit
- Legal Services Commission
- Police Department
- SA St John Ambulance Service Inc
- South Australian Metropolitan Fire Service
- State Electoral Office

SUPPLEMENTARY REPORT

There are bodies whose financial statements have not been finalised or the audit has not been completed in time for inclusion in this Report. The financial statements for, and commentary on the operations of, the Courts Administration Authority will be included in a Supplementary Report to be presented to Parliament later in this financial year.

DEPARTMENT OF JUSTICE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department of Justice was established as an administrative unit pursuant to the *Public Sector Management Act 1995*.

Functions

The Department of Justice has no assigned functions.

The Department of Justice has, however, since 1999-2000 been appropriated funds for the Attorney-General's Department, Courts Administration Authority, Department for Correctional Services, Police Department and State Electoral Office. These funds have been transferred to the relevant agencies through a Special Deposit Account for the Department of Justice. The Special Deposit Account was established to:

... record all activities of the Department and various activities within the Justice Portfolio including the transfer of funds to other agencies within the Portfolio, operating and investing expenditures, revenue from various activities and injections of funds provided from the Consolidated Account including from borrowings.

The Department of Justice does not control revenue and expenses in relation to this arrangement. Each of the agencies have continued to operate as separate agencies. Consequently, the agencies have prepared separate financial statements for financial reporting purposes.

Structure

The Chief Executive is the only appointment to the Department of Justice.

FINANCIAL STATEMENTS

The Chief Executive of the Department of Justice is also the Chief Executive of the Attorney-General's Department.

The activities of Department of Justice Special Deposit Account are administered by the Attorney-General's Department.

For further details, refer to the Attorney-General's Department Financial Statements - the Schedule of Administered Expenses and Revenues for the year ended 30 June 2003 and Note 21 'Remuneration of Employees'.

ATTORNEY-GENERAL'S DEPARTMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Attorney-General's Department is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

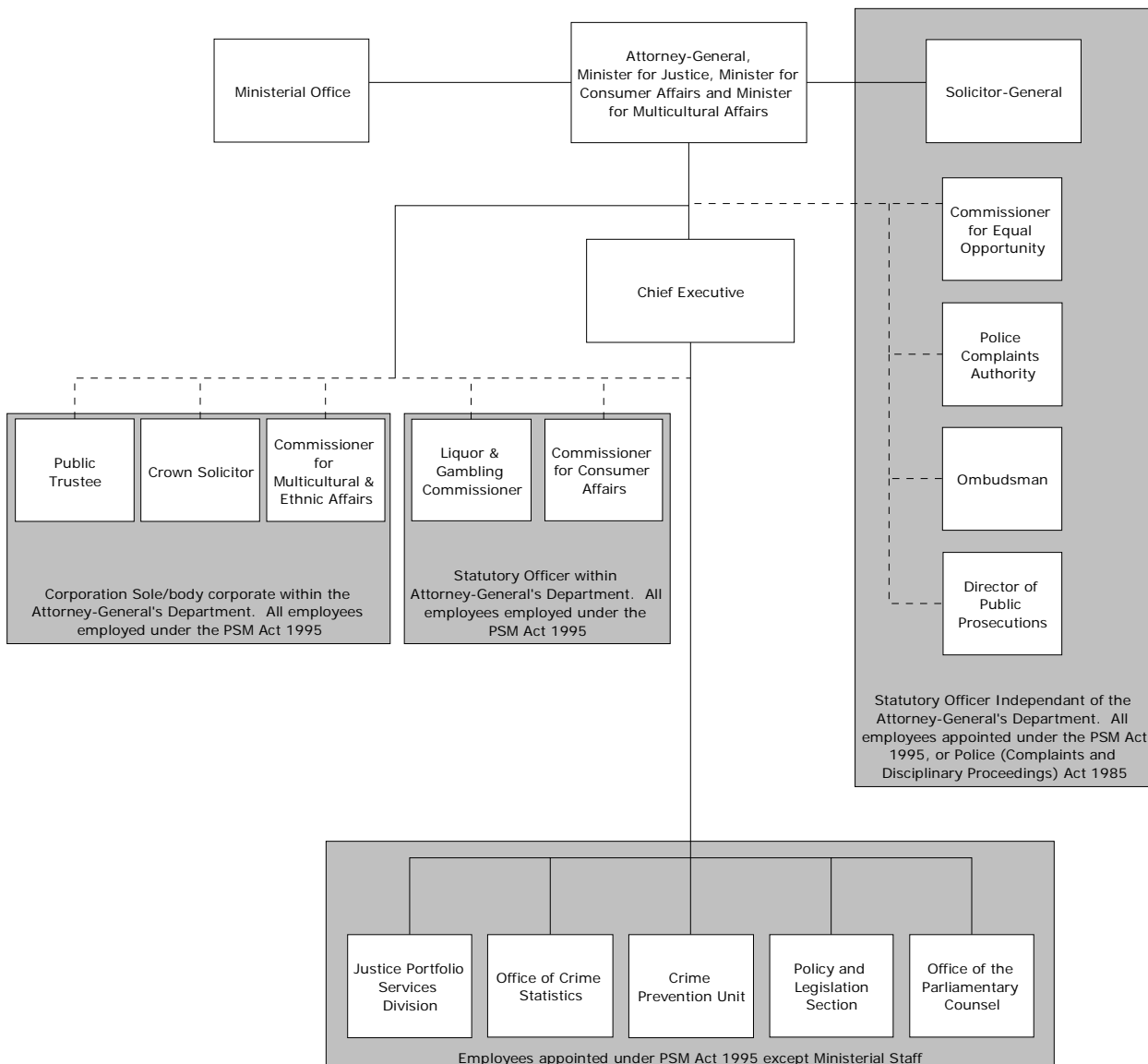
Functions

The functions of the Attorney-General's Department are to:

- provide professional, legal and associated services to Ministers of the Crown and government agencies;
- service the people of South Australia by upholding their legal and property rights and maintaining community and business standards;
- provide strategic policy advice to the agencies comprising the Justice portfolio.

Structure

The structure of the Attorney-General's Department is illustrated in the following organisation chart.



Changes to Functions and Structure

As at 1 July 2002, SA Multicultural Affairs was transferred from the Department of the Premier and Cabinet to the Attorney-General's Department.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Attorney-General's Department for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Attorney-General's Department 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- corporate governance
- payroll
- expenditure
- revenue
- fixed assets.

An internal audit function did not exist for the 2002-03 financial year.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Responses to the management letters were generally satisfactory. Major matters raised with the Department and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Attorney-General's Department as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Attorney-General's Department in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except in relation to payroll as outlined under 'Significant Matters Raised With Agencies' herein, are sufficient to provide reasonable assurance that the financial transactions of the Attorney-General's Department have been conducted properly and in accordance with law.

Significant Matters Raised with Agencies

Corporate Governance

The review of corporate governance highlighted that although the Attorney-General's Department brings together a range of diverse business units to which it has devolved responsibility, this devolution is not supported by a central monitoring function.

The Attorney-General's Department responded that, as it comprised a number of independent business units with separate and distinctive statutory and reporting responsibilities, the Department was subject to those statutory, constitutional and legal constraints in applying its corporate governance framework. The Attorney-General's Department does, however, review business units as part of the preparation of its annual report. In addition, the Department is in the process of reviewing and implementing their monitoring and reporting mechanisms.

Payroll

The review of controls implemented by the Attorney-General's Department in relation to the payroll function indicated that bona fide and leave reporting had been implemented to provide a high level management control over the integrity of payroll and leave processing. The audit identified areas in which the implementation of bona fide and leave reporting by the Department needed to be improved to ensure the effectiveness of the overall management control.

The Department's payroll system processes payments for employees both within the Divisions of the Department and in other agencies. The range of Divisions and agencies paid through the Department's system increases the importance of control assurance provided by bona fide and leave reporting. Specifically, it addresses the risk that critical payroll and leave documentation required for correct processing of payroll and human resource information is not completely provided to the Departmental unit responsible for payroll processing.

The Attorney-General's Department has acknowledged that improvement in control was required in the payroll function and would address the specific matters raised.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS OF CONTROLLED ACTIVITIES

Highlights of Financial Statements

	2003 \$/million	2002 \$/million	Percentage Change
OPERATING REVENUE			
Government grants	49	45	8.9
Fees and charges/Other	57	56	1.8
Total Operating Revenue	106	101	5.0
OPERATING EXPENDITURE			
Employment expenses	67	60	11.7
Other expenses	49	50	(0.2)
Total Operating Expenses	116	110	5.5
Surplus (Deficit)	(10)	(9.0)	11.1
Net Cash Flows from Operations	(4)	(6)	(33.3)
ASSETS			
Current assets	28	35	(20.0)
Non-current assets	11	13	(15.4)
Total Assets	39	48	(18.8)
LIABILITIES			
Current liabilities	9	9	-
Non-current liabilities	17	15	13.3
Total Liabilities	26	24	8.3
EQUITY	13	24	45.8

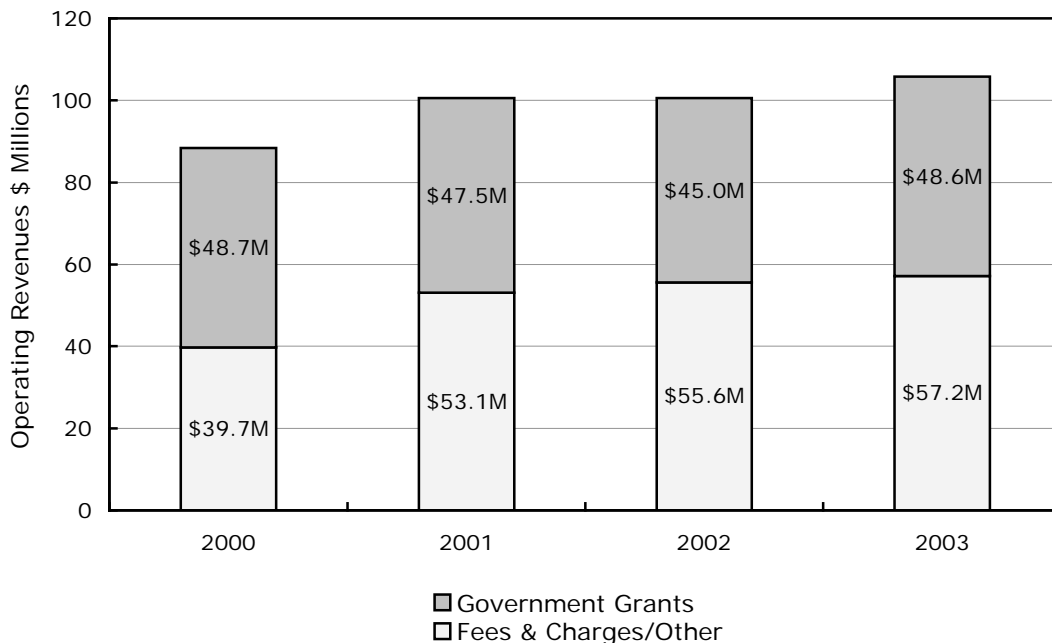
Statement of Financial Performance

Operating Revenues

Over recent years, the operating revenues of the Attorney-General's Department have reflected the Department's restructured activities.

The increase in operating revenues in 2003 is as a result of the transfer of the SA Multicultural Affairs and, in particular, the Interpreting and Translating Centre. The previous significant increase, in 2001, was as a result of the assumption of responsibility for Justice Technology Services.

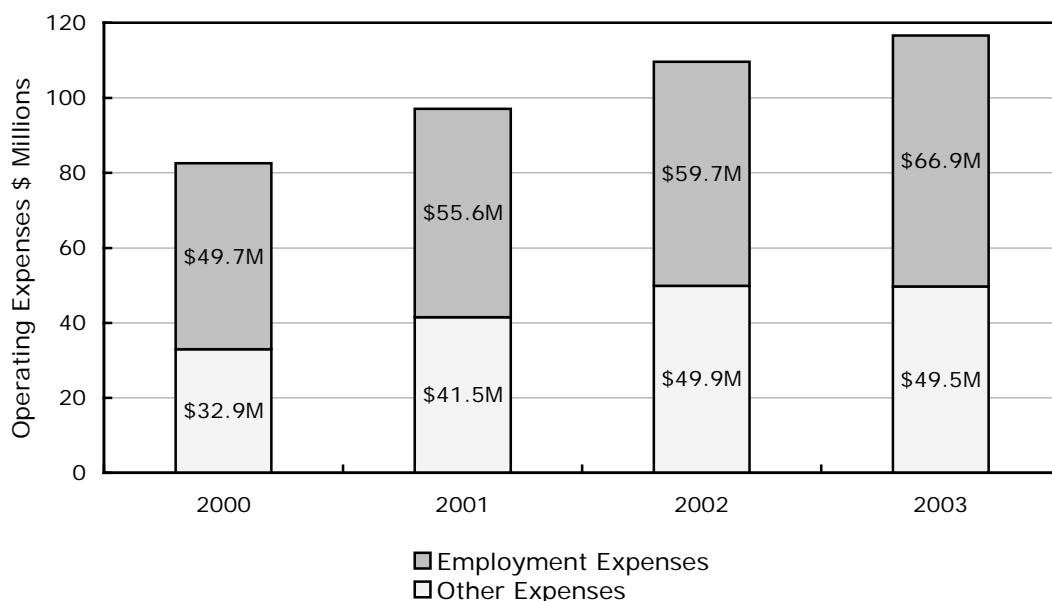
For the four years to 2003 a structural analysis of operating revenues for the Department is presented in the following chart.



Operating Expenses

As with operating revenues, the operating expenses of the Attorney-General's Department have increased reflecting the Department's restructured activities. In addition, there has been an increase in employee expenses in line with wage parity agreements.

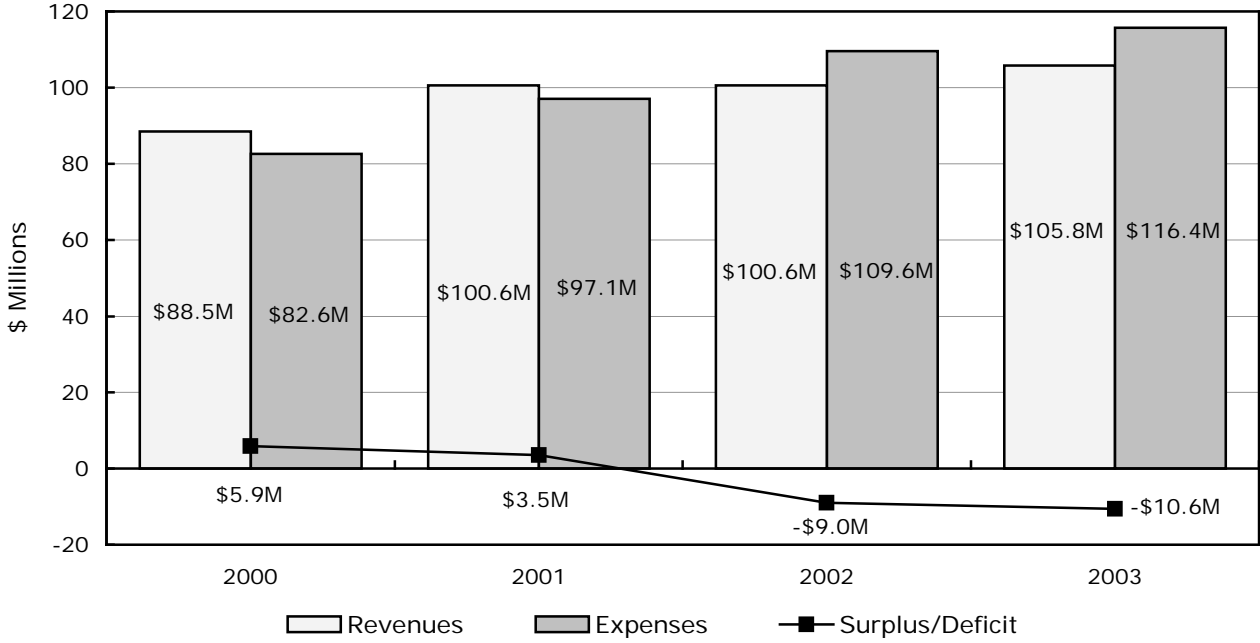
For the four years to 2003 a structural analysis of the main operating expense items for the Department is shown in the following chart.



Operating Result

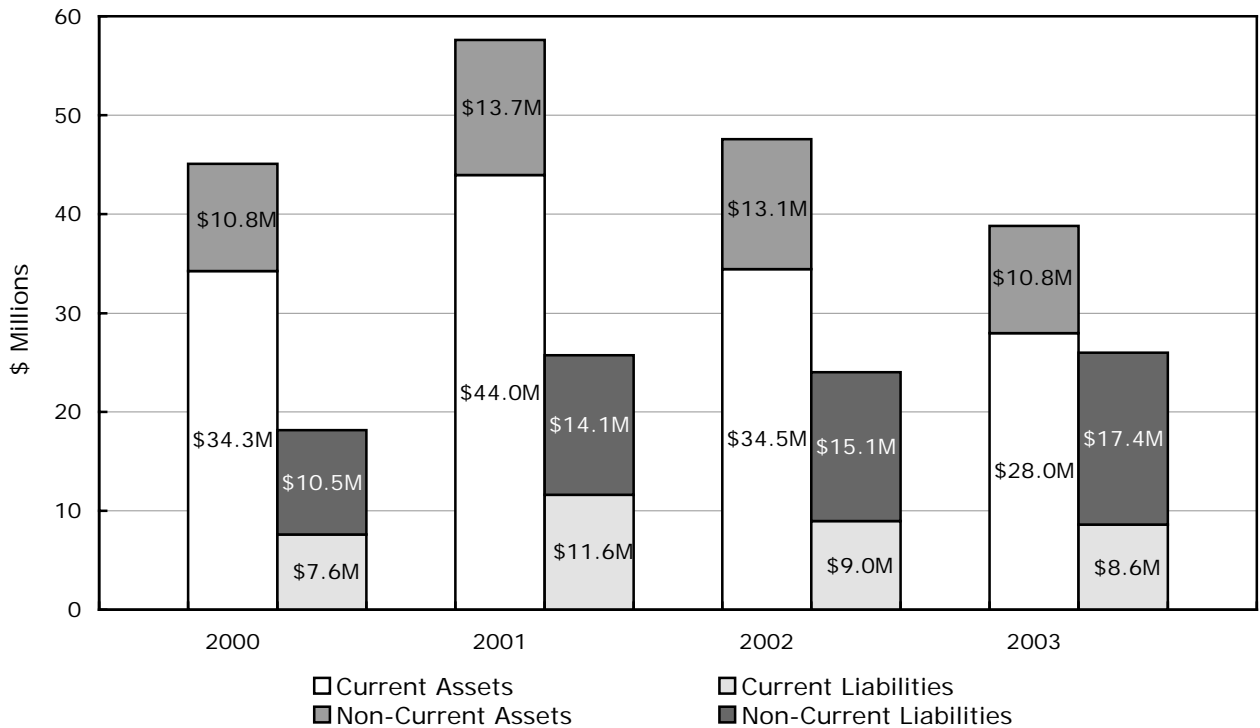
The operations of the Attorney-General's Department have, for the past two years, resulted in deficits.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2003.



Statement of Financial Position

For the four years to 2003 a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	(3.9)	(5.6)	9.9	8.4
Investing	(1.5)	(2.9)	(4.8)	(1.7)
Financing	(0.0)	1.2	1.3	(0.0)
Change in Cash	(5.4)	(7.3)	6.4	6.7
Cash at 30 June	23.2	28.6	35.9	29.5

As already mentioned, the analysis of cash flows shows that the Attorney-General's Department has reduced its cash balance for each of the past three years.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS AND ADMINISTERED ACTIVITIES

Highlights of Financial Statements

	2003 \$'million	2002 \$'million	Percentage Change
OPERATING REVENUE			
Government grants	658	631	4.3
Fees and charges/Other	473	432	9.5
Total Operating Revenue	1 131	1063	6.4
OPERATING EXPENDITURE			
Payment to Justice agencies	600	573	4.7
Other expenses	523	482	8.5
Total Operating Expenses	1 123	1 055	6.4
Increase (Decrease)	8	8	-
Net Cash Flows from Operations	240	15	-
ASSETS			
Current assets	372	70	431.4
Non-current assets	64	67	(4.5)
Total Assets	436	137	218.2
LIABILITIES			
Current liabilities	314	26	-
Non-current liabilities	29	24	20.8
Total Liabilities	343	50	-
EQUITY	93	87	6.9

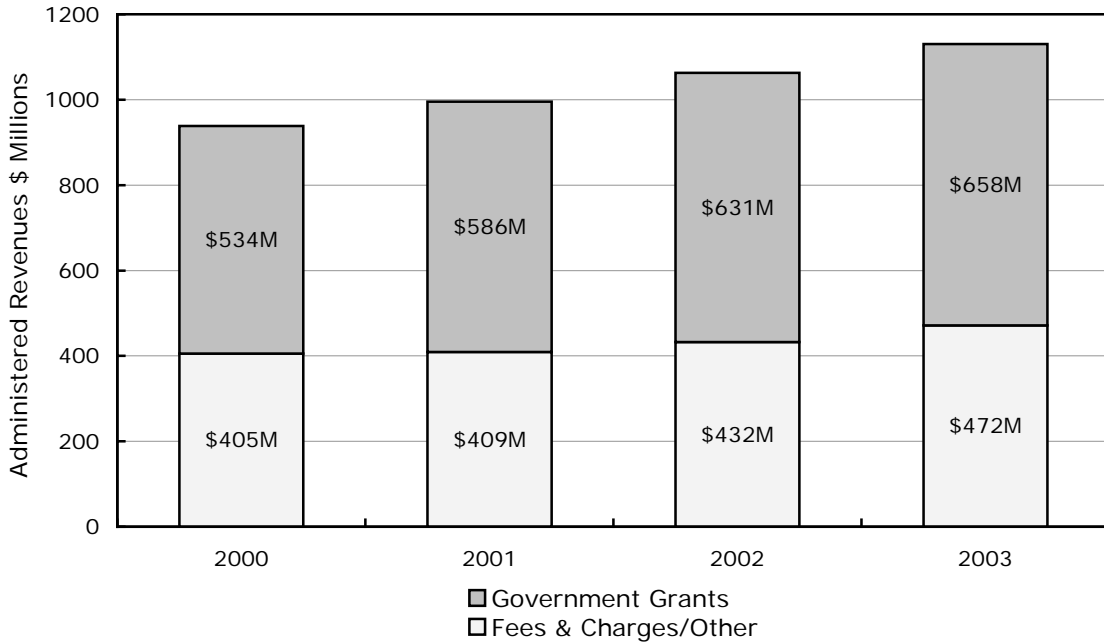
Statement of Financial Performance

Operating Revenues

The increase in government grants reflects increased appropriations by the South Australian Government to Justice portfolio agencies through the Department of Justice Special Deposit Account.

The increase in fees and charges and other revenues is mainly as a result of increases in taxation receipts, the Emergency Services Levy and Victims of Crime Levies, offset by a decrease in sundry recoveries (reflecting the recovery from the Police Department in 2001-02 of the cost of construction of the Adelaide Police Station).

For the four years to 2003 a structural analysis of administered revenues for the Department is presented in the following chart.

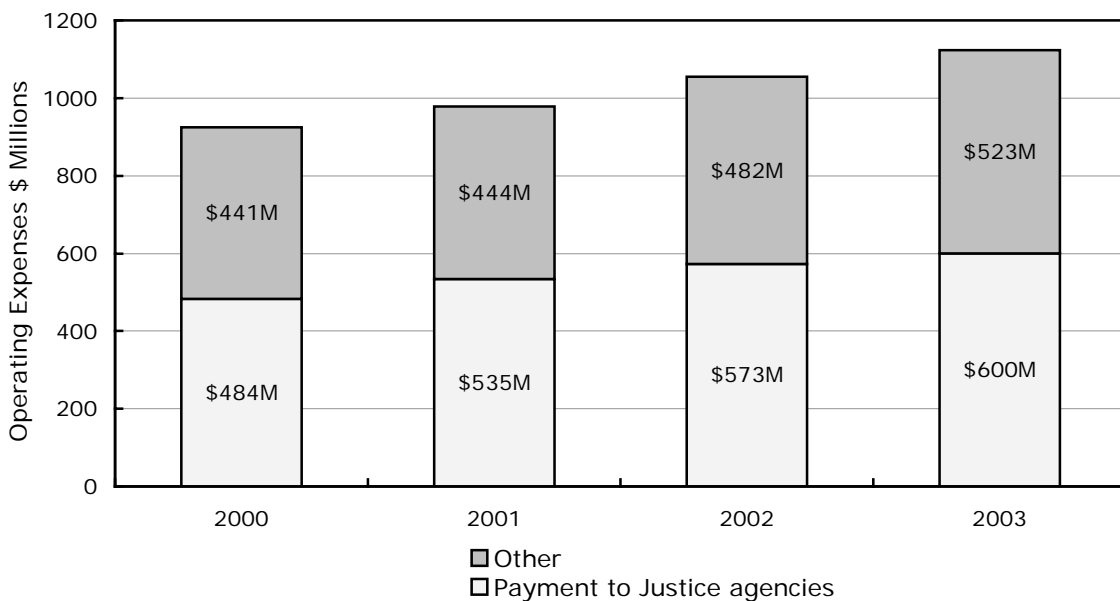


Operating Expenses

The increase in payments to Justice agencies reflects the transfer of appropriations through the Department of Justice Special Deposit Account.

The increase in other expenses is mainly as a result of the transfer of taxation receipts to the Consolidated Account, the payment of the Emergency Services Levy to Emergency Services agencies, offset by a decrease in other expenses which in 2001-02 included the payment of costs for the construction of the Adelaide Police Station, a reduction in costs of administration and a decrease in payments in relation to Victims of Crime.

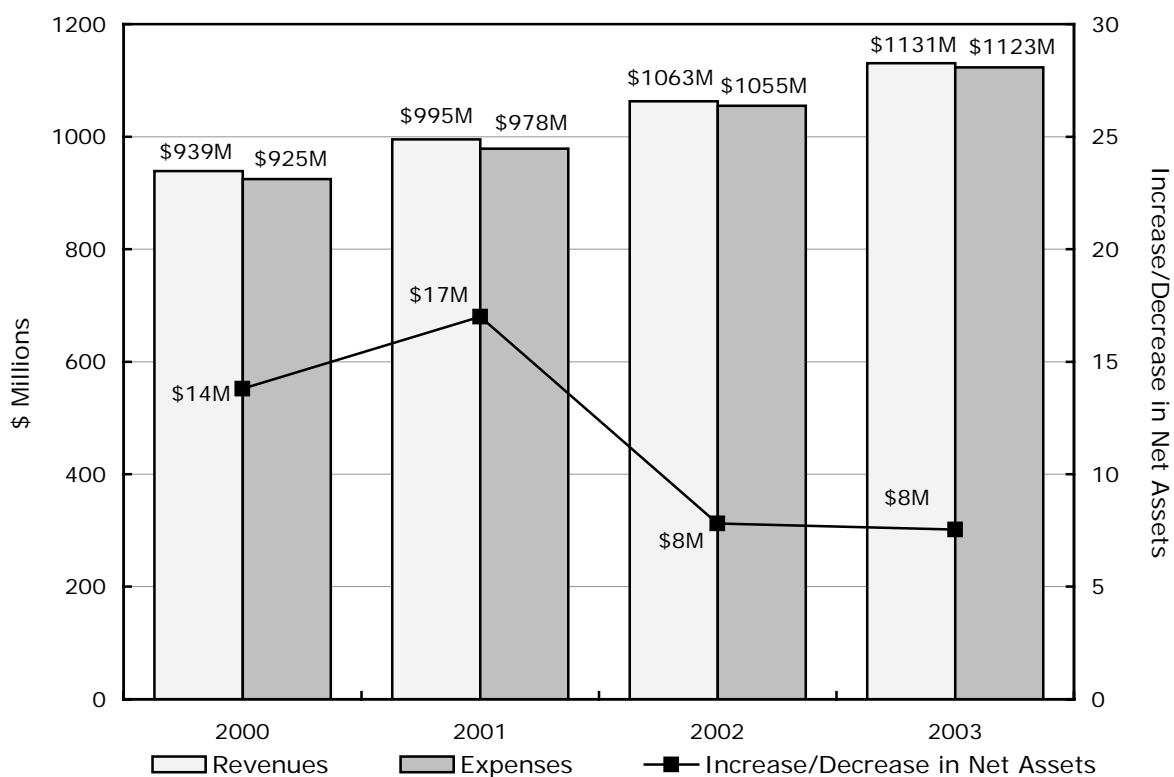
For the four years to 2003 a structural analysis of the main operating expense items for the Department is shown in the following chart.



Operating Result

The nature of the administered activities is such that the net asset position should always be positive.

The following chart shows the operating revenues, operating expenses and net assets for the four years to 2003.



Statement of Financial Position

In 2003, a change in banking arrangements for the South Australian Government impacted on the transfer of taxation and other receipts to Consolidated Account. The process had not been resolved by 30 June 2003. As a result, Cash on Hand and on Deposit reflects an amount of \$288 million payable to Consolidated Account while receivables reflects an amount of \$53 million due from Consolidated Account.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

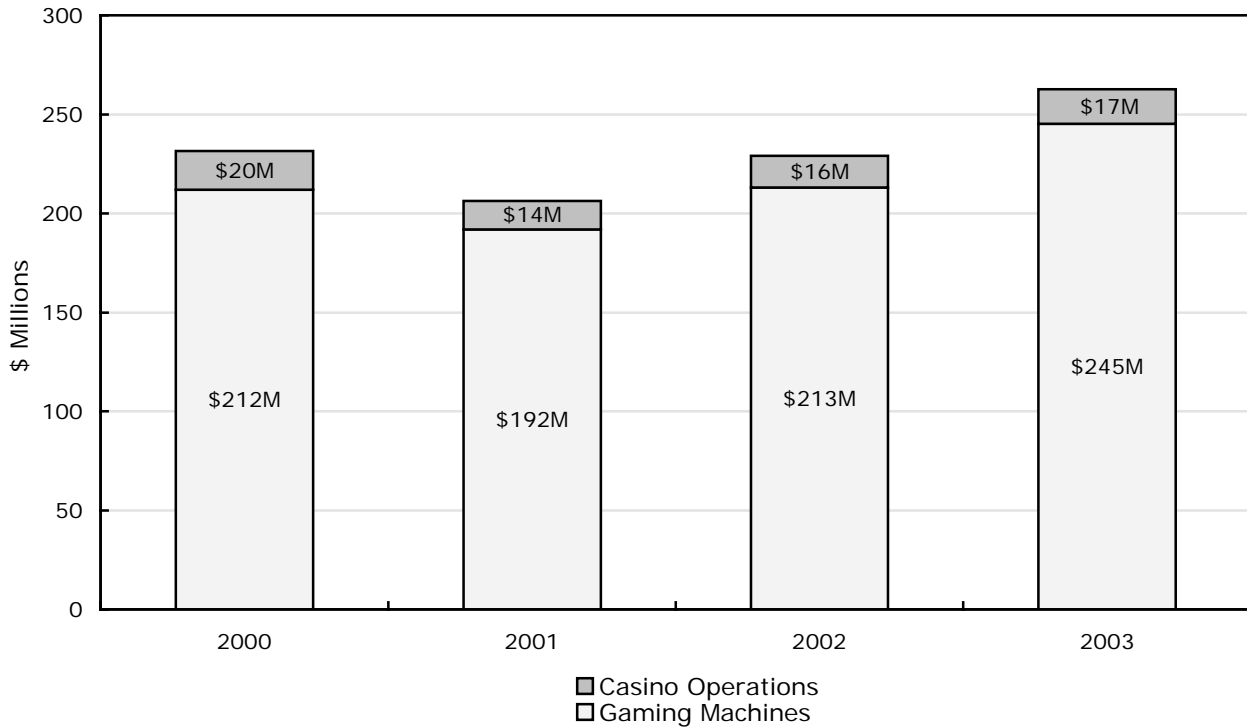
	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	239.7	15.2	16.7	6.5
Investing	(3.9)	(4.8)	(0.1)	(4.9)
Financing	-	0.3	1.4	-
Change in Cash	235.8	10.7	18.0	1.6
Cash at 30 June	276.3	40.5	29.8	11.8

FURTHER COMMENTARY ON OPERATIONS

Taxation Receipts

Taxation receipts for 2002-03 totalled \$262.7 million (\$229.1 million).

For the four years to 2003 a structural analysis of taxation receipts is presented in the following chart.



The following information is provided in relation to revenue from gaming machines.

Gaming Machine Administration

The *Gaming Machines Act 1992* (the Act), section 5, provides that the Liquor and Gambling Commissioner is responsible to the Independent Gambling Authority for the scrutiny of the operations of all licences under the Act.

Under the Act, the operations of gaming machines in licensed premises must return winnings to players of not less than 85 percent in the case of machines installed prior to 31 May 2001, and 87.5 percent in the case of machines installed subsequent to that date. A prescribed percentage of the net gambling revenue (NGR) is then required to be paid to the Treasurer (Consolidated Account).

As of 1 January 2003, the prescribed percentage of NGR to be paid into the Consolidated Account changed pursuant to the *Gaming Machines (Gaming Tax) Amendment Act 2002*. The revised structure reflected:

- the introduction of a tax free threshold of \$75 000;
- a seven tiered structure instead of the previous three tiers;
- the continued distinction between non-profit and other business licensees;
- a maximum tax rate of 55 percent (previously 30.91 percent) for non-profit businesses and 65 percent (previously 40.91 percent) for other businesses.

The following table summarises gaming machine activity for four years to 2003.

	2003 Number	2002 Number	2001 Number	2000 Number
Machines (installed as at 30 June)	14 841	14 647	14 096	12 738
	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Turnover	5 853	5 225	4 644	4 123
Amount Won	5 184	4 618	4 101	3 637
NGR	669	607	544	486
Tax	245	214	190	212

Independent Gaming Corporation Limited

Pursuant to section 25 of the Act, the Liquor and Gambling Commissioner granted the gaming machine monitor licence to the Independent Gaming Corporation (IGC). The IGC is, under this licence, charged with the responsibility for monitoring the operations of gaming machine licensees.

Section 75 of the Act, specifically provides for the accounts and operations of the IGC, in performing its monitoring role, to be audited by the Auditor-General.

With respect to the 2002-03 operations, the audit of the IGC has been completed and an unqualified audit opinion issued.

Victim of Crimes Fund

The Attorney-General's Department is responsible for administering the *Victims of Crime Act 2001* (the Act), which was effective from 1 January 2003. The Department was previously responsible for administering the *Criminal Injuries Compensation Act 1978* which was repealed by the Act.

The Act, provides principles for the treatment of victims of crime and provides rights to statutory compensation for injuries suffered as a result of criminal offences. The maximum compensation that may be awarded under the Act is \$50 000.

Payments made for the year through Special Deposit Accounts titled 'Victims of Crime Fund' and the 'Criminal Injuries Compensation Fund' totalled \$10.1 million (\$9.9 million) on account of 1291 (1177) compensation claims.

Bodies in the Barrel Case

The Department's Administered Expenses include \$5.9 million of costs associated with the Bodies in the Barrel case. These costs were funded from specific appropriations.

Community Emergency Services Fund

The Department is responsible for administering the Community Emergency Services Fund.

Contributions, by way of levies, are made by all owners (including both State and Local Government) of both fixed and mobile property to fund the provision of emergency services. Levies are collected in accordance with the *Emergency Services Funding Act 1998*. The levy on fixed property applies to capital values adjusted for location and land use and is collected by Revenue SA. The levy on mobile property is collected by the Department for Transport and Urban Planning using the vehicle registration system.

In addition, the Government makes a contribution in the form of remissions of levies charged.

All levy receipts are paid into a fund titled the Community Emergency Services Fund from which the Department makes payment to Emergency Services agencies. The Fund also meets the cost of collecting the levies and operating the Fund.

Levies for 2002-03 totalled \$153.4 million (\$141.2 million), comprising:

	2003 \$'million	2002 \$'million
Fixed property collections	52.0	49.2
Fixed property remissions	57.6	39.2
Mobile collections	26.2	25.9
Mobile remissions	9.0	8.4
Pensioner concessions	6.2	6.6
Crown land contribution	2.1	*11.7
Other	0.3	0.2
	153.4	141.2

* Reflects the expiry of section 11(5) of the *Emergency Services Funding Act 1998* whereby the Crown, to 30 June 2002, had to pay into the Community Emergency Services Fund an amount that is equivalent to 11 percent of the fixed property levy.

The Fund earned \$2.0 million (\$2.2 million) in interest revenue.

Payments totalling \$154.9 million (\$140.1 million) were made from the Fund as follows:

	2003 \$'million	2002 \$'million
Emergency Services Administration Unit	0.5	0.5
South Australian Metropolitan Fire Services	68.5	57.7
Country Fire Services	43.4	41.2
South Australian Police	16.1	16.0
Department for Environment and Heritage	2.0	2.0
SA St John Ambulance Service	0.8	0.8
Surf Lifesaving	0.4	0.8
State Emergency Services	9.7	7.6
Volunteer Marine Rescue	0.8	0.6
State Rescue helicopter	-	0.8
Grants	-	0.5
Levy collection fees:		
RevenueSA	7.0	7.0
Department of Transport and Urban Planning	0.7	0.6
Attorney-General's Department	1.0	1.0
Other	4.0	3.0
	154.9	140.1

Recoveries from Offenders

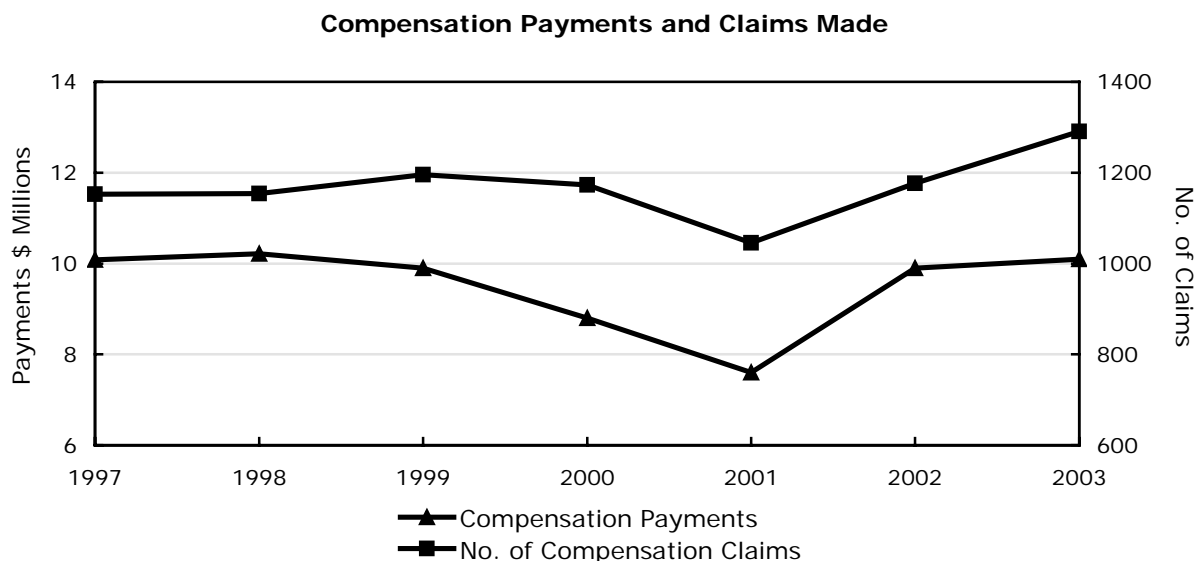
Pursuant to the Act, the Attorney-General can recover, as a debt, from an offender who has been convicted of an offence, the amount of any payment made by the Attorney-General pursuant to the Act. Recovery of amounts is difficult as a large majority of compensation claims are for unknown offenders. This is demonstrated by the following:

- Outstanding amounts at 30 June 2003 were \$49.1 million (\$46.6 million).
- The amounts recovered during the year totalled \$532 000 (\$555 000).

As a result of the size of compensation payments and the minimum amounts recovered from offenders, funds are transferred from the Consolidated Account to enable compensation payments to be made.

In order to supplement these funds, a levy is imposed by the Act, on all persons convicted of offences and on expiation notices. Levies for 2002-03 totalled \$5.1 million (5.5 million).

The following chart illustrates compensation payments and claims made over the past five years.



Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	4	47 545	45 522
Proceeds from disposals of assets	5	41	-
Other	6	9 654	10 056
Total Revenues		57 240	55 578
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	7	66 853	59 699
Computing and communication		8 478	8 875
Accommodation		7 618	6 772
Grants		5 537	5 807
Depreciation and amortisation		3 519	2 759
Disposal of assets	5	54	81
Other	8	24 327	25 602
Total Expenses		116 386	109 595
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		(59 146)	(54 017)
Revenues from Government		48 567	45 040
NET DEFICIT		(10 579)	(8 977)
EQUITY INTERESTS:			
Net (deficit) attributable to the State		(10 579)	(8 977)
Net credit to asset revaluation reserve	17	194	231
Net credit due to errors		-	440
Net debit due to restructure	17	(408)	-
Total revenues, expenses and valuation adjustments recognised directly in equity		(214)	671
TOTAL CHANGES IN EQUITY		(10 793)	(8 306)

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS:			
Cash on hand and on deposit	9	23 168	28 639
Receivables	10	3 629	4 089
Current tax assets	10	631	994
Other current assets	11	538	741
Total Current Assets		27 966	34 463
NON-CURRENT ASSETS:			
Property, plant and equipment	13	10 813	13 127
Total Non-Current Assets		10 813	13 127
Total Assets		38 779	47 590
CURRENT LIABILITIES:			
Payables	14	2 946	3 724
Provision for employee benefits	15	4 170	3 804
Other current liabilities	16	1 472	1 441
Total Current Liabilities		8 588	8 969
NON-CURRENT LIABILITIES:			
Payables	14	2 661	2 227
Provision for employee benefits	15	13 455	10 970
Other non-current liabilities	16	1 326	1 882
Total Non-Current Liabilities		17 442	15 079
Total Liabilities		26 030	24 048
NET ASSETS		12 749	23 542
EQUITY:			
Accumulated surplus	17	11 139	22 126
Asset revaluation reserve	17	1 610	1 416
TOTAL EQUITY		12 749	23 542
Commitments	23		
Contingent Obligations	19		

Statement of Cash Flows for the year ended 30 June 2003

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			\$'000
	Note		
Revenues from Government		48 567	45 040
Fees and charges		48 526	45 024
Other revenue		9 692	9 902
Total Receipts		106 785	99 966
PAYMENTS:			
Employee expenses		(64 339)	(57 912)
Grants		(5 537)	(5 807)
Other		(40 863)	(41 871)
Total Payments		(110 739)	(105 590)
Net Cash used in Operating Activities	18	(3 954)	(5 624)
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Proceeds from the sale of non-current assets		41	-
Total Receipts		41	-
PAYMENTS:			
Payments for property, plant and equipment		(1 553)	(2 908)
Total Payments		(1 553)	(2 908)
Net Cash used in Investing Activities		(1 512)	(2 908)
CASH FLOWS FROM FINANCING ACTIVITIES:			
RECEIPTS:			
Restructuring activities		-	1 255
Total Receipts		-	1 255
PAYMENTS:			
Principal repayments under finance leasing		(5)	(5)
Total Payments		(5)	(5)
Net Cash (used in) provided by Financing Activities		(5)	1 250
NET DECREASE IN CASH HELD		(5 471)	(7 282)
CASH AT 1 JULY		28 639	35 921
CASH AT 30 JUNE	9	23 168	28 639

**Program Schedule of Assets, Liabilities, Revenues and Expenses
for the year ended 30 June 2003**

	Programs (Refer Note 3)	2003					
		1	2	3	4	5	6
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS:							
Current:							
Cash on hand and on deposit		9 683	1 283	4 023	1 863	593	860
Receivables		1 798	790	1	228	50	3
Current tax asset		-	-	-	-	-	-
Other current assets		245	80	6	2	3	2
Non-Current:							
Property, plant and equipment		2 992	3 531	785	11	368	138
Total		14 718	5 684	4 815	2 104	1 014	1 003
LIABILITIES:							
Current:							
Payables		(690)	(620)	(136)	(126)	(74)	(20)
Provision for employee benefits		(1 919)	(737)	(260)	(190)	(77)	(60)
Other current liabilities		-	-	(359)	-	-	(556)
Non-Current:							
Payables		(979)	(585)	(300)	(88)	(79)	(55)
Provision for employee benefits		(4 909)	(2 938)	(1 506)	(535)	(399)	(278)
Other non-current liabilities		-	-	-	-	-	-
Total		(8 497)	(4 880)	(2 561)	(939)	(629)	(969)
NET ASSETS		6 221	804	2 254	1 165	385	34
REVENUES:							
Revenue from government		(18 833)	(934)	(5 859)	(2 493)	(2 523)	(1 095)
Sale of goods		(11 613)	-	-	(2 255)	-	-
Regulatory fees		-	(15 979)	(1 060)	-	-	-
Commonwealth revenue		(5)	(3)	(1)	(6)	(10)	-
Other		(945)	(7 265)	(105)	(70)	(379)	(62)
Total		(31 396)	(24 181)	(7 025)	(4 824)	(2 912)	(1 157)
EXPENSES:							
Employee expenses		27 863	13 406	4 729	3 530	1 566	848
Supplies and services		7 382	7 970	2 093	1 233	1 105	182
Depreciation		950	897	657	54	109	41
Other		10	29	-	406	23	-
Total		36 205	22 302	7 479	5 223	2 803	1 071
DECREASE (INCREASE) IN NET ASSETS RESULTING FROM OPERATIONS		4 809	(1 879)	454	399	(109)	(86)

**Program Schedule of Assets, Liabilities, Revenues and Expenses
for the year ended 30 June 2003 (continued)**

		2003					
Programs (Refer Note 3)		7	8	9	10	General - Not Attributed	2003 Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS:							
Current:							
Cash on hand and on deposit		1 261	462	(45)	3 185	-	23 168
Receivables		7	-	98	654	-	3 629
Current tax asset		-	-	-	-	631	631
Other current assets		5	94	27	74	-	538
Non-Current:							
Property, plant and equipment		185	8	126	2 669	-	10 813
Total		1 458	564	206	6 582	631	38 779
LIABILITIES:							
Current:							
Payables		(25)	(25)	(24)	(1 206)	-	(2 946)
Provision for employee benefits		(87)	(66)	(82)	(692)	-	(4 170)
Other current liabilities		(557)	-	-	-	-	(1 472)
Non-Current:							
Payables		(83)	(26)	(21)	(445)	-	(2 661)
Provision for employee benefits		(414)	(133)	(103)	(2 240)	-	(13 455)
Other non-current liabilities		-	-	-	-	(1 326)	(1 326)
Total		(1 166)	(250)	(230)	(4 583)	(1 326)	(26 030)
NET ASSETS		292	314	(24)	1 999	(695)	12 749
REVENUES:							
Revenue from government		(1 561)	(2 258)	(1 446)	(11 565)	-	(48 567)
Sale of goods		-	-	-	-	-	(13 868)
Regulatory fees		-	-	-	-	-	(17 039)
Commonwealth revenue		-	(70)	-	(2 737)	-	(2 832)
Other		(30)	(200)	(422)	(14 023)	-	(23 501)
Total		(1 591)	(2 528)	(1 868)	(28 325)	-	(105 807)
EXPENSES:							
Employee expenses		1 258	959	1 261	11 433	-	66 853
Supplies and services		369	605	499	19 039	-	40 477
Depreciation		61	66	107	577	-	3 519
Other		-	1 087	20	3 962	-	5 537
Total		1 688	2 717	1 887	35 011	-	116 386
DECREASE (INCREASE) IN NET ASSETS RESULTING FROM OPERATIONS		97	189	19	6 686	-	10 579

**Schedule of Administered Revenues and Expenses
for the year ended 30 June 2003**

REVENUES FROM ORDINARY ACTIVITIES:		2003	2002
	Note	\$'000	\$'000
Revenues from government		658 271	630 629
Fees and charges		14 947	11 926
Other	6	457 514	420 452
Total Revenues		1 130 732	1 063 007
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses		7 762	6 861
Grants		24 367	23 514
Payment to Justice agencies		600 425	573 244
Payment to Treasury		288 835	253 235
Emergency Service Levy payments	8	155 680	140 079
Depreciation and amortisation		421	406
Disposals of assets	5	25	276
Other		45 686	57 633
Total Expenses		1 123 201	1 055 248
NET INCREASE IN ADMINISTERED NET ASSETS		7 531	7 759

Schedule of Administered Assets and Liabilities as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS:			
Cash on hand and on deposit	9	276 289	40 534
Receivables	10	29 627	21 461
Other financial assets	12	12 189	8 312
Other current assets		53 697	96
Total Current Assets		371 802	70 403
NON-CURRENT ASSETS:			
Financial assets	12	63 268	65 131
Property, plant and equipment	13	1 015	1 765
Total Non-Current Assets		64 283	66 896
Total Assets		436 085	137 299
CURRENT LIABILITIES:			
Payables	14	1 796	2 790
Provision for employee benefits	15	163	236
Other current liabilities	16	311 787	23 031
Total Current Liabilities		313 746	26 057
NON-CURRENT LIABILITIES:			
Payables	14	49	76
Provision for employee benefits	15	229	352
Other non-current liabilities	16	28 713	24 053
Total Non-Current Liabilities		28 991	24 481
Total Liabilities		342 737	50 538
NET ASSETS		93 348	86 761
EQUITY:			
Accumulated surplus	17	92 184	84 653
Asset revaluation reserve	17	1 164	2 108
TOTAL EQUITY		93 348	86 761
Commitments	23		
Contingent Obligations	19		

Statement of Administered Cash Flows for the year ended 30 June 2003

		2003	2002
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
RECEIPTS:			
Revenues from government		658 271	630 629
Fees and charges		6 803	11 564
Other revenue		404 029	420 685
Total Receipts		1 069 103	1 062 878
PAYMENTS:			
Employee expenses		(8 000)	(6 727)
Grants		(24 367)	(23 514)
Other		(797 061)	(1 017 369)
Total Payments		(829 428)	(1 047 610)
Net Cash provided by Operating Activities	18	239 675	15 268
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS:			
Payment for investments		(3 877)	-
Payments for property, plant and equipment		(43)	(4 833)
Total Payments		(3 920)	(4 833)
Net Cash used in Investing Activities		(3 920)	(4 833)
CASH FLOWS FROM FINANCING ACTIVITIES:			
RECEIPTS:			
Restructuring activities		-	301
Total Receipts		-	301
Net Cash provided by Financing Activities		-	301
NET INCREASE IN CASH HELD		235 755	10 736
CASH AT 1 JULY		40 534	29 798
CASH AT 30 JUNE	9	276 289	40 534

**Program Schedule of Administered Assets, Liabilities,
Revenues and Expenses
for the year ended 30 June 2003**

	2003						
(Refer Note 2)	Liquor & Gambling Services	Consumer & Business Affairs	Native Title	Victims of Crime	Community Emergency Services Levy	Bodies in the Barrel	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED ASSETS AND LIABILITIES:							
Assets:							
Current:							
Cash on hand and on deposit	255 202	13 111	(7 611)	19 091	12 561	(5 790)	
Investments	-	2 819	-	-	-	-	
Receivables	33 904	530	7 627	545	691	5 790	
Other current assets	-	-	4	914	-	-	
Non-Current:							
Financial assets	-	24 451	-	-	-	-	
Property, plant and equipment	-	-	180	1	-	7	
Total Administered Assets	289 106	40 911	200	20 551	13 252	7	
Liabilities:							
Current:							
Payables	(266 548)	(11 387)	(357)	(615)	(57)	(166)	
Provision for employee benefits	-	-	(46)	-	-	(49)	
Other current liabilities	(455)	-	-	-	-	-	
Non-Current:							
Payables	-	-	(4)	-	-	(11)	
Provision for employee benefits	-	-	(19)	-	-	(51)	
Other non-current liabilities	-	-	-	-	-	-	
Total Administered Liabilities	(267 003)	(11 387)	(426)	(615)	(57)	(277)	
ADMINISTERED REVENUES AND EXPENSES:							
Revenues:							
Revenue from government	(10 576)	(392)	(7 951)	(6 200)	-	(5 790)	
Fees and charges	(8 308)	(548)	-	(6 091)	-	-	
Other revenue	(262 702)	(17 453)	-	(1 555)	(155 362)	-	
Total Administered Revenues	(281 586)	(18 393)	(7 951)	(13 846)	(155 362)	(5 790)	
Expenses:							
Employee expenses	-	-	2 367	401	-	581	
Other	12 292	5 076	2 337	12 236	1	5 327	
Depreciation	-	-	114	2	-	-	
Payments to Treasury	266 453	11 372	-	-	-	-	
Payments to Justice agencies	-	-	-	-	-	-	
Emergency Service Levy payments	-	-	-	-	154 959	-	
Other (Grants)	-	-	3 360	940	-	-	
Total Administered Expenses	278 745	16 448	8 178	13 579	154 960	5 908	
NET INCREASE IN ADMINISTERED NET ASSETS	(2 841)	(1 945)	227	(267)	(402)	118	

**Program Schedule of Administered Assets, Liabilities,
Revenues and Expenses
for the year ended 30 June 2003 (continued)**

	Justice (Refer Note 2) Appropriation	Trust Accounts	AMS/ CAD	Legal Aid	Other	2003 Total \$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED ASSETS AND LIABILITIES:						
Assets:						
Current:						
Cash on hand and on deposit	-	7 312	(5 950)	(9 691)	(1 946)	276 289
Investments	-	9 370	-	-	-	12 189
Receivables	-	214	10 602	20 067	2 436	82 406
Other current assets	-	-	-	-	-	918
Non-Current:						
Financial assets	-	38 817	-	-	-	63 268
Property, plant and equipment	-	818	-	-	9	1 015
Total Administered Assets	-	56 531	4 652	10 376	499	436 085
Liabilities:						
Current:						
Payables	-	(23 233)	(99)	(10 376)	(225)	(313 063)
Provision for employee Benefits	-	-	-	-	(68)	(163)
Other current liabilities	-	(65)	-	-	-	(520)
Non-Current:						
Payables	-	-	-	-	(34)	(49)
Provision for employee benefits	-	-	-	-	(159)	(229)
Other non-current liabilities	-	(28 713)	-	-	-	(28 713)
Total Administered Liabilities	-	(52 011)	(99)	(10 376)	(486)	(342 737)
ADMINISTERED REVENUES AND EXPENSES:						
Revenues:						
Revenue from government	(598 966)	-	(5 893)	(20 067)	(2 436)	(658 271)
Fees and charges	-	-	-	-	-	(14 947)
Other revenue	(1 381)	(3 248)	(4 203)	(10 376)	(1 234)	(457 514)
Total Administered Revenues	(600 347)	(3 248)	(10 096)	(30 443)	(3 670)	(1 130 732)
Expenses:						
Employee expenses	-	2 728	(4)	-	1 690	7 763
Other	-	2 438	4 689	-	1 310	45 706
Depreciation	-	305	-	-	-	421
Payments to Treasury	-	-	-	10 376	634	288 835
Payments to Justice agencies	600 425	-	-	-	-	600 425
Emergency Services Levy payments	-	-	725	-	-	155 684
Other (Grants)	-	-	-	20 067	-	24 367
Total Administered Expenses	600 425	5 471	5 410	30 443	3 634	1 123 201
NET INCREASE IN ADMINISTERED NET ASSETS	78	2 223	(4 686)	-	(36)	(7 531)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

1.1 **Objectives of the Attorney-General's Department**

The Attorney-General's Department serves the Government and the people of South Australia by achieving excellence in the provision of legal services to the State Government, and in the provision of consumer law-related and regulatory services, and complaint handling function to the South Australian Community.

The Department believes that the following corporate objectives are critical to its operational success. The Department will:

- Recognise the importance of good leadership by managers, supervisors and team leaders;
- Facilitate and encourage open communications and participative decision making and provide easy access to all information and publications of relevance to staff;
- Foster client satisfaction by providing high quality services which meet their needs;
- Maintain high professional and management standards, including encouraging professional membership and participation of professional bodies, and provide identified training programs which are consistent with the strategic direction of Government and Departmental objectives;
- Recognise performance management and quality principles as tools which assist the organisation to evaluate the contribution of its people to day-to-day activities and which contributes to continuous performance improvement and learning;
- Recognise that through policy and planning the organisation's values are communicated, adopted and reinforced throughout the organisation;
- Facilitate a cooperative and participative industrial relations culture through the Enterprise Bargaining process.

1.2 **Reporting Entity**

Agency activities contributing toward programs are classified as either Departmental or Administered. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. Administered activities involve the management or oversight by the Department on behalf of the Government of items controlled or incurred by the Government.

For the purposes of accrual accounting and external financial reporting, the Ombudsman and the Police Complaints Authority are included in the financial reporting entity of the Attorney-General's Department. However, the Ombudsman and the Police Complaints Authority do undertake investigations into complaints or matters under their respective Acts without interference from the Attorney-General's Department and both report separately to Parliament on their operations.

Administered items are stated in Note 2.

1.3 **Restructuring Activities**

As a result of restructuring of administrative arrangements, SA Multicultural Affairs was transferred from the Department of the Premier and Cabinet to the Attorney-General's Department as at 1 July 2002.

1.4 **Basis of Accounting**

The financial statements are required by Treasurer's Instruction 19 issued pursuant to Section 41 of the *Public Finance and Audit Act 1987* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Australian Accounting Standards and Accounting Interpretations issued by Australian Accounting Standards Boards;
- Other authoritative pronouncements of the Boards;
- Consensus Views of the Urgent Issues Group;
- Accounting Policy Statements and Treasurer's Instructions issued by the Department of Treasury and Finance;
- Statements of Accounting Concepts.

The Department's Statement of Financial Performance and Statement of Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets which, as noted are at valuation (fair value). Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Department's Statement of Financial Position when and only when it is probable that future economic benefits will eventuate or be required and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets which are unrecognised are reported in Note 19 'Contingent Obligations' and Note 23 'Expenditure Commitments'.

Revenues and expenses are recognised in the Department's Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

The continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and programs.

The Schedule of Administered Revenues and Expenses, Assets and Liabilities, and Cash Flows are prepared on the same basis and using the same policies as Departmental items, except where otherwise stated.

1.5 Revenues

Appropriations/Grants

Appropriations whether recurrent, capital, special or other are recognised as revenues when the Department obtains control over the assets comprising the contribution. Control over appropriations and granted assets is normally obtained upon their receipt.

Other Revenue

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

1.6 Employee Benefits

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting. The liability for annual leave is measured using the remuneration rate expected to apply at the time of settlement.

The liability for long service leave is recognised and measured at the actuarial assessment by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. This calculation is consistent with the Department's experience of employee retention and leave taken.

For the year ended 30 June 2003, the benchmark number of years set by Department of Treasury and Finance is seven years (eight years).

Workers Compensation

A liability has been reported to reflect workers compensation claims. The workers compensation liability, which was based on an actuarial assessment, was provided by the Public Sector Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet.

The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. For the 2003 valuation, the Justice, DETE, DHS and all other portfolios have been analysed separately. In previous years, the Justice Portfolio was analysed together with all other non-DHS agencies. The new valuation methodology has resulted in the Justice Portfolio's liability being more specifically measured. The Attorney-General's Department's liability is an allocation of the Justice Portfolio's total assessment.

It is important to note that the new methodology adopted for this valuation has significantly contributed to the large increase. Applying the new methodology to the previous year's data would have resulted in the Justice Portfolio's June 2002 liability being 25 percent larger than reported.

Superannuation

The Department made contributions of \$6.8 million (\$5.6 million) to the Department of Treasury and Finance towards the accruing government liability in respect of its employees. The Department retains no liability to employees for superannuation payments.

1.7 Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased asset.

Lease incentives taking the form of 'free' leasehold improvements and rent holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability.

1.8 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash on deposit represent funds held in a Special Deposit Account with Westpac Bank. Investments represent funds deposited with the Public Trustee Office.

1.9 Financial Instruments

Accounting policies for financial instruments are stated at Note 24.

1.10 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange for liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

1.11 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2 000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

1.11 Property, Plant and Equipment (continued)**Revaluations**

The Department has applied the Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'.

Land, buildings, leasehold improvements, plant and equipment and heritage assets were revalued in accordance with the 'fair value' method of valuation as at 1 July 2002. Library collections were revalued in May 2002. Information Technology were valued at cost.

Revaluation increments are recognised in the asset revaluation reserve and revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

Depreciation and Amortisation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the Department using, in all cases, the straight line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvement or the unexpired period of the lease.

Depreciation/amortisation rates and methods are reviewed at each balance date and necessary adjustments are recognised in the current and future reporting periods as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

	Years
Buildings and other structures	20-50
Leasehold improvements	life of lease
Plant and equipment	10
Information technology	3-5
Mobile transport assets	5-10
Library collections	10 to infinite

Human Resource Assets

The Department acknowledges that its' employees are the Department's most valuable asset. These human resource assets have not been included in the Statement of Financial Position as their values cannot be reliably measured, thereby failing the asset recognition test, in accordance with Statement of Accounting Concept SAC 4 'Definition and Recognition of the Elements of Financial Statements'.

Database and Licensing Records

The Department has developed and maintains databases for the maintenance of records such as: retail shop leases, births, deaths and marriages, occupational licensing and incorporation of associations. These databases are not included as assets as their values cannot be measured reliably, thereby failing the asset recognition test, in accordance with Statement of Accounting Concept SAC 4, 'Definition and Recognition of the Elements of Financial Statements'.

Justice Information System

As a result of the transfer of the former Justice Information System Services (JISS) to the Department in 2001, the Department has brought to account all assets of the former JISS with the exception of the application software. The application has not been included as an asset as its value cannot be measured reliably, thereby failing the asset recognition test, in accordance with Statement of Accounting Concept SAC 4, 'Definition and Recognition of the Elements of Financial Statements'.

1.12 Taxation

The Department is exempt from all forms of taxation except payroll tax, fringe benefits tax and the goods and services tax.

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The net GST receivable to the Australian Taxation Office has been recognised as a receivable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have however been classified as operating cash flows.

1.13 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

1.14 Rounding

Amounts have been rounded to the nearest \$1 000 except in relation to remuneration of auditors.

2. Administered Items of the Department

These include:

- Liquor and Gambling Services
 - Payment of Liquor Subsidies
 - Racing services
 - Taxation Receipts (Casino, Gaming, Liquor)
- Consumer and Business Affairs
 - Legal Practitioners Act Fund
 - Agents Indemnity Fund
 - Second Hand Vehicles Compensation Fund
 - Companies Liquidation Account
 - Cooperatives Liquidation Account
 - Consumer Credit Fund
 - HH Fund
 - Travel Compensation Fund
 - Private Plated Vehicles Contributions
 - Compensation Companies Regulation (formerly Companies Code Fees)
 - Recreation services
 - Remission - Fees and charges
- Native Title legislation administration
- Victims of Crime
- Community Emergency Services Fund
- Bodies in the Barrel Case
- Justice Portfolio appropriations
- Trust Accounts
 - Crown Solicitor's Trust Account
 - Residential Tenancies Fund
 - Retail Shop Leases Fund
- Audio Management System/Computer Aided Despatch
- Contribution to Legal Services Commission for Legal Aid
- Other
 - Constitution Convention
 - Child Abuse Project
 - Child Abuse - Community Development Fund
 - Ministerial Salary and Allowances
 - Provision of State Rescue Helicopter Service - Recovery of costs and sponsorships
 - Special Act payments (Ombudsman, Solicitor-General)

3. Program Class Schedule of the Department

Information about the Department's programs are set out in the Programs Schedule. A program is a grouping of related sub-programs that contribute to the achievement of agency and government objectives.

Program 1 Policy Advice and Legal Services

This program is focused on increasing the SA community's and industry's awareness of their rights, responsibilities and confidence that the system of justice is fair, equitable and accessible. It also provides the people of South Australia with an independent and effective prosecution service which is timely, efficient and just.

Program 2 Consumer and Business Affairs

This program covers the fair trading legislation, regulating defined business activities and maintaining business and civil records for South Australia through the provision of court and tribunal case resolution, alternative dispute resolution, licensing, regulatory and registration services.

Program 3 Liquor and Gambling Services

This program deals with encouraging responsible attitudes towards the promotion, sale, supply, consumption and use of liquor and gambling products.

Program 4 Multicultural Services

This program is focused on building community capacity and safe communities by having sound public sector programs that are designed to implement the State Government's policy commitments and promote equity of access to services.

Program 5 Equal Opportunity

This program is focused on promoting equality of opportunity for the community through the administration of anti-discrimination legislation by examining and responding to complaints and providing information, education and training to encourage compliance with legislation.

Program 6 Police Complaints Authority

Included in this program is the requirement to maintain public confidence in, and proper accountability of SA Police Department through the provision of complaint investigation and resolution services.

Program 7 Ombudsman Services

This program covers the investigation and complaints resolutions against State and Local government agencies. It is focused on ensuring that the public receives fair treatment from government bodies and that public administration is reasonable and just.

Program 8 Crime Prevention

This program deals with initiating and supporting crime prevention projects and local crime prevention programs by achieving a reduction in crime through working with a range of partners to develop appropriate crime prevention strategies and improved practices.

Program 9 Crime Statistics

This program covers monitoring, research and evaluation into crime and criminal justice by accurate and timely reporting on trends in crime and criminal justice.

Program 10 Justice Portfolio Services

This program is focused on providing excellence in customer service in the delivery of the following support services: financial, business and contract management, Justice technology, portfolio human resources, information knowledge management, strategic development and communications, business reform, Ministerial offices and support, Justice executive and legal community centre along with other grants.

General – Not Attributed

Information about the Department's revenues, expenses, assets and liabilities that are not attributable to the above programs.

4. Fees and Charges	2003	2002
Fees and charges for the reporting period comprised:	\$'000	\$'000
Legal services to various agencies	11 614	11 929
Licence and regulatory fees	17 044	15 800
Recovery of administration expenditure	5 981	7 007
Other fees and charges	12 906	10 786
Total Fees and Charges	47 545	45 522
5. Proceeds and Expenses from Sale of Assets		
Leasehold Improvements:		
Proceeds from disposal of non-current assets	-	-
Less: Written down value of non-current assets	-	38
Net (Loss) on Disposal of Non-Current Assets	-	(38)
Plant and Equipment:		
Proceeds from disposal of non-current assets	8	-
Less: Written down value of non-current assets	37	14
Net (Loss) on Disposal of Non-Current Assets	(29)	(14)
Information Technology:		
Proceeds from disposal of non-current assets	33	-
Less: Written down value of non-current assets	17	29
Net Gain (Loss) on Disposal of Non-Current Assets	16	(29)
Total Assets:		
Proceeds from disposal of non-current assets	41	-
Less: Written down value of non-current assets	54	81
Net (Loss) on Disposal of Non-Current Assets	(13)	(81)
Administered Items:		
Leasehold Improvements:		
Proceeds from disposal of non-current assets	-	-
Less: Written down value of non-current assets	-	276
Net (Loss) on Disposal of Non-Current Assets	-	(276)
Plant and Equipment:		
Proceeds from disposal of non-current assets	-	-
Less: Written down value of non-current assets	2	-
Net (Loss) on Disposal of Non-Current Assets	(2)	-
Information Technology:		
Proceeds from disposal of non-current assets	-	-
Less: Written down value of non-current assets	23	-
Net (Loss) on Disposal of Non-Current Assets	(23)	-
Total Assets:		
Proceeds from disposal of non-current assets	-	-
Less: Written down value of non-current assets	25	-
Net (Loss) on Disposal of Non-Current Assets	(25)	(276)
6. Other Revenues		
Other revenues for the Department comprised:		
Interest revenue	1 096	1 742
Sundry recoveries	5 015	5 401
Commonwealth Specific Purpose Grants	2 832	2 800
Other revenue	711	113
Total Other Revenues	9 654	10 056
Administered items:		
Interest revenue	8 543	7 852
Sundry recoveries	5 508	16 780
Commonwealth Specific Purpose Grants	21 742	20 740
Taxation receipts	262 702	229 064
Community Emergency Services Fund revenue	153 556	141 521
Agents Indemnity Fund revenue	4 262	3 429
Other revenue	1 201	1 066
Total Other Revenues	457 514	420 452

7. Employee Expenses	2003	2002
Employee expenses for the reporting period comprised:	\$'000	\$'000
Salaries and wages	53 663	47 643
Payroll tax and superannuation expenses	10 150	9 318
Long service leave expenses	2 088	1 994
Other employee related expenses	952	744
Total Employee Expenses	66 853	59 699
8. Other Expenses		
Other expenses for the Department comprised:		
Staff payments	2 588	2 327
Contract staff	4 434	4 088
Consultancies	238	807
Legal fees	418	1 261
Motor vehicle expenses	1 036	1 135
Professional costs	440	474
Telephone related expenses	1 450	1 109
Promotion/Publications	826	998
Tax and taxable payments	709	527
Bad and doubtful debts	155	365
Office expenses	2 009	1 956
Project costs	4 589	4 424
Other	5 435	6 131
Total Other Expenses	24 327	25 602
Administered Items:		
Emergency Services Levy Collection Fees	7 661	7 624
Payments to Emergency Services	148 019	132 455
Total Emergency Services Levy Payments	155 680	140 079
9. Cash on Hand and on Deposit		
Cash on hand (including petty cash)	41	41
Special Deposit Accounts with Westpac Bank ⁽¹⁾	23 017	28 495
Cash and cheques in transit	110	103
Total Cash on Hand and on Deposit	23 168	28 639
Administered items:		
Special Deposit Accounts with Westpac Bank	276 286	40 464
Cash and cheques in transit	3	70
Total Cash on Hand and on Deposit	276 289	40 534
(1) This amount includes accrual appropriation of \$6.8 million (\$6.5 million).		
10. Receivables		
Receivables in respect of fees and charges	4 090	4 356
Allowance for doubtful debts	(506)	(351)
Accrued interest	45	84
GST receivable	631	994
Total Receivables	4 260	5 083
Administered items:		
Receivables in respect of fees and charges	29 001	20 857
Accrued interest	626	604
Total Receivables	29 627	21 461
11. Other Current Assets		
Prepayments	324	246
Work in progress	214	476
Working accounts	-	(2)
Other	-	21
Total Other Current Assets	538	741
12. Financial Assets		
Administered Items:		
Financial Assets represent funds invested with the Public Trustee as follows:		
Residential Tenancies Fund	46 486	44 943
Retail Shop Leases Fund	1 701	1 647
Agents Indemnity Fund	25 547	25 160
Second Hand Motor Vehicles Compensation Fund	1 723	1 693
Total Financial Assets	75 457	73 443

13. (a) **Property, Plant and Equipment**

	Cost/ Valuation \$'000	2003 Accumulated Depreciation/ Amortisation \$'000	Written Down Value \$'000
Land ⁽¹⁾	415	-	415
Buildings and other structures ⁽¹⁾	1 215	864	351
Leasehold improvements ⁽²⁾	8 795	5 346	3 449
Mobile transport assets ⁽²⁾	460	231	229
Information technology	8 313	5 074	3 239
Library collections ⁽⁴⁾	407	-	407
Plant and equipment ⁽²⁾	7 774	5 166	2 608
Heritage assets ⁽³⁾	115	-	115
	27 494	16 681	10 813
Administered Items:			
Leasehold improvements ⁽²⁾	1 789	1 079	710
Information technology	438	377	61
Plant and equipment ⁽²⁾	759	515	244
Plant and equipment under finance lease	-	-	-
	2 986	1 971	1 015
		2002	
	Cost/ Valuation \$'000	Accumulated Depreciation/ Amortisation \$'000	Written Down Value \$'000
Land	314	-	314
Buildings and other structures	1 116	141	975
Leasehold improvements	8 370	3 871	4 499
Mobile transport assets	415	185	230
Information technology	7 814	4 056	3 758
Library collections	541	-	541
Plant and equipment	9 289	6 502	2 787
Heritage assets	19	-	19
Plant and equipment under finance lease	19	15	4
	27 897	14 770	13 127
Administered Items:			
Leasehold improvements	1 579	521	1 058
Information technology	611	338	273
Plant and equipment	874	441	433
Plant and equipment under finance lease	23	22	1
	3 087	1 322	1 765

- (1) Valuations of land, buildings and infrastructure were performed by David Conigrave, AAPI, Certified Practising Valuer of the Australian Valuation Office as at 1 July 2002.
- (2) Valuations of leasehold improvements, furniture, mobile transport assets and specialised plant and equipment were performed by Simon B O'Leary AAPI, MSA, Certified Practising Valuer – Plant and Machinery of the Australian Valuation Office as at 1 July 2002.
- (3) Valuations of heritage assets were performed by David Kabbani of H.J. Quigley Antiques Pty Ltd as at 1 July 2002.
- (4) Library collections represents valuation as per M Treloar as at 15 May 2002.

(b) **Property, Plant and Equipment - Movement Schedule**

Controlled Account Description	Asset Cost/Valuation					Closing Balance \$'000
	Opening Balance 1.7.02 \$'000	Additions \$'000	Disposals \$'000	Revalu- ation \$'000	Other \$'000	
Land	314	-	-	101	-	415
Total Land	314	-	-	101	-	415
Buildings and other structures	1 116	-	-	99	-	1 215
Leasehold improvements	8 370	218	-	207	-	8 795
Total Buildings	9 486	218	-	306	-	10 010
Total Land and Buildings	9 800	218	-	407	-	10 425
Plant and Equipment:						
Mobile transport assets	415	-	-	45	-	460
Information technology	7 814	1 218	737	-	17	8 312
Library collections	541	-	-	(134)	-	407
Plant and equipment	9 289	107	98	(1 520)	(4)	7 774
Heritage assets	19	-	-	96	-	115
Total Plant and Equipment	18 078	1 325	835	(1 513)	13	17 068

(b) Property, Plant and Equipment - Movement Schedule (continued)

Controlled Account Description	Asset Cost/Valuation					Closing Balance 30.6.03 \$'000
	Opening Balance 1.7.02 \$'000	Additions \$'000	Disposals \$'000	Revalu- ation \$'000	Other \$'000	
	Leased Plant and Equipment: Plant and equipment under finance lease	19	-	-	-	
Total Leased Plant and Equipment	19	-	-	-	(19)	-
Total Plant and Equipment	18 097	1 325	835	(1 513)	(6)	17 068
TOTAL PROPERTY, PLANT AND EQUIPMENT	27 897	1 543	835	(1 106)	(6)	27 493

Controlled Account Description	Accumulated Depreciation					Closing Balance 30.6.03 \$'000	Net Book Value	
	Opening Balance 1.7.02 \$'000	Charge \$'000	Disposals \$'000	Revalu- ations \$'000	Other \$'000		2003 \$'000	2002 \$'000
	Land	-	-	-	-		-	-
Total Land	-	-	-	-	-	-	415	314
Buildings and other structures	141	22	-	701	-	864	351	975
Leasehold improvements	3 871	1 011	-	464	-	5 346	3 449	4 499
Total Buildings	4 012	1 033	-	1 165	-	6 210	3 800	5 474
Total Land and Buildings	4 012	1 033	-	1 165	-	6 210	4 215	5 788
Plant and Equipment:								
Mobile transport assets	185	34	-	12	-	231	229	230
Information technology	4 056	1 736	720	-	2	5 074	3 238	3 758
Library collections	-	-	-	-	-	-	407	541
Plant and equipment	6 502	712	61	(1 988)	-	5 165	2 609	2 787
Heritage assets	-	-	-	-	-	-	115	19
Total Plant and Equipment	10 743	2 482	781	(1 976)	2	10 470	6 598	7 335
Leased Plant and Equipment:								
Plant and equipment under finance lease	15	4	-	-	(19)	-	-	4
Total Leased Plant and Equipment	15	4	-	-	(19)	-	-	4
Total Plant and Equipment	10 758	2 486	781	(1 976)	(17)	10 470	6 598	7 339
TOTAL PROPERTY, PLANT AND EQUIPMENT	14 770	3 519	781	(811)	(17)	16 680	10 813	13 127

Administered Account Description	Asset Cost/Valuation					Closing Balance 30.6.03 \$'000
	Opening Balance 1.7.02 \$'000	Additions \$'000	Disposals \$'000	Revalu- ation \$'000	Other \$'000	
	Leasehold improvements	1 579	-	-	210	
Total Buildings	1 579	-	-	210	-	1 789
Plant and Equipment:						
Information technology	611	11	38	-	(146)	438
Plant and equipment	874	32	11	(139)	3	759
Total Plant and Equipment	1 485	43	49	(139)	(143)	1 197
Leased Plant and Equipment:						
Plant and equipment under finance lease	23	-	-	-	(23)	-
Total Leased Plant and Equipment	23	-	-	-	(23)	-
Total Plant and Equipment	1 508	43	49	(139)	(166)	1 197
TOTAL PROPERTY, PLANT AND EQUIPMENT	3 087	43	49	71	(166)	2 986

Administered Account Description	Accumulated Depreciation					Closing Balance 30.6.03 \$'000	Net Book Value	
	Opening Balance 1.7.02 \$'000	Charge \$'000	Disposals \$'000	Revalu- ations \$'000	Other \$'000		2003 \$'000	2002 \$'000
	Leasehold improvements	521	290	-	268		-	1 079
Total Buildings	521	290	-	268	-	1 079	710	1 058
Plant and Equipment:								
Information technology	338	57	15	-	(3)	377	61	273
Plant and equipment	441	72	9	11	-	515	244	433
Total Plant and Equipment	779	129	24	11	(3)	892	305	706

(b) Property, Plant and Equipment - Movement Schedule (continued)

Administered Account Description	Accumulated Depreciation					Closing Balance 2003 \$'000	Net Book Value	
	Opening Balance 1.7.02 \$'000	Charge \$'000	Disposals \$'000	Revalu- ations \$'000	Other \$'000		2003 \$'000	2002 \$'000
Leased Plant and Equipment:								
Plant and equipment under finance Lease	22	1	-	-	(23)	-	-	1
Total Leased Plant and Equipment	22	1	-	-	(23)	-	-	1
Total Plant and Equipment	801	130	24	11	(26)	892	305	707
TOTAL PROPERTY, PLANT AND EQUIPMENT	1 322	420	24	279	(26)	1 971	1 015	1 765

14. Payables						2003	2002
Current:						\$'000	\$'000
Creditors						1 640	2 248
Accruals - Employee on-costs						828	761
Accruals						478	715
Total Current Payables						2 946	3 724
Non-Current:							
Accruals - Employee on-costs						2 661	2 227
Administered Items:							
Current:							
Creditors						1 719	2 699
Accruals - Employee on-costs						36	51
Accruals						41	40
Total Current Payables						1 796	2 790
Non-Current:							
Accruals - Employee on-costs						49	76
15. (a) Provision for Employee Benefits							
Current:							
Long service leave						545	654
Annual leave						3 132	2 880
Workers compensation						210	199
Accrued salaries and wages						283	71
Total Current Employee Benefits						4 170	3 804
Non-Current:							
Long service leave						12 442	10 349
Workers compensation						1 013	621
Total Non-Current Employee Benefits						13 455	10 970
Administered Items:							
Current:							
Long service leave						6	13
Annual leave						151	223
Accrued salaries and wages						6	-
Total Current Employee Benefits						163	236
Non-Current:							
Long service leave						229	352
15. (b) Employee Benefits and Related On-Costs Liabilities							
Long service leave							
On-costs included in Payables - Current (Note 14)						117	141
Provision for Employee Benefits - Current (Note 15(a))						545	654
Total						662	795
On-costs included in Payables - Non-current (Note 14)						2 661	2 227
Provision for Employee Benefits - Non-current (Note 15(a))						12 442	10 349
Total						15 103	12 576
Annual Leave							
On-costs included in Payables - Current (Note 14)						674	620
Provision for Employee Benefits - Current (Note 15(a))						3 132	2 880
Total						3 806	3 500

(b)	Employee Benefits and Related On-Costs Liabilities(continued)	2003	2002
	Accrued Salaries and Wages	\$'000	\$'000
	On-costs included in Payables – Current (Note 14)	37	-
	Provision for Employee Benefits – Current (Note 15(a))	283	71
		320	71
	Aggregate employee benefit and related on-cost liabilities	19 891	16 942
	Administered Items:		
	Long Service Leave		
	On-costs included in Payables - Current (Note 14)	1	3
	Provision for Employee Benefits - Current (Note 15(a))	6	13
		7	16
	On-costs included in Payables – Non-current (Note 14)	49	76
	Provision for Employee Benefits – Non-current (Note 15(a))	229	352
		278	428
	Annual Leave		
	On-costs included in Payables – Current (Note 14)	33	48
	Provision for Employee Benefits – Current (Note 15(a))	151	223
		184	271
	Accrued Salaries and Wages		
	On-costs included in Payables – Current (Note 14)	2	-
	Provision for Employee Benefits – Current (Note 15(a))	6	-
		8	-
	Aggregate employee benefit and related on-cost liabilities	477	715
15.	(c) Average Number of Employees during the Financial Year	2003	2002
		Number	Number
		1 017	908
16.	Other Liabilities	2003	2002
	Current:	\$'000	\$'000
	Finance lease	-	5
	Unearned revenue	5	7
	Lease incentive	556	592
	Control and working account balances	911	837
	Total Other Current Liabilities	1 472	1 441
	Non-Current:		
	Lease incentive	1 326	1 882
	Administered Items:		
	Current:		
	Finance lease	-	1
	Unclaimed money	75	40
	Lease incentive	65	65
	Control and working account balances	379	369
	Gaming and other receipts payable to Treasury and Finance	288 298	-
	Security bond refunds	22 969	22 458
	Crown Solicitor's Trust	1	98
	Total Other Current Liabilities	311 787	23 031
	Non-Current:		
	Lease incentive	115	180
	Security bonds lodged	22 910	18 282
	Crown Solicitor's Trust	5 688	5 591
	Total Other Non-Current Liabilities	28 713	24 053
17.	Equity		
	Equity represents the residual interest in the Department's net assets. The South Australian Government holds the equity interest in the Department on behalf of the community. Equity comprises:		
	Accumulated Surplus:		
	Balance as at 1 July	22 126	30 663
	Errors	-	440
	Restructure transfers	(408)	-
	(Decrease) in net assets resulting from operations	(10 579)	(8 977)
	Balance as at 30 June	11 139	22 126

17. Equity (continued)

	2003	2002
	\$'000	\$'000
Asset Revaluation Reserve:	1 416	1 185
Balance as at 1 July		
Revaluation Adjustments:		
Land	101	-
Buildings	(504)	-
Motor transport assets	32	-
Plant and equipment	469	231
Heritage assets	96	-
Balance as at 30 June	1 610	1 416
Balance as at 30 June is made up of:		
Land	101	-
Buildings	-	504
Motor transport assets	58	26
Plant and equipment	1 355	886
Heritage assets	96	-
Balance as at 30 June	1 610	1 416
Administered Items:		
Accumulated Surplus:		
Balance as at 1 July	84 653	76 594
Errors	-	300
Increase in net assets resulting from operations	7 531	7 759
Balance as at 30 June	92 184	84 653
Asset Revaluation Reserve ⁽¹⁾ :		
Balance as at 1 July	2 108	4 111
Revaluation Adjustments:		
Investments	(956)	(2 032)
Leasehold improvements	162	(115)
Furniture	(150)	144
Balance as at 30 June	1 164	2 108
Balance as at 30 June is made up of:		
Investments	797	1 753
Leasehold improvements	266	104
Furniture	101	251
Balance as at 30 June	1 164	2 108

(1) The asset revaluation reserve balance is identified on the basis of administered items and is accounted for accordingly.

18. Cash Flow Reconciliation

Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows:		
Cash at year end per Statement of Cash Flows	23 168	28 639
Statement of Financial Position items comprising cash	23 168	28 639
Reconciliation of Operating Deficit to Net Cash used in Operating Activities:		
Net (deficit)	(10 579)	(8 977)
Less: Items classified as financing and investing activities:		
Loss on disposal	13	81
Add: Non-cash items:		
Depreciation and amortisation	3 519	2 759
Allowance for doubtful debts	155	101
Revaluation decrement	551	693
Change in assets and liabilities:		
Increase in employee benefits	1 883	1 184
(Decrease) in payables	(806)	(2 915)
Increase (Decrease) in other liabilities	72	(296)
Decrease in receivables	967	2 152
Decrease (Increase) in other assets	271	(406)
Net Cash used in Operating Activities	(3 954)	(5 624)
Administered Items:		
Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows:		
Cash at year end per Statement of Cash Flows	276 289	40 534
Statement of Financial Position items comprising cash	276 289	40 534

18. Cash Flow Reconciliation (continued)	2003	2002
Reconciliation of Operating Surplus to Net Cash provided by Operating Activities:	\$'000	\$'000
Net surplus	7 531	7 759
Less: Items classified as financing and investing activities:		
Loss on disposal	25	276
Add: Non-cash items:		
Depreciation and amortisation	421	406
Revaluation decrement	1 128	1 181
Change in assets and liabilities:		
(Decrease) Increase in employee benefits	(211)	90
(Decrease) Increase in payables	(979)	995
Increase in other liabilities	293 389	6 452
(Increase) in receivables	(8 144)	(362)
(Increase) in other assets	(53 485)	(1 529)
Net Cash provided by Operating Activities	239 675	15 268

19. Contingent Obligations
The Attorney-General's Department is not recognising any contingent liabilities.

Administered Items

The Agents Indemnity Fund has an estimated contingent obligation to pay \$17 million relating to current and expected claims against the Fund. The Second Hand Vehicles Compensation Fund has an estimated contingent obligation to pay \$29 000 relating to current and expected claims against the Fund.

The Department is of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

20. Remuneration of Auditors
The amount payable by the Department for audit services during the reporting period was \$168 172 (\$162 800). The amount payable for audit services for administered items during the reporting period was \$41 249 (\$39 930). No other services were provided by the Auditor-General.

21. Remuneration of Employees	2003	2002
The number of employees whose remuneration received or receivable falls within the following bands:	Number of Employees	Number of Employees
\$100 001 - \$110 000	45	13
\$110 001 - \$120 000	10	4
\$120 001 - \$130 000	8	6
\$130 001 - \$140 000	16	19
\$140 001 - \$150 000	7	2
\$150 001 - \$160 000	3	5
\$160 001 - \$170 000	6	6
\$170 001 - \$180 000	4	5
\$180 001 - \$190 000	9	3
\$190 001 - \$200 000	5	3
\$200 001 - \$210 000	1	1
\$210 001 - \$220 000	1	2
\$220 001 - \$230 000	2	1
\$230 001 - \$240 000	-	1
\$240 001 - \$250 000	-	1
\$250 001 - \$260 000	2	3
\$260 001 - \$270 000	3	-
\$270 001 - \$280 000	-	-
\$280 001 - \$290 000	-	-
\$290 001 - \$300 000	1	1
\$300 001 - \$310 000	1	-

Total remuneration received or due and receivable by these employees was \$17.3 million (\$14.3 million).

22. Targeted Voluntary Separation Packages (TVSPs)	2003	2002
	\$'000	\$'000
TVSPs paid to employees during the reporting period	396	855
Recovery from the Department of the Premier and Cabinet in respect of TVSPs	(396)	(855)
Annual and long service leave accrued over the period of employment for employees who received TVSPs	93	270

The number of employees who were paid TVSPs during the reporting period totalled 3 (9).

23. Expenditure Commitments		
Operating Leases		
Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
Payable no later than one year	6 722	6 797
Payable later than one year and not later than five years	15 283	21 004
Payable later than five years	5 020	4 766
Total Operating Leases	27 025	32 567

23. Expenditure Commitments (continued)

These operating lease commitments are not recognised in the financial report as liabilities.

The accommodation and office equipment leases are non-cancellable leases with rental payable monthly in advance. Contingent rental provisions within the accommodation lease agreements provide for the minimum lease payments to be increased on specified rent review dates. Options exist to renew the accommodation leases at the end of the term of the lease.

Other Commitments

	2003	2002
	\$'000	\$'000
Motor vehicles ⁽¹⁾	924	811
Capital ⁽²⁾	452	68
Grants ⁽³⁾	16 232	27 919
Other ⁽⁴⁾	157	108
Total	17 765	28 906
Payable no later than one year	16 752	16 545
Payable later than one year and not later than five years	1 013	12 361
Total Operating Leases	17 765	28 906

- (1) Agreements for the provision of motor vehicles to senior executive officer's or sections (ie pool vehicles) with Fleet SA, Department for Administrative and Information Services. There are no purchase options available to the Department.
- (2) Outstanding contractual payments for building works and maintenance under construction.
- (3) Grant amounts payable under agreements in respect of which the grantee has yet to provide the services required under the agreement. The grants cover the period 2003 to 2006. Legal Services Commission's funding is in its fourth year of the agreement and is undergoing negotiation for the forthcoming four years.
- (4) Other commitments relates to purchase orders placed for goods before 30 June 2003.

24. Financial Instruments**(a) Terms, Conditions and Accounting Policies***Financial Assets*

- Cash and Deposits are available at call and are recorded at cost. Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance.
- Receivables are reported at amounts due to the Department. Receivables are due within 30 days of an invoice being raised.
- Investments are recorded at net fair value based upon valuation provided by the Public Trustee.

Financial Liabilities

Payables and Accruals are raised from amounts unpaid and are settled within the normal terms of payment of 30 days, unless otherwise agreed.

(b) Interest Rate Risk

	2003				Weighted Average Interest Rate Percent	2002			
	Floating Interest Rate \$'000	Non- Bearing Interest \$'000	Total Carrying Amount \$'000	Total Carrying Amount \$'000		Floating Interest Rate \$'000	Non- Bearing Interest \$'000	Total Carrying Amount \$'000	Total Carrying Amount \$'000
Financial Assets:									
Cash on hand	-	41	41			-	41	41	-
Cash at bank	23 017	-	23 017	4.60		28 495	-	28 495	4.39
Cash and cheques in transit	-	110	110			-	103	103	-
Receivables	-	3 629	3 629			-	4 089	4 089	-
Total	23 017	3 780	26 797			28 495	4 233	32 728	
Financial Liabilities:									
Payables	-	1 640	1 640			-	2 248	2 248	-
Accruals	-	478	478			-	715	715	-
Total	-	2 118	2 118			-	2 963	2 963	
Administered Items:									
Financial Assets:									
Cash at bank	276 289	-	276 289	4.60		40 534	-	40 534	4.39
Investments	75 457	-	75 457	2.44		73 443	-	73 443	1.20
Receivables	-	29 627	29 627			-	21 461	21 461	-
Total	351 746	29 627	381 373			113 977	21 461	135 438	
Financial Liabilities:									
Payables	-	1 719	1 719			-	2 699	2 699	-
Accruals	-	41	41			-	40	40	-
Total	-	1 760	1 760			-	2 739	2 739	

(c) Net Fair Values

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value. The carrying amount of Financial Assets approximates net fair value due to their short term maturity or being receivable on demand. The carrying amount of Financial Liabilities is considered to be a reasonable estimate of net fair value.

25. Consultants

	2003		2002	
	Number	\$'000	Number	\$'000
Below \$10 000	15	54	53	150
\$10 000 - \$50 000	7	125	19	440
Above \$50 000	1	59	1	217
Total	23	238	73	807
Administered Item:				
Below \$10 000	4	11	6	16
\$10 000 - \$50 000	2	28	-	-
Above \$50 000	-	-	1	86
Total	6	39	7	102

RESIDENTIAL TENANCIES FUND

The *Residential Tenancies Act 1995* regulates the relationship of landlords and tenants under residential tenancy agreements and provides for the establishment of the Residential Tenancies Fund and a Tribunal to resolve disputes.

**Statement of Financial Performance
for the year ended 30 June 2003**

	Note	2003 \$'000	2002 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Interest		3 014	2 941
Other	2	133	161
Total Revenues		3 147	3 102
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	3	2 727	2 499
Accommodation		392	432
Executive/Country cross-charge		-	245
Depreciation	4	305	249
Disposal of Asset		-	276
Other	5	1 894	1 911
Total Expenses		5 318	5 612
NET OPERATING DEFICIT FROM ORDINARY ACTIVITIES		(2 171)	(2 510)
Net credit (debit) to asset revaluation reserve	12	3	(338)
Total revenues, expenses and valuation adjustments recognised directly in equity		3	(338)
TOTAL CHANGES IN EQUITY		(2 168)	(2 848)

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS:			
Cash on hand and on deposit	6	1 088	40
Investments		8 929	6 569
Receivables	7	193	211
Total Current Assets		10 210	6 820
NON-CURRENT ASSETS:			
Plant and equipment	8	818	1 085
Investments		37 557	38 373
Total Non-Current Assets		38 375	39 458
Total Assets		48 585	46 278
CURRENT LIABILITIES:			
Security bonds lodged	9	22 810	22 268
Payables	10	134	559
Other current liabilities	11	66	67
Total Current Liabilities		23 010	22 894
NON-CURRENT LIABILITIES:			
Security bonds lodged	9	21 184	16 760
Other non-current liabilities	11	115	180
Total Non-Current Liabilities		21 299	16 940
Total Liabilities		44 309	39 834
NET ASSETS		4 276	6 444
EQUITY:			
Accumulated surplus	12	3 909	6 080
Asset revaluation reserve	12	367	364
TOTAL EQUITY		4 276	6 444

Statement of Cash Flows for the year ended 30 June 2003

	Note	2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH RECEIVED:			
Interest		3 157	2 983
Bond lodgements		27 769	24 562
Other		17	37
Total Receipts		30 943	27 582
CASH USED:			
Administration		(4 653)	(3 726)
Bond refunds		(22 810)	(22 268)
Other		(37)	(33)
Total Payments		(27 500)	(26 027)
Net Cash provided by Operating Activities		3 443	1 555
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH RECEIVED:			
Proceeds from investments		-	1 500
Total Receipts		-	1 500
CASH USED:			
Payments for investments		(2 360)	(2 257)
Payments for non-current assets		(35)	(682)
Total Payments		(2 395)	(2 939)
Net Cash used in Investing Activities		(2 395)	(1 439)
NET INCREASE IN CASH HELD		1 048	116
CASH AT 1 JULY		40	(76)
CASH AT 30 JUNE		1 088	40

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

1.1 Objectives of the Residential Tenancies Fund

The Residential Tenancies Fund (Fund) is established under the *Residential Tenancies Act 1995* (Act). The Fund is kept and administered by the Commissioner for Consumer Affairs. The Fund consists of amounts received by the Commissioner by way of security bonds and other amounts paid into the Fund under the Act. The Commissioner will make repayments in respect of security bonds from the Fund. Income derived from investment of the Fund is applied towards the costs of administering and enforcing the Act, education of landlords and tenants about their statutory and contractual rights and obligations, and operations of the Residential Tenancies Tribunal.

1.2 Basis of Accounting

The financial statements are required by Treasurer's Instruction 19 issued pursuant to section 41 of the *Public Finance and Audit Act 1987* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Australian Accounting Standards and Accounting Interpretations issued by Australian Accounting Standards Boards;
- Other authoritative pronouncements of the Boards;
- Consensus Views of the Urgent Issues Group;
- Accounting Policy Statements and Treasurer's Instructions issued by the Department of Treasury and Finance;
- Statements of Accounting Concepts.

The Fund's Statement of Financial Performance and Statement of Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets which, as noted are at valuation (fair value). Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Fund's Statement of Financial Position when and only when it is probable that future economic benefits will eventuate or be required and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard.

Revenues and expenses are recognised in the Fund's Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Bond Guarantee Scheme

Under the Bond Guarantee Scheme a guarantee for the bond is given to the landlord by the SA Housing Trust. In the event of a claim by a landlord, a payment is made by the Residential Tenancies Fund. The SA Housing Trust then reimburses the Residential Tenancies Fund. The value of bond guarantees lodged at 30 June 2003 is \$11.0 million (\$10.4 million).

The SA Housing Trust pays interest at an agreed market determined rate to the Residential Tenancies Fund based on the daily balance of bond guarantees held.

Interest

Under the *Residential Tenancies Act 1995*, interest is paid to tenants when a bond is repaid to them, interest is not paid when a bond is paid to landlords or third parties such as the SA Housing Trust. The interest has not been recorded as a liability, as the Fund does not have a present obligation until the tenant lodges a claim for the repayment of the bond. It is estimated that the interest liability as at 30 June 2002 is \$85 000 (\$71 000).

1.3 Employees

The liability for employee entitlements (provision for annual leave and long service leave) rests with the Attorney-General's Department. No provision has been made for sick leave as all sick leave is non-vesting.

1.4 Taxation

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Fund as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The net GST receivable from the Australian Taxation Office has been recognised in the Attorney-General's Department's Statement of Financial Position.

1.5 Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased asset.

1.5 Leases (continued)

Lease incentives taking the form of 'free' leasehold improvements and rent holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability.

1.6 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash on deposit represent funds held in a Special Deposit Account with Westpac Bank. Investments represent funds deposited with the Public Trustee Office.

1.7 Financial Instruments

Accounting policies for financial instruments are stated at Note 17.

1.8 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange for liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

1.9 Property, Plant and Equipment*Asset Recognition Threshold*

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2 000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

The Fund has applied the Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'.

Leasehold improvements and plant and equipment were revalued in accordance with the 'fair value' method of valuation as at 1 July 2002. Revaluation increments are recognised in the asset revaluation reserve and revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

Depreciation and Amortisation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the Fund using, in all cases, the straight line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvement or the unexpired period of the lease.

Depreciation/amortisation rates and methods are reviewed at each balance date and necessary adjustments are recognised in the current or future reporting periods as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

	Years Life of lease
Leasehold improvements	10
Plant and equipment	3 - 5
Information technology	3 - 5

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4.

1.10 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements were required.

1.11 Rounding

Amounts have been rounded to the nearest \$1 000.

2. Other Revenue	2003	2002
Other revenues for the Fund comprised:	\$'000	\$'000
Management fee recovery	125	125
Trainee salary recovery	8	36
Total Other Revenues	133	161
3. Employee Expenses		
Employee expenses for the reporting period comprised:		
Salaries and wages	2 253	2 011
Payroll tax and superannuation expenses	402	374
Long service leave expenses	68	112
Other employee related expenses	4	2
Total Employee and Related Expenses	2 727	2 499
4. Depreciation and Amortisation	2003	2002
Depreciation and amortisation expenses for the reporting period comprised:	\$'000	\$'000
Leasehold improvements	221	173

Plant and equipment	64	52
Information technology	19	18
Plant and equipment under finance lease	1	6
Total Depreciation and Amortisation	305	249

5. **Other Expenses**

Other expenses for the Fund comprised:

Administration	856	632
Staff payments	38	9
Revaluation decrement	817	1 131
Computing and communication	170	139
Other	13	-
Total Other Expenses	1 894	1 911

6. **Cash on Hand and on Deposit**

Special Deposit Accounts with Westpac Bank

1 088 40

Total Cash on Hand and on Deposit

1 088 40

7. **Receivables**

Accrued interest

191 209

Other receivable

2 2

Total Receivables

193 211

8. (a) **Property, Plant and Equipment**

	2003 Cost/ Valuation \$'000	Accumulated Depreciation/ Amortisation \$'000	Written Down Value \$'000	2002 Written Down Value \$'000
Leasehold improvements ⁽¹⁾	1 354	786	568	720
Information technology	123	60	63	71
Plant and equipment ⁽¹⁾	607	420	187	293
Plant and equipment under finance lease	23	23	-	1
	2 107	1 289	818	1 085

(1) Valuations of leasehold improvements and plant and equipment were performed by Simon B O'Leary AAPI, MSAA, Certified Practising Valuer - Plant and Machinery of the Australian Valuation Office as at 1 July 2002.

(b) **Property, Plant and Equipment Movement Schedule**

	Asset Cost/Valuation					Closing Balance 30.6.03 \$'000
	Opening Balance 1.7.02 \$'000	Additions \$'000	Disposals \$'000	Revalu- ations \$'000	Other \$'000	
Leasehold improvements at valuation	1 126	-	-	228	-	1 354
Total Buildings	1 126	-	-	228	-	1 354
Plant and Equipment:						
Information technology	117	11	5	-	-	123
Plant and equipment at valuation	699	24	-	(116)	-	607
Total Plant and Equipment	816	35	5	(116)	-	730
Leased Plant and Equipment:						
Plant and equipment under finance lease	23	-	-	-	-	23
Total Leased Plant and Equipment	23	-	-	-	-	23
Total Plant and Equipment	839	35	5	(116)	-	753
TOTAL PROPERTY, PLANT AND EQUIPMENT	1 965	35	5	112	-	2 107

	Accumulated Depreciation					Closing Balance 30.6.03 \$'000
	Opening Balance 1.7.02 \$'000	Charge \$'000	Disposals \$'000	Revalu- ations \$'000	Other \$'000	
Leasehold improvements at valuation	406	221	-	159	-	786
Total Buildings	406	221	-	159	-	786
Plant and Equipment:						
Information technology	46	19	5	-	-	60
Plant and equipment at valuation	406	64	-	(50)	-	420
Total Plant and Equipment	452	83	5	-	-	480

(b) Property, Plant and Equipment Movement Schedule (continued)

	Accumulated Depreciation					Closing Balance 30.6.03 \$'000
	Opening Balance 1.7.02 \$'000	Charge \$'000	Disposals \$'000	Revalu- ations \$'000	Other \$'000	
Leased Plant and Equipment:						
Plant and equipment under finance lease	22	1	-	-	-	23
Total Leased Plant and Equipment	22	1	-	-	-	23
Total Plant and Equipment	474	84	5	(50)	-	503
TOTAL PROPERTY, PLANT AND EQUIPMENT	880	305	5	109	-	1 289
					Net Book Value	
					2003	2002
					\$'000	\$'000
Leasehold improvements at valuation					568	720
Total Buildings					568	720
Plant and Equipment:					63	71
Information technology					187	293
Plant and equipment at valuation					250	364
Total Plant and Equipment					250	364
Leased Plant and Equipment:					-	1
Plant and equipment under finance lease					-	1
Total Leased Plant and Equipment					250	365
Total Plant and Equipment					818	1 085
TOTAL PROPERTY, PLANT AND EQUIPMENT					818	1 085
9. Security Bonds Lodged						
Current:						
Bonds lodged					22 789	22 254
Sale of goods					12	12
Rent held pursuant to tribunal direction					9	2
					22 810	22 268
Non-Current:						
Bonds lodged					21 184	16 760
10. Payables						
Current:						
Creditors					109	535
Accruals					25	24
Total Current Payables					134	559
11. Other Liabilities						
Current:						
Finance lease					-	1
Lease incentive					66	66
Total Other Current Liabilities					66	67
Non-Current:						
Lease incentive					115	180
Total Other Non-Current Liabilities					115	180
12. Equity						
Equity represents the residual interest in the Fund's net assets. The South Australian Government holds the equity interest in the Fund on behalf of the community. Equity comprises:						
Accumulated Surplus						
Balance as at 1 July					6 080	8 590
Net operating deficit from ordinary activities					(2 171)	(2 510)
Balance as at 30 June					3 909	6 080
Asset Revaluation Reserve						
Balance as at 1 July					364	702
Revaluation Adjustments:						
Investments					-	(392)
Leasehold improvement					69	(6)
Plant and equipment					(66)	60
Balance as at 30 June					367	364

Asset Revaluation Reserve (continued)	2003	2002
Balance as at 30 June is made up of:	\$'000	\$'000
Investments	-	-
Leasehold improvements	266	197
Plant and equipment	101	167
Balance as at 30 June	367	364

13. Cash Flow Reconciliation
Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows

Cash at year end per Statement of Cash Flows	1 088	40
Statement of Financial Position items comprising above cash	1 088	40

Reconciliation of Operating Deficit to Net Cash used in Operating Activities

Net operating deficit	(2 171)	(2 510)
Add: Non-cash items:		
Depreciation and amortisation	305	249
Revaluation decrement	817	1 131
Disposal of asset	-	276
Change in assets and liabilities:		
Movement in bonds	4 966	2 294
(Decrease) Increase in payables	(426)	21
(Increase) Decrease in receivables	18	(86)
Decrease in other assets	-	180
Decrease in other liabilities	(66)	-
Net Cash provided by Operating Activities	3 443	1 555

14. Contingent Obligations
The Fund has no contingent obligations.

15. Remuneration of Auditors
The amount payable by the Fund for audit services during the reporting period was \$25 000 (\$24 000). No other services were provided by the Auditor-General.

16. Average Staffing Levels

The average staffing levels for the business operation during the year were:	2003	2002
	Number	Number
	49	48

17. Financial Instruments

(a) Terms, Conditions and Accounting Policies.

Financial Assets

- Cash and Deposits are available at call and are recorded at cost. Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance.
- Receivables are reported at amounts due to the Fund. Receivables are due within 30 days of an invoice being raised.
- Investments are recorded at net fair value based upon valuation provided by the Public Trustee.

Financial Liabilities

- Payables and Accruals are raised from amounts unpaid and are settled within the normal terms of payment of 30 days, unless otherwise agreed.

(b) Interest Rate Risk

	2003				2002			
	Floating	Non-	Total	Weighted	Floating	Non-	Total	Weighted
	Interest	Interest	Carrying	Average	Interest	Interest	Carrying	Average
	Rate	Bearing	Amount	Rate	Rate	Bearing	Amount	Rate
	\$'000	\$'000	\$'000	Percent	\$'000	\$'000	\$'000	Percent
Financial Assets:								
Cash at bank	1 088	-	1 088	4.60	40	-	40	4.39
Investments	48 486	-	46 486	3.11	44 942	-	44 942	1.60
Receivables	-	193	193		-	211	211	
Total	47 574	193	47 767		44 982	211	45 193	
Financial Liabilities:								
Payables	-	134	134		-	559	559	
Total	-	134	134		-	559	559	

(c) Net Fair Values

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value. The carrying amount of Financial Assets approximates net fair value due to their short term maturity or being receivable on demand. The carrying amount of Financial Liabilities is considered to be a reasonable estimate of net fair value.

PUBLIC TRUSTEE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Public Trustee is a body corporate established pursuant to the provisions of the *Public Trustee Act 1995*.

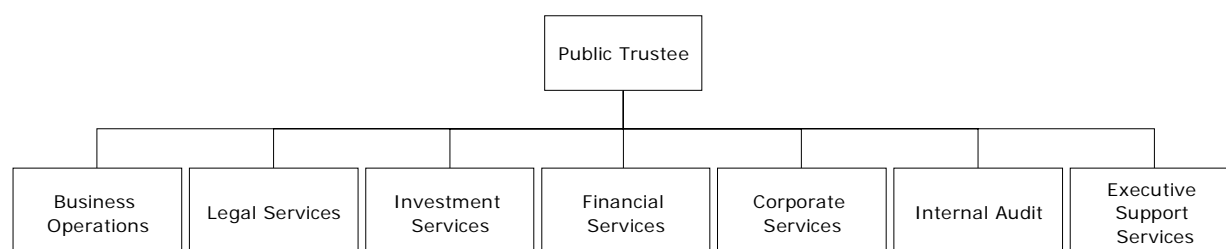
Functions

The powers and functions of the Public Trustee are established by the *Public Trustee Act 1995*. The Public Trustee administers the estates of deceased and protected people which requires the management of assets, preparation of wills, investment of funds and provision of legal representation and advice.

Structure

The Public Trustee is supported by officers employed under the *Public Sector Management Act 1995*.

The structure of Public Trustee is illustrated in the following chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 50 of the *Public Trustee Act 1995* and subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provide for the Auditor-General to audit the accounts of the Public Trustee for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Public Trustee 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- treasury
- expenditure
- revenue
- payroll
- fixed assets.

The audit covered the Corporate, Trusts and Common Funds areas of the Public Trustee operations.

The work done by the internal auditor was considered in designing the audit programs. Reliance was placed on the work of internal audit in assessing the effectiveness of the Public Trustee's internal controls.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Public Trustee. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Public Trustee and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Public Trustee as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Public Trustee in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Public Trustee have been conducted properly and in accordance with law.

Significant Matters Raised with Agencies

Core Business Information System (CBIS)

In the latter part of the year, Audit commenced a review of the project management over the development and implementation of CBIS.

Audit's review is considering requirements management, contract management, risk management, project governance and the system's implementation.

At the time of preparation of this Report, further information was being sought from the Public Trustee in order for an assessment to be made in relation to some preliminary observations. The outcome of the review will be communicated to the Public Trustee.

Information concerning CBIS is provided later under the heading 'Further Commentary on Operations'.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2003 \$/million	2002 \$/million	Percentage Change
<i>OPERATING REVENUE</i>			
Commissions, Fees and Charges	13.6	13.8	(1.4)
Other	1.6	1.5	6.7
Total Operating Revenue	15.2	15.3	(0.7)
<i>OPERATING EXPENDITURE</i>			
Employment expenses	8.5	8.0	6.3
Other expenses	4.2	4.5	(6.7)
Total Operating Expenses	12.7	12.5	(1.6)
Surplus (Deficit)	2.5	2.8	(10.7)
Net Cash Flows from Operations	3.6	3.1	16.1

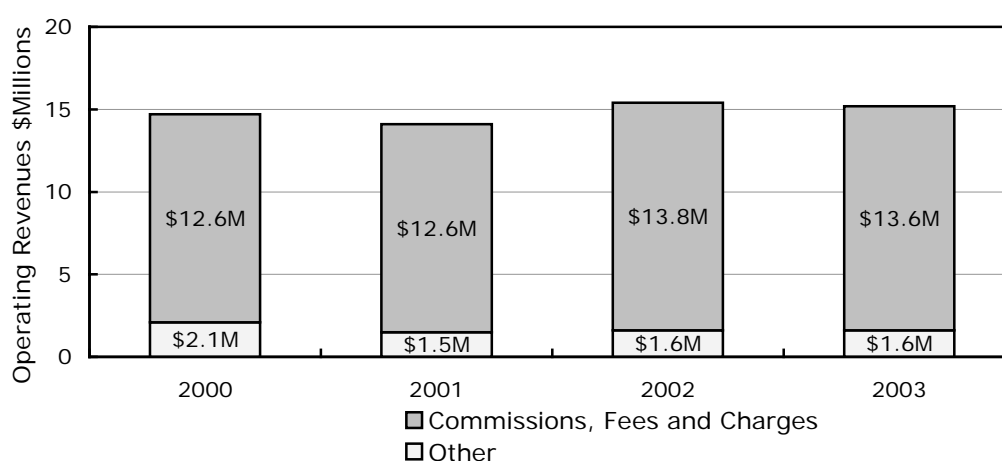
	2003 \$'million	2002 \$'million	Percentage Change
ASSETS			
Current assets	6.0	5.1	17.6
Non-current assets	15.7	14.7	6.8
Total Assets	21.7	19.8	9.6
LIABILITIES			
Current liabilities	3.4	2.8	21.4
Non-current liabilities	2.1	1.9	10.5
Total Liabilities	5.5	4.7	17.0
EQUITY	16.2	15.1	7.3

Statement of Financial Performance

Operating Revenues

The Public Trustee's main source of revenue is from commissions and fees charged for the management of trusts and related investments. The commissions and fees charged reflect the number and value of trusts managed.

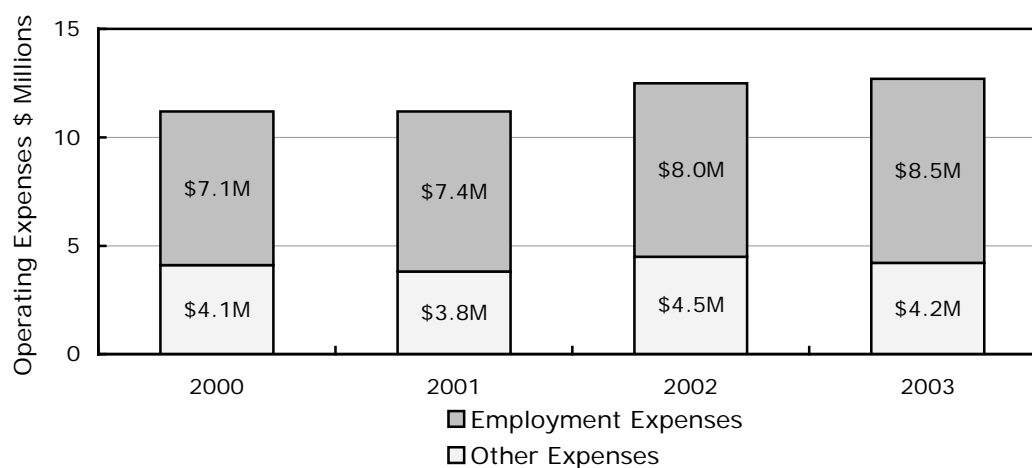
For the four years to 2003 a structural analysis of operating revenues for the Public Trustee is presented in the following chart.



Operating Expenses

Employment expenses represents the majority of operating expenses of the Public Trustee. Over recent years, the increases in employment expenses were the consequence of wage parity agreements.

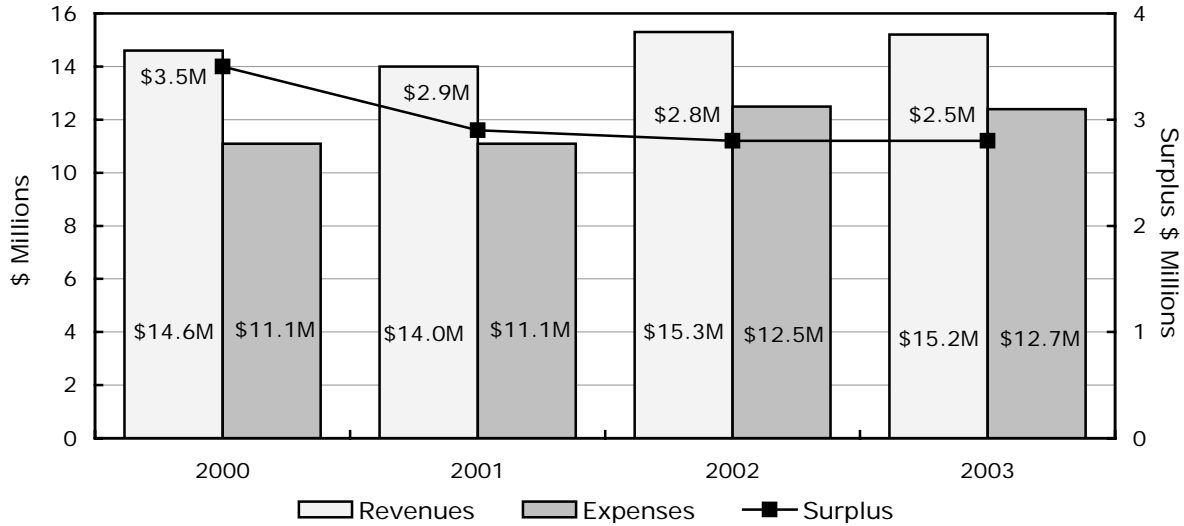
For the four years to 2003 a structural analysis of the main operating expense items for the Public Trustee is shown in the following chart.



Operating Result

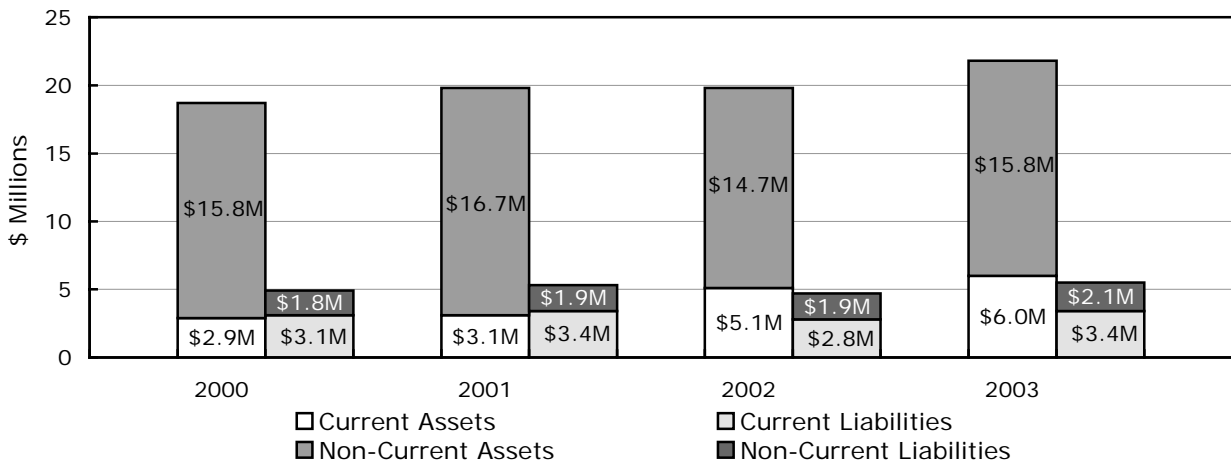
The aggregate revenues and expenses of the Public Trustee, and the resultant surplus have been stable for the past three years.

For the four years to 2003 the following chart shows the operating revenues, operating expenses and surpluses/deficits.



Statement of Financial Position

For the four years to 2003 a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	3.6	3.1	3.0	1.8
Investing	(2.5)	1.4	(2.5)	(1.0)
Financing	(1.3)	(1.4)	(1.1)	(1.1)
Change in Cash	(0.2)	3.1	(0.6)	(0.4)
Cash at 30 June	4.3	4.5	1.4	2.0

The analysis of cash flows shows that the Public Trustee is, after having built them up, utilising its cash reserves, mainly for investing purposes.

INTERPRETATION AND ANALYSIS OF STATEMENT OF TRUSTS BEING ADMINISTERED

The value of trust funds administered by the Public Trustee as at 30 June 2003 was \$641 million (\$644 million).

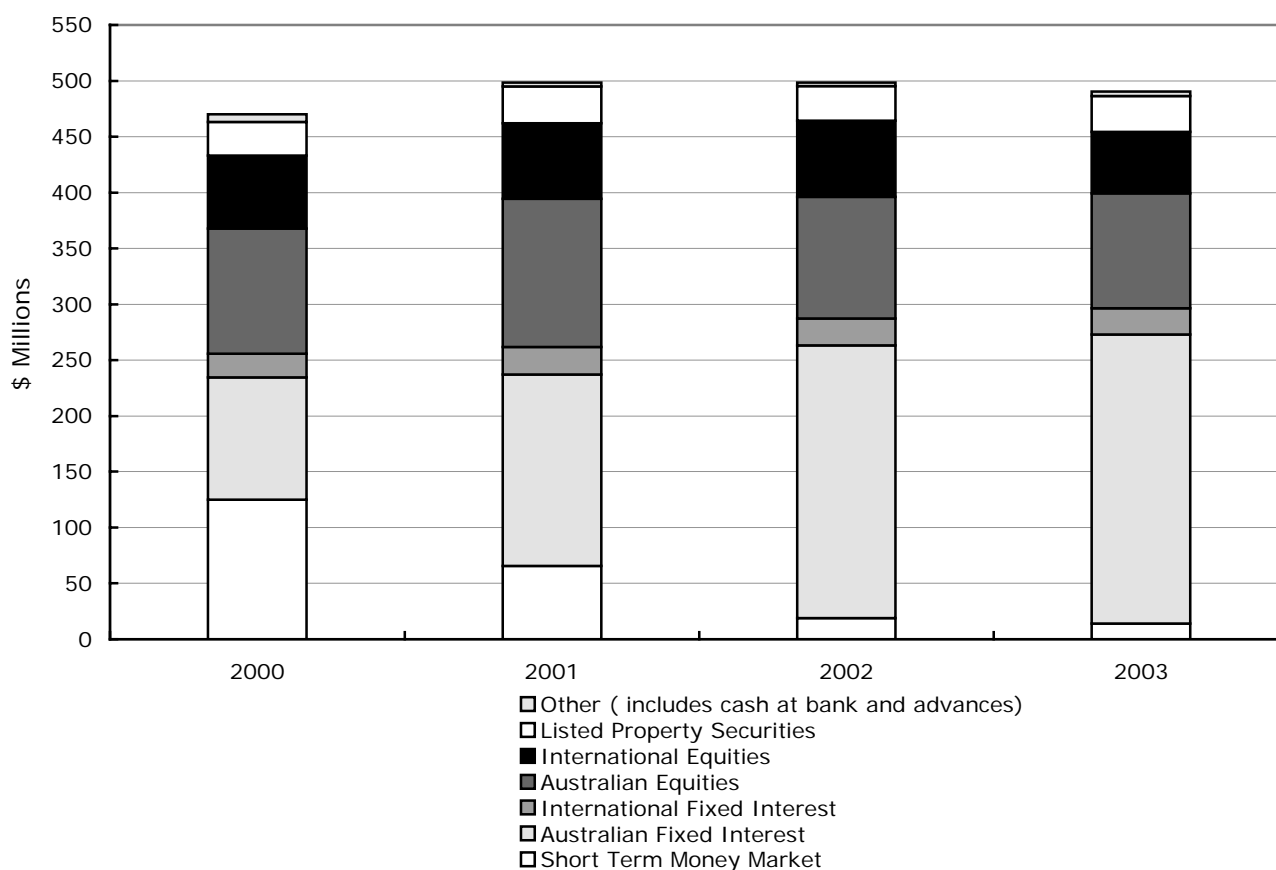
The trust funds reflecting significant decreases are deceased estates (decrease of \$7.3 million/7 percent) and court award orders (decrease of \$3.1 million/10 percent). The trust funds reflecting major increases are protected estates (increase of \$7.9 million/7 percent) and investors (increase of \$5.1 million/5 percent).

Of the total funds being administered, 77 percent (77 percent) were invested in the common funds with the remaining 23 percent (23 percent) represented by estate assets.

INTERPRETATION AND ANALYSIS OF THE COMMON FUNDS

All common funds, with the exception of the Australian Shares and Overseas Shares common funds, made an operating surplus for the year. The operating deficits for the Australian Shares and Overseas Shares common funds were \$5.1 million (\$7.0 million) and \$13.7 million (\$19.8 million), respectively. The operating deficits reflect the decrease in the market value of equities during the year.

The common funds are invested in various securities. The level of holdings for each of these investments for the last four years is illustrated in the following chart.



FURTHER COMMENTARY ON OPERATIONS

The Core Business Information System (CBIS) aims to replace Public Trustee's existing client accounting system and to provide additional functionality and meet core system requirements over the next 10 or more years.

In May 2002, Cabinet approved the replacement at an implementation capital cost of \$4 million and net recurrent costs of \$740 000 over the next two financial years. The funding for the project is being provided from Public Trustee's capital and recurrent reserves.

As at 30 June 2003, expenditure in relation to CBIS totalled \$2.4 million reflecting capital expenditure of \$1.9 million and recurrent expenditure of \$437 000.

CORPORATE STATEMENTS

Statement of Financial Performance
for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Commissions, fees and charges	2.1	13 586	13 756
Other revenue	2.2	1 599	1 552
Total Revenue		15 185	15 308
EXPENDITURE FROM ORDINARY ACTIVITIES:			
Salaries and related payments	3.1, 3.2, 3.3,3.4	8 497	7 993
Goods and services	3.5, 3.6	2 571	2 545
Building expenses		490	428
Depreciation and amortisation		981	898
Unrealised loss on investments		171	147
Loss on disposal of investments		-	517
Total Expenditure		12 710	12 528
PROFIT FROM ORDINARY ACTIVITIES BEFORE NOTIONAL TAX			
		2 475	2 780
Income tax equivalent	1.3	(794)	(795)
PROFIT FROM ORDINARY ACTIVITIES AFTER NOTIONAL TAX			
		1 681	1 985
NET PROFIT			
		1 681	1 985
Net increase in asset revaluation reserve	13	654	13
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		2 335	1 998

**Statement of Financial Position
as at 30 June 2003**

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS:			
Cash assets		4 338	4 531
Receivables	4	670	553
Investments	5	1 005	-
Total Current Assets		6 013	5 084
NON-CURRENT ASSETS:			
Investments	5	5 894	7 284
Property, plant and equipment	7	9 863	7 425
Other	8	14	14
Total Non-Current Assets		15 771	14 723
Total Assets		21 784	19 807
CURRENT LIABILITIES:			
Payables	9	1 664	1 002
Provision for employee benefits	10	562	463
Other provisions	11	1 175	1 342
Total Current Liabilities		3 401	2 807
NON-CURRENT LIABILITIES:			
Payables	9	270	241
Provision for employee benefits	10	1 865	1 671
Total Non-Current Liabilities		2 135	1 912
Total Liabilities		5 536	4 719
NET ASSETS		16 248	15 088
EQUITY:			
Reserves	13	7 118	6 356
Retained profits	16	9 130	8 732
TOTAL EQUITY		16 248	15 088
Contingencies and Commitments	12, 17		

Statement of Cash Flows for the year ended 30 June 2003

		2003	2002
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
Fees and commissions received		13 577	13 781
Rent and sundry income received		960	761
Interest received		513	422
Dividends/distributions received		54	69
Grant received		-	278
GST collected on revenue		1 428	1 484
Cash Receipts from Operating Activities		16 532	16 795
Payment to suppliers, clients and employees		(10 683)	(11 128)
Income tax equivalent paid to State Government		(638)	(1 164)
GST paid to suppliers		(562)	(362)
GST paid to ATO		(1 000)	(1 046)
Cash Payments in the Course of Operations		(12 883)	(13 700)
Net Cash provided by Operating Activities	14	3 649	3 095
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of equipment		-	3
Sale/redemption of shares and fixed interest securities		10 277	19 989
Payment for shares and fixed interest securities		(10 012)	(17 955)
Payment for plant and equipment		(2 765)	(640)
Net Cash (used in) provided by Investing Activities		(2 500)	1 397
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividend distribution to State Government		(1 342)	(1 368)
Net Cash used in Financing Activities		(1 342)	(1 368)
NET (DECREASE) INCREASE IN CASH HELD		(193)	3 124
CASH AT 1 JULY		4 531	1 407
CASH AT 30 JUNE	15	4 338	4 531

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Principal Accounting Policies

1.1 **General**

The Office of the Public Trustee was established in 1881 and is now constituted under the provisions of the *Public Trustee Act 1995*.

The Public Trustee is a statutory officer pursuant to the *Public Trustee Act 1995*. Public Trustee is a corporation sole with the powers of a natural person.

The role of the Public Trustee is to provide all south Australians with access to will making services, power of attorney preparations, and deceased estate and trust administration. The Public Trustee also has a role in managing the financial affairs of those people in the community who lack the capacity to manage their own affairs as determined by the courts, the Guardianship Board or through activation of powers of attorney.

1.2 **Basis of Accounting**

The corporate financial statements are a general purpose financial report and have been prepared in accordance with Treasurer's Instructions issued pursuant to the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and Urgent Issues Group Consensus Views. The financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied, unless otherwise stated. Comparative figures have been adjusted to conform to changes in presentations where required by the above authorities.

1.3 **Distribution to Government**

The *Public Trustee Act 1995*, through the provision of sections 47 and 48, provides for the payment to Government of taxation equivalents and dividends. Under agreement with the Department of Treasury and Finance, the Public Trustee applies the Accounting Profits Tax Model, which includes payment for an Income Tax Equivalent of \$794 000 (\$795 000).

1.4 **Basis of Valuation**

Non-current assets and liabilities with the exception of plant and equipment are carried at fair value.

Property

Property is brought to account at independent valuation, less, where applicable, any accumulated depreciation or amortisation.

Plant and Equipment

Plant and equipment are brought to account at cost or at independent valuation, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. It is the intention that these assets will be revalued in the future to fair value. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amount.

Property, plant and equipment excluding land are depreciated or amortised on a straight-line basis over their estimated useful lives, commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

	Depreciation Rate Percent
Class of Fixed Assets:	
Building	2.17
Machines and equipment	20-27
Office furniture and fittings	33.33

Financial Instruments

Financial instruments are carried at market value determined as below:

Cash – is valued at nominal amounts. This asset consists of cash at bank and on hand.

Investments – on acquisition are brought to account at cost and subsequently revalued at the balance date to market value. Fixed Interest Investments are valued at their current market value based on independently obtained market yields applying at the balance date. Australian and International equities are valued at the redemption prices established by the managers of the collective investment vehicles in which Public Trustee has invested.

Other Non-Current Assets – are valued at market value based on the present value of expected future cash flows.

Receivables and Creditors – are valued on an historical cost basis and it is considered that carrying value approximates market value.

1.5 **Employee Benefits**

Provision has been made in the Financial Statements, where stated, for Public Trustee's liability for employee benefits arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees (viz payroll tax and superannuation contributions) have been included under 'payables'. (Refer Note 9).

Annual Leave

Provision has been made for the unused component of annual leave to balance date. The provision has been calculated at nominal amounts based on current salary rates, plus 4 percent inflation rate as recommended in Accounting Policy Statement 9 'Employee Benefits'.

Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by Public Trustee employees up to balance date. The liability has been calculated at nominal amounts based on current salary rates. Accounting Policy Statement 9 'Employee Benefits' has recommended that a benchmark of seven years (eight years) can be used for a shorthand estimation of long service leave liability. This advice has been adopted and the long service leave liability has been calculated on that basis. The current liability portion has been based on the past history of annual payments.

Sick Leave

No provision has been made in respect of sick leave as entitlements are non-vesting. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

1.6 Insurance

Public Trustee has insured for risks through the State Government's insurers SAICORP.

1.7 Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Service Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by Public Trustee as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The net GST payable to the Australian Taxation Office has been recognised as a payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have however been classified as operating cash flows.

1.8 Rounding

Amounts have been rounded to the nearest \$1 000.

2. Revenue

2.1 Commissions, Fees and Charges

	2003	2002
Commissions ⁽¹⁾	\$'000	\$'000
	7 494	7 328
Fees and charges ⁽¹⁾	1 422	1 530
Management fees ⁽²⁾	4 670	4 898
	13 586	13 756

(1) Commissions and fees are charged against estates pursuant to section 45 of the *Public Trustee Act 1995*.

(2) A management fee is charged against common funds at the rate of one-twelfth of one percent of the value of each fund as at the first business day of the month.

2.2 Other Revenue Comprises

	2003	2002
	\$'000	\$'000
Rent and other building income	766	751
Sundry income	10	4
Insurance Recovery	181	-
Interest on operating and reserve accounts	176	63
Interest on fixed term investments ⁽¹⁾	318	366
Distributions from trusts ⁽²⁾	98	87
Grant income ⁽³⁾	-	278
Gain on disposal of fixed assets ⁽⁴⁾	-	3
Gain on disposal of investments	50	-
	1 599	1 552

(1) Interest on Fixed Interest Investments includes amortisation of acquisition discounts and premiums on a straight line basis.

(2) Distributions from trusts are recognised on a present entitlement basis.

(3) Grant received for reporting software.

(4) The gain or loss on disposal of all fixed assets, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in operating profit before income tax in the year of disposal. Any realised valuation increment relating to the disposed asset, which is included in the revaluation reserves, is transferred to reserves.

3. Expenditure

3.1 Superannuation

During 2002-03 Public Trustee paid an amount of \$815 000 (\$738 000) to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of its employees.

3.2	Remuneration of Employees	2003	2002
	The number of employees whose remuneration received or receivable fell within the following bands was:	Number of Employees	Number of Employees
	\$100 001 - \$110 000	1	-
	\$110 001 - \$120 000	1	-
	\$170 001 - \$180 000	1	-
	\$200 001 - \$210 000	-	1
	Total remuneration received or due and receivable by employees was \$387 000 (\$205 000).		
3.3	Targeted Voluntary Separation Packages (TVSPs)	2003	2002
		\$'000	\$'000
	TVSPs paid to employees during the reporting period	-	279
	Recovery from the Department of the Premier and Cabinet in respect of TVSPs	-	303
	Annual and long service leave accrued over the period of employment paid to the employees who received TVSPs	-	83
	The number of employees who were paid TVSPs during the reporting period totalled nil (5).		
3.4	Full Time Equivalent Employees		
	As at reporting date Public Trustee employed 150.81 FTE's		
3.5	Auditors' Remuneration		
	Amounts paid to auditors during the year for auditing the accounts.	91	87
3.6	Payments to Consultants		
	Below \$10 000: 31 (29) consultancies	17	25
	Between \$10 000 and \$50 000: 1 (2) consultancies	12	39
		29	64
4.	Receivables		
	Debtors	431	427
	Accrued investment income	124	98
	Prepayments	115	28
		670	553
5.	Investments		
	Public Trustee is required pursuant to subsection 46(2)(c) of the <i>Public Trustee Act 1995</i> to obtain the Treasurer's approval as to the manner of investment of corporate funds.		
	Current Assets:		
	Short term investments	1 005	-
	Non-Current Assets:		
	Australian fixed interest	3 108	4 377
	International equities	1 015	658
	Australian listed property	364	-
	Australian equities	1 407	2 249
		5 894	7 284
6.	Financial Instruments		
	6.1		
	Market Value of Financial Assets and Liabilities		
	Financial instruments are carried at market value based upon the valuation policies set out in Note 1.4. The aggregate carrying amounts for each class of financial instrument are as disclosed within the Notes to the Financial Statements.		
	Investments in Australian Fixed Interest are readily traded on organised markets in standardised form. The value of these investments is disclosed in Note 5.		
	Other classes of financial instruments are not readily traded on organised markets in standardised form.		
	6.2		
	Investment in Collective Investment Vehicles		
	In addition to holding financial instruments directly, Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and International Equities. The managers of such vehicles will have invested in a variety of financial instruments, including derivatives, which expose Public Trustee to investment risks, including market risk, credit risk, interest risk and currency risk. The Public Trustee has assessed the investment rules of these collective investments and determined their suitability as investments.		
	Disclosures in subsequent subsections of this Note do not include exposures to financial instruments held within these collective investment vehicles.		

6.3 Credit Risk

The maximum exposure to credit risk, excluding any collateral or other security, at the balance date to financial instruments is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

Public Trustee has no exposure to derivative instruments.

Credit risk arises primarily with the following classes of counterparties: Banking Corporations.

6.4 Interest Rate Risk

Financial assets and liabilities subject to interest rate risk are disclosed below. All other financial instruments are non-interest bearing.

	Weighted Average		Instruments Maturing or Re-pricing Within					
	Interest Rate		1 Year or Less		1-5 Years		Over 5 Years	
	2003 Percent	2002 Percent	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Cash	4.10	4.17	4 338	4 531	-	-	-	-
Short term investments	4.70	-	1 005	-	-	-	-	-
Australian fixed interest	5.44	5.55	1 000	1 999	-	-	-	2 378

7. Property, Plant and Equipment

	Opening Balance	Additions	Disposals	Depreci- ation	Revalu- ation	Closing Balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land and Building:	1 702					30 603
Building at valuation ⁽¹⁾	5 070	36	-	(110)	454	5 450
Land at valuation	850	-	-	-	200	1 050
Total Land and Building	5 920	36	-	(110)	654	6 500
Plant and Equipment:						
Machines and equipment at cost	3 444	1 812	(27)	-	-	5 229
Furniture and fittings at cost	1 556	33	(4)	-	-	1 585
Work in progress at cost	52	884	-	-	-	936
Total Plant and Equipment	5 052	2 729	(31)	-	-	7 750
Less: Accumulated Depreciation:						
Plant and Equipment:						
Machines and equipment at cost	(2 537)	-	27	(492)	-	(3 002)
Furniture and fittings at cost	(1 010)	-	4	379	-	(1 385)
Total Accumulated Depreciation	(3 547)	-	31	(871)	-	(4 387)
Net Total Property, Plant and Equipment	7 425	2 765	-	(981)	654	9 863

(1) The Public Trustee building was revalued to fair value. The value of land and building was established by an independent valuation performed by Colliers Jardine as at 30 June 2003. The revaluation has been brought to account on a net basis.

8. Other Non-Current Assets

During 1995-96 an amount of \$14 000 became payable to Public Trustee from the State Superannuation Fund for superannuation held on behalf of an ex-employee. Negotiations are now in progress to collect these funds.

9. Payables

	2003 \$'000	2002 \$'000
Current Liabilities:		
Trade creditors	973	342
Goods and Services Tax	176	309
On-costs on employee benefits	119	111
Income tax equivalent due	396	240
	1 664	1 002
Non-Current Liability:		
On-costs on employee benefits	270	241

10. Provision for Employee Benefits

	2003 \$'000	2002 \$'000
Current Liabilities:		
Provision for long service leave at 1 July	167	200
Add: Additional provision recognised	97	220
Less: Payments to employees	132	253
Provision for long service leave at 30 June	132	167
Accrued salaries	93	-
Accrued recreation leave	337	296
	562	463
Non-Current Liability:		
Provision for long service leave at 1 July	1 671	1 647
Add: Additional provision recognised	194	24
Less: Payments to employees	-	-
Provision for long service leave at 30 June	1 865	1 671

11	Dividend	2003	2002
	Current Liabilities:	\$'000	\$'000
	Provision for Dividend to State Government at 1 July	1 342	1 368
	Add: Additional provision recognised	1 175	1 342
	Less: Payments to State Government	1 342	1 368
	Provision for Dividend at 30 June	1 175	1 342

12. Contingencies
Public Trustee had no contingent assets or liabilities as at balance date.

13. Reserves
The balance of reserves, and the transfers to (from) reserves, which were brought through the Statement of Financial Position is as follows:

	Balance	Transfers	Balance
	1.7.02	to (from)	30.6.03
	\$'000	2002-03	\$'000
Other reserves comprise:			
Reserve for deficits and other losses ⁽¹⁾	557	166	723
Workers compensation reserve ⁽²⁾	356	(58)	298
Transferred to retained profits	913	108	1 021
Revaluation Reserve comprises:			
Land and building revaluation reserve ⁽³⁾	4 584	654	5 238
Machines and equipment revaluation reserve	859	-	859
Total Reserves	6 356	762	7 118

(1) Payments amounting to \$15 000 (\$69 000) were made from the Reserve for Deficits and Other Losses and recoupment of previous years' payments amounting to \$181 000 were made to the reserve.

(2) Public Trustee has established a reserve for workers compensation to cover the expenses incurred during the first two years of any claim, the balance being met by Government Workers Rehabilitation and Compensation Office. The yearly increment to the reserve is the nominal premium that would otherwise be paid to WorkCover. Workers Compensation reserve transfers represent the increment to the reserve of \$nil (\$28 000) less claims of \$58 000(\$15 000).

(3) Land and Building was revalued to fair value as at 30 June 2003.

14.	Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Notional Tax	2003	2002
		\$'000	\$'000
	Operating Profit after Notional Tax	1 681	1 985
	Non-cash flows in operating profit after notional tax:		
	Depreciation and amortisation	981	898
	Gain on sale of equipment	-	(3)
	Unrealised loss on revaluation of investments	171	147
	Net (gain) loss on sale of investments	(50)	517
	Change in assets and liabilities:		
	(Increase) decrease in sundry debtors	(116)	112
	Increase (decrease) in sundry creditors	589	(231)
	Increase in provision for employee benefits and on-costs	237	39
	(Decrease) Increase in provision for income tax	156	(369)
	Net Cash provided by Operating Activities	3 649	3 095

15. Reconciliation of Cash
For the purpose of the Statement of Cash Flows, cash comprises the Statement of Financial Position item of Cash.

16.	Retained Profits	2003	2002
	Retained profits at 1 July	8 732	8 033
	Net profit	1 681	1 985
	Transfers from (to) reserves	(108)	56
	Special dividend provided for	(1 175)	(1 342)
	Retained Profits at 30 June	9 130	8 732

17.	Commitments		
	By Type:		
	Plant and equipment ⁽¹⁾	2 082	-
	Net Commitment	2 082	-
	By Maturity:		
	One year or less	2 082	-
	Net Commitment	2 082	-

(1) Outstanding contractual arrangements for core business information systems software.

Statement of Trusts being Administered as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
TRUST FUNDS UNDER ADMINISTRATION WERE:			
	3		
Deceased estates		100 784	108 048
Trusts		83 860	85 083
Administration matters		4 672	4 309
Court award orders		27 926	31 019
Protected estates		120 025	112 079
Aged and infirmed persons		148 272	151 981
Workers compensation awards		198	119
Powers of attorney		49 086	50 965
Investors		105 790	100 714
Suspense		1	23
TOTAL FUNDS		640 614	644 340
THESE FUNDS WERE REPRESENTED BY:			
INVESTMENT IN COMMON FUNDS:			
	1.3, 2		
Non-Current Assets:			
Australian equities		103 022	109 036
International equities		55 054	67 955
Listed property securities		31 973	31 158
Australian fixed interest investments		120 366	161 844
International fixed interest investments		23 419	23 969
		333 834	393 962
Current Assets:			
Cash at bank		322	608
Short-term money market		13 972	18 944
Australian fixed interest investments		138 624	82 522
Advances to estates		1 732	1 729
Sundry debtors		7 602	5 774
		162 252	109 577
Current Liabilities:			
Bank overdraft		1 849	2 632
Income distribution payable		1 553	1 882
Sundry creditors		396	450
		3 798	4 964
NET INVESTMENT IN COMMON FUNDS		492 288	498 575
ESTATE ASSETS:			
	1.2		
Non-Current Assets:			
Real estate		119 671	114 835
Personal chattels		12 338	11 685
Equities		6 356	8 311
Fixed interest and cash assets		12 849	13 355
Mortgages		719	780
		151 933	148 966
Current Assets:			
Sundry debtors		764	735
Current Liabilities:			
Sundry creditors		4 371	3 936
NET ESTATE ASSETS		148 326	145 765
NET ASSETS		640 614	644 340

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENT

1. Statement of Principal Accounting Policies

1.1 **Format of the Accounts**

The Statement of Trusts Being Administered and related Notes are a special purpose financial report prepared to provide information on the value and nature of trusts being administered. The statement consolidates all trusts being administered by Public Trustee. As this Statement is a special purpose financial report, there is no requirement to apply Accounting Standards and other mandatory reporting requirements in the preparation and presentation of this statement.

Public Trustee has prepared the statement in accordance with Treasurer's instructions issued pursuant to the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and Urgent Issues Group Consensus Views with the exception of:

AASB 1018	Statement of Financial Performance
AASB 1026	Statement of Cash Flows
AASB 1040	Statement of Financial Position

Statements required by these standards are not prepared.

The Statement of Trusts being administered has been prepared using the accrual basis of accounting. Dividend income is recognised on the date that shares are quoted as ex-dividend. Distributions from trusts are recognised on a present entitlement basis.

1.2 **Basis of Valuation for Estate Assets**

Real Estate – for deceased estates, valuation as at date of death; in other matters, valuation as at date of Public Trustee being appointed manager, administrator or new trustee. Public Trustee revalues all real estate other than accommodation bonds every three years wherever a current valuation is not held. Such revaluations are determined by reference to valuations established by the Valuer-General, with a revaluation last being carried out as at 30 June 2001. Accommodation bonds are revalued annually by reference to the terms of the Residential Services Agreements.

Personal Chattels – for deceased estates, valuation as at date of death; in other matters, valuation as at date of Public Trustee being appointed manager, administrator or new trustee. In the case of some sundry minor assets, nominal values are used for valuation purposes.

Investment by Estates in Common Funds – valuation of estate investment in common funds is based on the underlying net fair value of common funds as at balance date.

Other Estate Investments – investments other than equities are shown at their face value. Valuation is performed at the date of the Public Trustee being appointed manager, administrator, new trustee or at the date of death in the case of deceased estates. Equities are valued at net fair value as at the balance date.

1.3 **Basis of Valuation of Common Fund Assets and Liabilities**

Australian Equities and Listed Property Trusts – are valued at market value based on the Australian Stock Exchange listed last sale price at the balance date. Investments in pooled investment funds are valued in accordance with unit prices at the balance date as advised by the managers of the funds.

International Equities – discretely held investments are valued at market value by Public Trustee's external custodian using independently sourced prices and foreign exchange rates. Investments in pooled investment funds are valued in accordance with unit prices at the balance date as advised by the managers of the funds.

Australian Fixed Interest Investments – are valued at market value based on independently obtained market yields applying at the balance date.

International Fixed Interest Investments – consists of investments in pooled funds which are valued in accordance with prices at the balance date as advised by the managers of the funds.

Advances to Estates – are carried at their nominal amounts. Public Trustee is authorised by the *Public Trustee Act 1995* to advance monies where an estate has insufficient monies to make payments as authorised or required to administer the estate, usually on a short term basis. Funds advanced are a first charge on the estate's property vested under the control of the Public Trustee. The Interest rate on advances was last fixed on 7 June 2002 by the Public Trustee.

Cash at Bank – is carried at nominal amounts, translated at prevailing exchange rates where applicable. This asset consists of cash at bank and on hand.

Short Term Money Market – deposits are carried at their nominal amounts. Bills of exchange are valued at net fair value, based on independently sourced market yields prevailing at the balance date.

Sundry Debtors and Creditors – are carried at their nominal amounts.

Derivative Instruments – open positions in derivative instruments such as futures, options and forward exchange contracts are valued at market prices prevailing at the balance date. Derivative instruments are recorded in the common funds' Statements of Financial Position against the asset classes appropriate to the nature of asset they are replicating. Unrealised gains and losses arising on the revaluation of derivative instruments are brought to account as part of change in the net market value of investments in the common funds' Statements of Financial Performance.

2. Operation of the Common Funds

Common funds managed by Public Trustee have been established pursuant to section 29 of the *Public Trustee Act 1995*, or its predecessor legislation. Financial statements for each common fund operated by Public Trustee are presented within the annual report of the Public Trustee.

Investment in common funds (with the exception of direct investment in the Cash Common Fund) is by way of notional unit holdings in the common funds. Contributors may invest in the Cash Common Fund or alternately invest in a selection of common funds in proportions determined by one or more of the following standard investment strategies provided by Public Trustee:

- Capital stable
- Balanced
- Growth
- Equities

3. Trust Funds under Administration

	Number		Value	
	2003	2002	2003 \$'000	2002 \$'000
Deceased Estates:				
Monies and assets held under the administration of the Public Trustee pursuant to the provision of the <i>Public Trustee Act 1995</i>	1 155	1 334	100 784	108 048
Trusts:				
Monies and assets held under the administration of the Public Trustee pursuant to the terms of a Will or a Deed of Trust	1 297	1 305	83 860	85 083
Administration Matters:				
Monies paid and assets transferred to the Public Trustee on account of minor beneficiaries pursuant to the <i>Public Trustee Act 1995</i>	134	129	4 672	4 309
Court Award Orders:				
Monies directed by the Court to be paid to the Public Trustee on behalf of clients and invested and applied by the Public Trustee as the Court directs	684	691	27 926	31 019
Aged and Infirm Persons':				
Monies administered by the Public Trustee under the <i>Aged and Infirm Persons' Property Act 1940</i>	239	241	148 272	151 981
Protected Estates:				
Monies administered by the Public Trustee under the <i>Guardianship and Administration Act 1993</i>	2 437	2 483	120 025	112 079
Workers Compensation Awards:				
Monies directed by the Court to be paid to the Public Trustee on behalf of widows and minors and invested and applied by the Public Trustee as the Court directs	9	9	198	119
Powers of Attorney:				
Monies and assets held on behalf of donors who have appointed the Public Trustee to act on their behalf	532	609	49 086	50 965
Investors:				
Monies invested in common funds pursuant to section 29(1) of the <i>Public Trustee Act 1995</i> , by classes of persons approved by the Minister	359	362	105 790	100 714
	6 846	7 163	640 613	644 317

4. Unclaimed Monies

During the reporting period, unclaimed monies totalling \$32 000 (\$250 000) in respect of estates were paid to the Consolidated Account pursuant to section 32(1) of the *Public Trustee Act 1995*.

COMMON FUNDS STATEMENTS

CASH COMMON FUND STATEMENTS

Statement of Financial Performance
for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
INCOME:			
Interest	2	9 326	8 689
Realised gain on disposal of investments	3	176	8
Other income		-	1
Total Income		9 502	8 698
EXPENDITURE:			
Public Trustee management fees	5	1 850	1 753
Government fees and charges		89	80
Legal and advisory expenses		10	22
Realised loss on disposal of investments	3	132	233
Other expenses		43	44
Total Expenditure		2 124	2 132
Change in the net market value of investments	4	614	(375)
OPERATING SURPLUS		7 992	6 191
Undistributed income brought forward		19	17
Transfers (to) from funds employed to determine distributable income	10	(658)	600
FUNDS AVAILABLE FOR DISTRIBUTION		7 353	6 808
Less: Distributions made	6	7343	6 789
INCOME HELD AWAITING DISTRIBUTION		10	19

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS:			
Cash at bank		25	24
Short-term money market		13 972	18 944
Australian fixed interest investments		106 287	80 011
Advances to estates		1 732	1 729
Advances to other common funds		1 920	371
Sundry debtors		2 138	1 954
		126 074	103 033
NON-CURRENT ASSETS:			
Australian fixed interest investments		61 569	83 341
Total Assets		187 643	186 374
CURRENT LIABILITIES:			
Income distribution payable		10	19
Bank overdraft		1 849	2 632
Sundry creditors		392	445
Total Liabilities		2 251	3 096
NET ASSETS		185 392	183 278
FUNDS EMPLOYED:			
	10		
Contributors funds		174 660	168 196
Funds deposited by other common funds		10 872	15 880
Reserves		(140)	(798)
TOTAL FUNDS EMPLOYED		185 392	183 278

Statement of Cash Flows for the year ended 30 June 2003

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Interest received		9 746	8 266
Other income		-	1
Payments for expenses		(2 000)	(1 910)
Net Cash provided by Operating Activities	11.1	7 746	6 357
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net repayments of advances to estates	11.4	(3)	93
Payments for Australian fixed interest investments		(62 250)	(101 846)
Proceeds from realisations of Australian fixed interest investments		56 809	32 750
Payments for short term money market investments		(50 965)	(93 334)
Proceeds from realisations of short term money market investments		56 927	130 690
Net Cash provided by (used in) Investing Activities		518	(31 647)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net contributions from contributors	11.4	6 421	27 482
Net contributions (to) from other common funds	11.4	(6 557)	3 509
Distributions paid		(7 344)	(6 789)
Net Cash (used in) provided by Financing Activities		(7 480)	24 202
NET INCREASE (DECREASE) IN CASH HELD		784	(1 088)
CASH AT 1 JULY	11.2	(2 608)	(1 520)
CASH AT 30 JUNE	11.2	(1 824)	(2 608)

SHORT-TERM FIXED INTEREST COMMON FUND STATEMENTS**Statement of Financial Performance
for the year ended 30 June 2003**

		2003	2002
	Note	\$'000	\$'000
INCOME:			
Interest	2	1 769	1 856
Total Income		1 769	1 856
EXPENDITURE:			
Public Trustee management fees	5	252	260
Legal and advisory expenses		1	3
Realised loss on disposal of investments	3	9	32
Total Expenditure		262	295
Change in the net market value of investments	4	406	(36)
OPERATING SURPLUS		1 913	1 525
Undistributed income brought forward		1	-
Transfers (to) from funds employed to determine distributable Income	10	(398)	68
FUNDS AVAILABLE FOR DISTRIBUTION		1 516	1 593
<i>Less:</i> Distributions made	6	1 515	1 592
INCOME HELD AWAITING DISTRIBUTION		1	1

**Statement of Financial Position
as at 30 June 2003**

	Note	2003	2002
		\$'000	\$'000
CURRENT ASSETS:			
Deposits with cash common fund		4 910	12 903
Australian fixed interest investments		16 187	2 511
Sundry debtors		424	225
		21 521	15 639
NON-CURRENT ASSETS:			
Australian fixed interest investments		13 962	18 558
		13 962	18 558
Total Assets		35 483	34 197
CURRENT LIABILITIES:			
Income distribution payable		1	1
Total Liabilities		1	1
NET ASSETS		35 482	34 196
FUNDS EMPLOYED:	10		
Contributors funds		35 777	34 889
Reserves		(295)	(693)
TOTAL FUNDS EMPLOYED		35 482	34 196

**Statement of Cash Flows
for the year ended 30 June 2003**

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Interest received		1 877	2 257
Payments for expenses		(255)	(264)
Net Cash provided by Operating Activities	11.1	1 622	1 993
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian fixed interest investments		(11 489)	(3 259)
Proceeds from realisations of Australian fixed interest investments		2 500	10 000
Net Cash (used in) provided by Investing Activities		(8 989)	6 741
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		4 509	3 879
Redemptions paid to contributors		(3 620)	(4 273)
Distributions paid		(1 515)	(1 592)
Net Cash used in Financing Activities		(626)	(1 986)
NET (DECREASE) INCREASE IN CASH HELD		(7 993)	6 748
CASH AT 1 JULY	11.2	12 903	6 155
CASH AT 30 JUNE	11.2	4 910	12 903

LONG TERM FIXED INTEREST COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2003

		2003	2002
INCOME:	Note	\$'000	\$'000
Interest	2	3 666	3 696
Realised gain on disposal of investments	3	6	-
Total Income		3 672	3 696
EXPENDITURE:			
Public Trustee management fees	5	660	619
Legal and advisory expenses		4	8
Realised loss on disposal of investments	3	32	19
Total Expenditure		696	646
Change in the net market value of investments	4	2 110	99
OPERATING SURPLUS		5 086	3 149
Undistributed income brought forward		1	-
Transfers to funds employed to determine distributable income	10	(2 084)	(80)
FUNDS AVAILABLE FOR DISTRIBUTION		3 003	3 069
<i>Less:</i> Distributions made	6	3 001	3 068
INCOME HELD AWAITING DISTRIBUTION		2	1

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS:			
Deposits with cash common fund		3 503	1 198
Australian fixed interest investments		16 150	-
Sundry debtors		787	863
		<u>20 440</u>	<u>2 061</u>
NON-CURRENT ASSETS:			
Australian fixed interest investments		44 835	59 945
		<u>44 835</u>	<u>59 945</u>
Total Assets		<u>65 275</u>	<u>62 006</u>
CURRENT LIABILITIES:			
Income distribution payable		2	1
Sundry creditors		1	1
Total Liabilities		<u>3</u>	<u>2</u>
NET ASSETS		<u>65 272</u>	<u>62 004</u>
FUNDS EMPLOYED:			
Contributors funds	10	63 632	62 447
Reserves		1 640	(443)
TOTAL FUNDS EMPLOYED		<u>65 272</u>	<u>62 004</u>

**Statement of Cash Flows for the year
ended 30 June 2003**

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Interest received		4 356	4 326
Payments for expenses		(664)	(630)
Net Cash provided by Operating Activities	11.1	3 692	3 696
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian fixed interest investments		(7 082)	(5 193)
Proceeds from realisations of Australian fixed interest investments		7 512	2 000
Net Cash provided by (used in) Investing Activities		430	(3 193)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		7 062	7 440
Redemptions paid to contributors		(5 878)	(8 030)
Distributions paid		(3 001)	(3 068)
Net Cash used in Financing Activities		(1 817)	(3 658)
NET INCREASE (DECREASE) IN CASH HELD		2 305	(3 155)
CASH AT 1 JULY	11.2	1 198	4 353
CASH AT 30 JUNE	11.2	3 503	1 198

OVERSEAS FIXED INTEREST COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2003

		2003	2002
	Note	\$'000	\$'000
INCOME:			
Distributions	2	2 842	1 153
Interest		20	-
Realised gain on disposal of investments	3	-	35
Other income		6	6
Total Income		2 868	1 194
EXPENDITURE:			
Public Trustee management fees	5	268	267
Legal and advisory expenses		2	3
Realised loss on disposal of investments	3	-	3
Other expenses		-	1
Total Expenditure		270	274
Change in the net market value of investments	4	(1 156)	280
OPERATING SURPLUS		1 442	1 200
Undistributed income brought forward		1	-
Transfers from (to) funds employed to determine distributable Income	10	1 156	(328)
FUNDS AVAILABLE FOR DISTRIBUTION		2 599	872
<i>Less:</i> Distributions made	6	2 599	871
INCOME HELD AWAITING DISTRIBUTION		-	1

**Statement of Financial Position
as at 30 June 2003**

		2003	2002
	Note	\$'000	\$'000
CURRENT ASSETS:			
Sundry debtors		2 226	1 118
		2 226	1 118
NON-CURRENT ASSETS:			
International fixed interest investments		23 419	23 968
Total Assets		25 645	25 086
CURRENT LIABILITIES:			
Income distributions payable		-	1
Borrowings from cash common fund		1 540	362
Total Liabilities		1 540	363
NET ASSETS		24 105	24 723
FUNDS EMPLOYED:			
Contributors funds	10	26 103	25 565
Reserves		(1 998)	(842)
TOTAL FUNDS EMPLOYED		24 105	24 723

**Statement of Cash Flows
for the year ended 30 June 2003**

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Interest received		1 754	2 073
Payments for expenses		(270)	(272)
Net Cash provided by Operating Activities	11.1	1 484	1 801
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for international fixed interest investments		(601)	(2 040)
Proceeds from realisations of international fixed interest investments		-	1 100
Net Cash used in Investing Activities		(601)	(940)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		3 011	3 130
Redemptions paid to contributors		(2 473)	(3 045)
Distributions paid		(2 599)	(871)
Net Cash used in Financing Activities		(2 061)	(786)
NET (DECREASE) INCREASE IN CASH HELD		(1 178)	75
CASH AT 1 JULY	11.2	(362)	(437)
Effect of exchange rate changes on foreign cash holdings		-	-
CASH AT 30 JUNE	11.2	(1 540)	(362)

AUSTRALIAN SHARES COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
INCOME:			
Dividends	2	3 875	5 705
Distributions	2	464	172
Interest	2	48	55
Realised gain on disposal of investments	3	675	2 969
Other income		36	18
Total Income		5 098	8 919
EXPENDITURE:			
Public Trustee management fees	5	1 070	1 318
Legal and advisory expenses		6	17
Realised loss on disposal of investments	3	2 384	5 319
Other expenses		-	10
Total Expenditure		3 460	6 664
Change in net market value of investments	4	(6 707)	(9 256)
OPERATING DEFICIT		(5 069)	(7 001)
Undistributed income brought forward		1	11
Transfers from funds employed to determine distributable income	10	9 146	15 833
FUNDS AVAILABLE FOR DISTRIBUTION		4 078	8 843
Less: Distributions made	6	4 076	8 842
INCOME HELD AWAITING DISTRIBUTION		2	1

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS:			
Sundry debtors		1 073	754
		1 073	754
NON-CURRENT ASSETS:			
Australian equities		103 022	109 036
		103 022	109 036
Total Assets		104 095	109 790
CURRENT LIABILITIES:			
Income distribution payable		2	1
Borrowings from cash common fund		380	9
Sundry creditors		1	1
Total Liabilities		383	11
NET ASSETS		103 712	109 779
FUNDS EMPLOYED:			
Contributors funds	10	90 439	87 359
Reserves		13 273	22 420
TOTAL FUNDS EMPLOYED		103 712	109 779

**Statement of Cash Flows
for the year ended 30 June 2003**

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Dividends and distributions received	11.3	3 253	5 166
Interest received		48	55
Other income		13	12
Payments for expenses		(1 075)	(1 350)
Net Cash provided by Operating Activities	11.1	2 239	3 883
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian equities		(13 496)	(24 125)
Proceeds from realisations of Australian equities		11 882	37 528
Net Cash (used in) provided by Investing Activities		(1 614)	13 403
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		11 314	13 607
Redemptions paid to contributors		(8 234)	(22 335)
Distributions paid		(4 076)	(8 842)
Net Cash used in Financing Activities		(996)	(17 570)
NET DECREASE IN CASH HELD		(371)	(284)
CASH AT 1 JULY	11.2	(9)	275
CASH AT 30 JUNE	11.2	(380)	(9)

OVERSEAS SHARES COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2003

		2003	2002
	Note	\$'000	\$'000
INCOME:			
Dividends	2	749	684
Distributions	2	409	349
Interest	2	31	90
Realised gain on disposal of investments	3	67	707
Other income		65	93
Total Income		1 321	1 923
EXPENDITURE:			
Public Trustee management fees	5	622	713
Legal and advisory expenses		4	9
Realised loss on disposal of investments	3	2 924	6 091
Other expenses		141	134
Total Expenditure		3 691	6 947
Change in the net market value of investments	4	(11 372)	(14 753)
OPERATING DEFICIT		(13 742)	(19 777)
Undistributed income brought forward		1	(148)
Transfers from funds employed to determine distributable income	10	14 229	21 164
FUNDS AVAILABLE FOR DISTRIBUTION		488	1 239
<i>Less:</i> Distributions made	6	485	1 238
INCOME HELD AWAITING DISTRIBUTION		3	1

**Statement of Financial Position
as at 30 June 2003**

	Note	2003	2002
		\$'000	\$'000
CURRENT ASSETS:			
Cash at bank		297	584
Deposits with cash common fund		705	11
Sundry debtors		479	455
		1 481	1 050
NON-CURRENT ASSETS:			
International equities		55 054	67 955
Total Assets		56 535	69 005
CURRENT LIABILITIES:			
Income distribution payable		3	1
Sundry creditors		2	3
Total Liabilities		5	4
NET ASSETS		56 530	69 001
FUNDS EMPLOYED:	10		
Contributors funds		76 160	74 401
Reserves		(19 630)	(5 400)
TOTAL FUNDS EMPLOYED		56 530	69 001

**Statement of Cash Flows
for the year ended 30 June 2003**

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Dividends received		1 113	676
Interest received		31	90
Sundry income		13	11
Payments for expenses		(766)	(860)
Net Cash provided by (used in) Operating Activities	11.1	391	(83)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for international equities		(13 167)	(40 965)
Proceeds from realisations of international equities		11 931	21 057
Proceeds from realisations of international fixed interest investments		-	2 019
Net Cash used in Investing Activities		(1 236)	(17 889)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		6 483	23 917
Redemptions paid to contributors		(4 725)	(6 529)
Distributions paid		(485)	(1 238)
Net Cash provided by Financing Activities		1 273	16 150
NET INCREASE (DECREASE) IN CASH HELD		428	(1 822)
CASH AT 1 JULY	11.2	595	2 385
Effect of exchange rate changes on foreign cash holdings		(21)	32
CASH AT 30 JUNE	11.2	1 002	595

LISTED PROPERTY SECURITIES COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
INCOME:			
Distributions	2	2 397	2 493
Interest	2	31	20
Realised gain on disposal of investments	3	608	478
Total Income		3 036	2 991
EXPENDITURE:			
Public Trustee management fees	5	335	358
Legal and advisory expenses		2	5
Realised loss on disposal of investments	3	94	36
Total Expenditure		431	399
Change in the net market value of investments	4	1 007	2 025
OPERATING SURPLUS		3 612	4 617
Undistributed income brought forward		1 858	1 233
Transfers to funds employed to determine distributable income	10	(641)	(1 529)
FUNDS AVAILABLE FOR DISTRIBUTION		4 829	4 321
Less: Distributions made	6	3 294	2 463
INCOME HELD AWAITING DISTRIBUTION		1 535	1 858

**Statement of Financial Position
as at 30 June 2003**

	Note	2003	2002
		\$'000	\$'000
CURRENT ASSETS:			
Deposits with Cash Common Fund		1 753	1 768
Sundry debtors		475	405
		2 228	2 173
NON-CURRENT ASSETS:			
Listed property securities		31 973	31 158
Total Assets		34 201	33 331
CURRENT LIABILITIES:			
Income distribution payable		1 535	1 858
Total Liabilities		1 535	1 858
NET ASSETS		32 666	31 473
FUNDS EMPLOYED:			
Contributors funds	10	27 792	27 240
Reserves		4 874	4 233
TOTAL FUNDS EMPLOYED		32 666	31 473

**Statement of Cash Flows
for the year ended 30 June 2003**

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Dividends and distributions received		2 327	2 580
Interest received		31	20
Payments for expenses		(337)	(347)
Net Cash provided by Operating Activities	11.1	2 021	2 253
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for listed property trusts		(4 285)	(3 818)
Proceeds from realisations of listed property trusts		4 991	8 129
Net Cash provided by Investing Activities		706	4 311
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		3 431	3 705
Redemptions paid to contributors		(2 879)	(6 769)
Distributions paid		(3 294)	(2 463)
Net Cash used in Financing Activities		(2 742)	(5 527)
NET (DECREASE) INCREASE IN CASH HELD		(15)	1 037
CASH AT 1 JULY	11.2	1 768	731
CASH AT 30 JUNE	11.2	1 753	1 768

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Statement of Principal Accounting Policies**

1.1 **Format of the Accounts**

The statements of Public Trustee's Common Funds and related Notes are a general purpose financial report and have been prepared in accordance with Treasurer's Instructions issued pursuant to the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and Urgent Issues Group Consensus Views.

The statements of the Common Funds have been prepared using the accrual basis of accounting.

1.2 **Operation of the Common Funds**

The Common Funds have been established pursuant to the *Public Trustee Act 1995* or its predecessor legislation. The following Common Funds were active for the whole of the current and comparative reporting periods:

- Cash Common Fund
- Short-Term Fixed Interest Common Fund
- Long-Term Fixed Interest Common Fund
- Overseas Fixed Interest Common Fund
- Overseas Shares Common Fund
- Australian Shares Common Fund
- Listed Property Securities Common Fund

The Inflation Linked Investments Common Fund was again dormant throughout 2002-03, has nil assets and liabilities and has not been reported.

Investment in common funds (with the exception of direct investment in the Cash Common Fund) is by way of notional unit holdings in the common funds. Contributors may invest in the Cash Common Fund or alternately invest in a selection of common funds in proportions determined by one or more of the following standard investment strategies provided by Public Trustee:

- Capital Stable
- Balanced
- Growth
- Equities

Management of common fund investments is undertaken by Public Trustee. External advisers have been appointed to assist with the management of some common fund assets. The following advisers were employed at 30 June 2003:

<i>Adviser:</i>	<i>Assets on which advice is taken:</i>
Allianz Dresdner	International Equities

National Australia Bank Custodial Services was custodian for the period 1 July 2002 to 30 June 2003 and provides accounting and settlement services in relation to those international investments.

Australian and international equity investments, together with overseas fixed interest investments have also been made using Australian domiciled pooled funds. At 30 June 2003, the following pooled fund investments were held:

- Dresdner RCM International Equities Fund
- NCIT Capital International - Global Share Trust
- BIAM Australia International Equities Fund
- BIAM Australia Fixed Interest Fund
- BNP Paribas FFTW Global Fixed Income Fund
- Investors Mutual Australian Smaller Companies Fund
- Perennial Value Smaller Companies Trust

1.3 **Basis of Valuation of Common Fund Assets and Liabilities**

Australian Equities and Listed Property Securities – are valued at market value based on the Australian Stock Exchange listed last sale price at the balance date. Investments in pooled investment funds are valued in accordance with unit prices at the balance date as advised by the managers of the funds.

International Equities – discretely held investments are valued at market value by Public Trustee's external custodian using independently sourced prices and foreign exchange rates. Investments in pooled investment funds are valued in accordance with unit prices at the balance date as advised by the managers of the funds.

Australian Fixed Interest Investments – are valued at market value based on independently obtained market yields applying at the balance date.

International Fixed Interest Investments – consist of investments in pooled funds which are valued in accordance with prices at the balance date as advised by the managers of the funds.

Advances to Estates – are carried at their nominal amounts. Public Trustee is authorised by the Public Trustee Act 1995, to advance monies where an estate has insufficient monies to make payments as authorised or required to administer the estate, usually on a short term basis. Funds advanced are a first charge on the estate's property vested under the control of the Public Trustee. Interest rates on advances are fixed from time to time by the Public Trustee.

Cash at Bank – is carried at nominal amounts, translated at prevailing exchange rates where applicable. This asset consists of cash at bank and on hand.

1.3 Basis of Valuation of Common Fund Assets and Liabilities (continued)

Short Term Money Market – deposits are carried at their nominal amounts. Bills of exchange are valued at market value, based on independently sourced market yields prevailing at the balance date.

Sundry Debtors and Creditors – are carried at their nominal amounts.

Derivative Instruments – open positions in derivative instruments such as futures, options and forward exchange contracts are valued at market prices prevailing at the balance date. Derivative instruments are recorded in the common funds' Statements of Financial Position against the asset classes appropriate to the nature of asset they are replicating. Unrealised gains and losses arising on the revaluation of derivative instruments are brought to account as part of Change in the Net Market Value of Investments in the common funds' Statements of Financial Performance.

1.4 Common Fund Foreign Exchange Gains and Losses

Transactions denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and currency, together with any accrued income, are translated at the exchange rates prevailing at the balance date. Unrealised exchange gains and losses arising on the revaluation of investments are brought to account as part of Change in the Net Market Value of Investments in the common funds' Statements of Financial Performance.

2. Recognition of Revenue

Dividend income is recognised on the date that shares are quoted as ex-dividend. Distributions from trusts are recognised on a present entitlement basis. Interest income is recognised on a time proportionate basis that takes into account the amortisation of acquisition discounts and premiums on interest bearing investments.

All revenue items including realised and unrealised gains on investments arise from the operating activities of the Common Funds.

3. Realised Gains and Losses on Disposal of Investments

Realised Gains and Losses on Disposal of Investments represents realised gains and losses over the carrying value determined on an average cost basis. Carrying value is marked to market value at the balance dates. Consequently, the carrying value of an investment at the time of its disposal is the weighted average of market value at the commencement of the reporting period and acquisition cost of investments acquired during the period.

4. Recognition of Unrealised Gains and Losses

Assets of the common funds have been measured at net market values after allowing for the costs of realisation. The Australian Accounting Standard AASB 1041, 'Revaluation of Non-Current Assets' provides that public sector borrowing/financing entities may recognise unrealised gains or losses arising from the measurement of financial assets at market values as revenues or expenses in the periods in which the changes occur. Public Trustee has brought changes in the net market value of assets to account in the Statements of Financial Performance in the periods in which they occur. Unrealised gains are not distributed and are transferred to Reserves.

5. Management Fees

A management fee is charged against each common fund at a rate of 1/12 of 1 percent of the value of the fund as at the first business day of each month and is authorised by the *Public Trustee Act 1995*.

6. Distributions

Common fund distributions are made to contributors as at 31 December and 30 June each year. With the exception of the Listed Property Securities Common Fund, distributions are paid as at these dates. Contributors to the Listed Property Securities Common Fund are presently entitled to the income and capital distributions payable at the balance date. Payment is not made until after the balance date as advice of distribution entitlements from underlying investments is not received by Public Trustee until after the balance date.

Realised capital losses are not distributed to contributors but are retained in Reserves to be offset against any realised capital gains. Where realised capital gains exceed realised capital losses (both losses in the current distribution period and those brought forward from previous distribution periods), the excess is distributed.

In respect of direct client investment in the Cash Common Fund, if the administration of an estate is completed during the year, an income entitlement is determined to the date of completion of the estate. Final entitlements to other common fund distributions are paid at normal distribution dates.

7. Taxation

Under current taxation legislation, the common funds are not liable to income tax as net income is fully distributed to estates and investors each year. No income taxation expense is therefore recognised within the common funds' financial statements.

The common funds are registered entities under the Goods and Services Tax (GST) legislation. Investments in Public Trustee's common funds are classified as input taxed financial supplies and no GST is charged on such supplies. As suppliers of financial supplies, the common funds are able to claim a tax credit for three-quarters of the liability incurred in respect of certain expenses (reduced input tax credits). The majority of expenses incurred by Public Trustee's common funds including Public Trustee management fees, brokerage charges and custody fees are eligible for reduced input tax credits. The net impact of the GST on expenses incurred by the common funds is approximately 2.5 percent rather than the full 10 percent rate.

8. Financial Instruments

8.1 Net Market Value of Financial Assets and Liabilities

All assets and liabilities of the Common Funds are financial instruments as defined by the Australian Accounting Standard AASB 1033, 'Presentation and Disclosure of Financial Instruments'. All assets and liabilities of the common funds are carried at net market value based upon the valuation policies set out in Note 1.3. The aggregate carrying amounts for each class of financial instrument are as disclosed in the Statements of Financial Position.

The following classes of financial instruments are readily traded on organised markets in standardised form:

- Short Term Money Market
- Australian Fixed Interest Investments
- Australian Equities other than investments of \$12 343 000 (\$11 964 000) in a collective investment vehicle, disposal of which is by means of redemption by the vehicle manager
- Listed Property Securities
- International Equities other than investments of \$25 456 000 (\$31 068 000) in collective investment vehicles, disposals of which are by means of redemption by the vehicle managers.

Other classes of financial instruments are not readily traded on organised markets in standardised form.

8.2 Investment in Collective Investment Vehicles

In addition to holding financial instruments directly, common funds may also invest in collective investment vehicles such as unit trusts or other common funds operated by Public Trustee. The manager of such vehicles will have invested in a variety of financial instruments, including derivatives, which expose the common funds to investment risks, including market risk, credit risk, interest risk and currency risk. The Public Trustee has assessed the investment rules of collective investments held by the Common Funds and determined their suitability as investments of the Common Funds.

Disclosures in subsequent subsections of this Note do not include the Common Funds' exposures to financial instruments held by the collective investment vehicles in which they have invested.

8.3 Credit Risk

The maximum exposure to credit risk, excluding any collateral or other security, at the balance date to financial instruments is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statements of Financial Position and Notes to the Financial Statements.

Credit risk for derivative instruments arises from the potential failure by counterparties to the contracts to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts as disclosed in Note 8.6.

Credit risk arises primarily with the following classes of instruments and counterparties:

- Sovereign debt of the Australian Commonwealth and State Governments;
- Sovereign debt of the foreign governments;
- Banking corporations;
- Corporate debt of investment grade;
- Futures contracts conducted on recognised exchanges;
- Pooled Investment Funds.

Internal operating guidelines have been established to manage credit exposure to any one counterparty or groups of counterparties with similar characteristics.

8.4 Interest Rate Risk

Financial assets and liabilities subject to interest rate risk are disclosed below. All other assets and liabilities of the Common Funds are non-interest bearing.

	Weighted Average		Instruments Maturing or Re-pricing Within					
	Interest Rate		1 Year or Less		1 to 5 Years		Over 5 Years	
	2003	2002	2003	2002	2003	2002	2003	2002
	Percent	Percent	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Cash Common Fund</i>								
Cash at bank	-	-	25	24	-	-	-	-
Short-term deposits	4.71	4.70	6 000	3 600	-	-	-	-
Bank bills	4.72	5.05	7 972	15 344	-	-	-	-
Floating rate notes	5.28	5.30	40 593	59 819	-	-	-	-
Australian fixed interest	4.71	5.47	101 337	56 015	25 926	47 518	-	-
Advances to common funds	4.10	4.00	1 920	371	-	-	-	-
Advances to estates	7.25	7.25	1 732	1 729	-	-	-	-
			159 579	136 902	25 926	47 518	-	-
Bank overdraft	8.00	7.45	1 849	2 632	-	-	-	-
<i>Short-Term Fixed Interest Common Fund:</i>								
Deposits with cash common fund	4.10	4.00	4 910	12 903	-	-	-	-
Australian fixed interest	4.58	5.72	16 187	2 511	13 962	17 369	-	1 189
			21 097	15 414	13 962	17 369	-	1 189

8.4 Interest Rate Risk (continued)

	Weighted Average		Instruments Maturing or Re-pricing Within					
	Interest Rate		1 Year or Less		1 to 5 Years		Over 5 Years	
	2003	2002	2003	2002	2003	2002	2003	2002
<i>Long-Term Fixed Interest Common Fund:</i>	Percent	Percent	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deposits with cash common fund	4.10	4.00	3 503	1 198	-	-	-	-
Australian fixed interest	4.75	5.98	16 150	-	15 398	29 898	29 437	30 047
			19 653	1 198	15 398	29 898	29 437	30 047
<i>Overseas Fixed Interest Common Fund:</i>								
Borrowings from cash common fund	4.10	4.00	1 540	362	-	-	-	-
<i>Australian Shares Common Fund</i>								
Borrowings from cash common fund	4.10	4.00	380	9	-	-	-	-
<i>Overseas Shares Common Fund</i>								
Deposits with cash common fund	4.10	4.00	705	11	-	-	-	-
Cash at bank	0.36	0.45	297	584	-	-	-	-
			1 002	595	-	-	-	-
<i>Listed Property Securities Common Fund:</i>								
Deposits with cash common fund	4.10	4.00	1 753	1 768	-	-	-	-

8.5 Derivative Instruments

Derivative instruments may be used by the Australian Shares, Overseas Shares and Overseas Fixed Interest Common Funds for purposes of investing funds or for hedging or otherwise managing risks associated with share and fixed interest markets. Where used for the purpose of investing funds, the notional exposure created by the holding of derivatives may not exceed the amount held as cash or an equivalent such as short term money market investments or deposits with other common funds.

No common fund held open futures contracts at the balance dates of the current or prior periods.

8.6 Forward Exchange Contracts

The investment objectives of the Overseas Shares Common Fund provide for the fund to normally operate in an unhedged manner, that is, there is an intended exposure to exchange rate movements between the Australian dollar and other currencies. Within the discretely managed portion of the Fund, forward exchange contracts may be used to manage currency exposures between foreign currencies, for example between the United States dollar and the Japanese yen. No forward exchange contracts were held at the balance dates of the current or prior periods.

9. Common Fund Unit Prices

Unit prices are based upon the net asset valuations of the common funds. A spread between purchase and redemption prices may be applied to reflect transaction costs associated with the investment of contributions or the disposal of investments to fund redemptions. The Cash Common Fund operates on a deposit at call basis. All redemptions during the current and prior financial years were made at entry value.

	2003		2002	
	Purchase Price	Redemption Price	Purchase Price	Redemption Price
Common Fund Unit Prices at 30 June:				
Short-term fixed interest	\$ 1.0113	\$ 1.0083	\$ 0.9994	\$ 0.9964
Long-term fixed interest	1.0506	1.0474	1.0162	1.0132
Overseas fixed interest	0.9691	0.9681	1.0144	1.0134
Australian shares	1.7012	1.6978	1.8539	1.8502
Overseas shares	0.8355	0.8297	1.0487	1.0414
Listed property securities	1.1335	1.1301	1.1101	1.1068

Movements in Common Fund Units

	Short-Term		Common Fund		Overseas	
	Fixed Interest		Long-Term		Fixed Interest	
	2003	2002	2003	2002	2003	2002
Contributor Units:	'000	'000	'000	'000	'000	'000
Opening balance	34 267	34 675	61 108	61 721	24 383	24 298
Contributions	4 476	3 857	6 793	7 257	2 849	3 038
Redemptions	(3 605)	(4 265)	(5 677)	(7 870)	(2 345)	(2 953)
Closing Balance	35 138	34 267	62 224	61 108	24 887	24 383

	Common Fund				Listed Property	
	Australian Shares		Overseas Shares		Securities	
	2003	2002	2003	2002	2003	2002
Contributor Units:	'000	'000	'000	'000	'000	'000
Opening balance	59 334	63 638	66 257	52 087	28 436	31 221
Contributions	6 542	6 761	7 120	19 541	3 043	3 377
Redemptions	(4 791)	(11 065)	(5 244)	(5 371)	(2 574)	(6 162)
Closing Balance	61 085	59 334	68 133	66 257	28 905	28 436

10. Movements in Funds Employed

	Common Fund							
	Cash		Short-Term Fixed Interest		Long-Term Fixed Interest		Overseas Fixed Interest	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Contributor Funds:								
Opening balance	168 196	140 840	34 889	35 283	62 447	63 037	25 565	25 480
Contributions ⁽¹⁾	6 464	27 356	4 508	3 879	7 062	7 440	3 012	3 130
Redemptions	-	-	(3 620)	(4 273)	(5 877)	(8 030)	(2 474)	(3 045)
Closing Balance	174 660	168 196	35 777	34 889	63 632	62 447	26 103	25 565
Reserves:								
Opening balance	(798)	(198)	(693)	(625)	(443)	(523)	(842)	(1 170)
Realised gains	176	8	-	-	6	-	-	35
Realised losses	(132)	(233)	(9)	(32)	(32)	(19)	-	(3)
Capital distribution received	-	-	-	-	-	-	1 842	38
Unrealised gains (losses)	614	(375)	407	(36)	2 110	99	(1 156)	280
Capital distribution paid/transferred	-	-	-	-	-	-	(1 842)	(22)
Closing Balance	(140)	(798)	(295)	(693)	1 641	(443)	(1 998)	(842)

	Common Fund						Listed Property Securities	
	Australian Shares		Overseas Shares					
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Contributor Funds:								
Opening balance	87 359	96 087	74 401	57 014	27 240	30 304	27 240	30 304
Contributions	11 314	13 607	6 484	23 917	3 431	3 705	3 431	3 705
Redemptions	(8 234)	(22 335)	(4 725)	(6 530)	(2 879)	(6 769)	(2 879)	(6 769)
Closing Balance	90 439	87 359	76 160	74 401	27 792	27 240	27 792	27 240
Reserves:								
Opening balance	22 420	38 252	(5 400)	15 764	4 233	2 703	4 233	2 703
Realised gains	675	2 969	67	707	608	478	608	478
Realised losses	(2 384)	(5 319)	(2 924)	(6 091)	(94)	(36)	(94)	(36)
Capital distributions received ⁽²⁾	3	34	-	-	-	120	-	120
Unrealised gains	(6 707)	(9 256)	(11 373)	(14 753)	1 007	2 025	1 007	2 025
Capital distribution paid or payable	(734)	(4 260)	-	(1 027)	(880)	(1 057)	(880)	(1 057)
Closing Balance	13 273	22 420	(19 630)	(5 400)	4 874	4 233	4 874	4 233

(1) A net movement in contributor funds is reported for the Cash Common Fund. This fund is the primary working account for trust administration operations. Contributor funds movements are typically high volume, low value transactions.

(2) The amounts reported as capital distributions received and capital distributions paid or payable by the Listed Property Securities Common Fund are provisional and may be subject to revision. Public Trustee is not in receipt of detailed information as to the elements of all distributions received or receivable from listed property trusts at the time these statements have been prepared.

11. Statement of Cash Flows

	2003 \$'000	2002 \$'000
11.1 Reconciliation of Net Cash provided by Operating Activities to Operating Surplus		
<i>Cash Common Fund</i>		
Operating surplus	7 992	6 191
Non-cash flows in operating surplus:		
Change in the net market value of investments	(614)	375
Net realised (gain) loss on disposal of investments	(44)	225
Amortisation of discounts and premiums	604	618
Change in assets and liabilities:		
(Increase) in sundry debtors	(184)	(1 045)
(Decrease) in sundry creditors	(8)	(7)
Net Cash provided by Operating Activities	7 746	6 357
<i>Short-Term Fixed Interest Common Fund</i>		
Operating surplus	1 913	1 525
Non-cash flows in operating surplus:		
Change in the net market value of investments	(406)	36
Net realised loss on disposal of investments	9	32
Amortisation of discounts and premiums	306	250
Change in assets and liabilities:		
(Increase) Decrease in sundry debtors	(200)	152
(Decrease) in sundry creditors	-	(2)
Net Cash provided by Operating Activities	1 622	1 993

11.1 Reconciliation of Net Cash provided by Operating Activities to Operating Surplus (continued)

	2003	2002
	\$'000	\$'000
<i>Long-Term Fixed Interest Common Fund</i>		
Operating surplus	5 086	3 149
Non-cash flows in operating surplus:		
Change in the net market value of investments	(2 110)	(99)
Net realised loss on disposal of investments	26	19
Amortisation of discounts and premiums	614	596
Change in assets and liabilities:		
Decrease in sundry debtors	76	34
(Decrease) in sundry creditors	-	(3)
Net Cash provided by Operating Activities	3 692	3 696
<i>Overseas Fixed Interest Common Fund</i>		
Operating surplus	1 442	1 200
Non-cash flows in operating surplus:		
Change in the net market value of investments	1 156	(280)
Net realised (gain) on disposal of investments	-	(32)
Income reinvested and not received in cash	(6)	(6)
Change in assets and liabilities:		
(Increase) Decrease in sundry debtors	(1 108)	922
(Decrease) in sundry creditors	-	(3)
Net Cash provided by Operating Activities	1 484	1 801
<i>Australian Shares Common Fund</i>		
Operating deficit	(5 069)	(7 001)
Non-cash flows in operating surplus:		
Change in the net market value of investments	6 707	9 256
Net realised loss on disposal of investments	1 709	2 350
Dividends and other income reinvested and not received in cash	(789)	(1 455)
Change in assets and liabilities:		
(Increase) Decrease in sundry debtors	(319)	740
(Decrease) in sundry creditors	-	(7)
Net Cash provided by Operating Activities	2 239	3 883
<i>Overseas Shares Common Fund</i>		
Operating deficit	(13 742)	(19 777)
Non-cash flows in operating surplus:		
Change in the net market value of investments	11 372	14 753
Net realised loss on disposal of investments	2 857	5 384
Income reinvested and not received in cash	(71)	(80)
Change in assets and liabilities:		
(Increase) in sundry debtors	(24)	(358)
(Decrease) in sundry creditors	(1)	(5)
Net Cash provided by (used in) Operating Activities	391	(83)
<i>Listed Property Securities Common Fund</i>		
Operating surplus	3 612	4 617
Non-cash flows in operating surplus:		
Change in the net market value of investments	(1 007)	(2 025)
Net realised (gain) on disposal of investments	(514)	(442)
Distributions reinvested and not received in cash	-	1
Change in assets and liabilities:		
(Increase) Decrease in sundry debtors	(70)	104
(Decrease) in sundry creditors	-	(2)
Net Cash provided by Operating Activities	2 021	2 253

11.2 Reconciliation of Cash

For the Cash Common Fund, for the purposes of the Statement of Cash Flows, cash comprises Cash at Bank and Bank Overdraft as disclosed in the Statement of Financial Position.

For other common funds, for the purpose of the Statement of Cash Flows, cash comprises Deposits with or Borrowings from the Cash Common Fund and Cash at Bank or Bank Overdraft as disclosed in the Statements of Financial Position.

11.3 Non-Cash Activities

Within the Cash Common Fund, realisations of financial securities with capital proceeds totalling \$122 616 000 (\$141 869 000) were rolled into other financial instruments without the exchange of cash. Payments made by the Cash Common Fund on behalf of other common funds totalled \$11 000 (\$11 000).

Transfers between the Long Term Fixed Interest Common Fund and the Short Term Fixed Interest Common Fund totalled \$7 708 000 (\$0).

11.3 Non-Cash Activities (continued)

Within the Australian Shares Common Fund, dividends totalling \$764 000 (\$1 451 000) were reinvested under dividend reinvestment plans. Management fee rebates of \$22 000 (\$5 000) received by this vehicle from pooled fund managers were also re-invested without the exchange of cash. The Cash Common Fund received consideration in the form of scrip valued at \$2 191 000 (\$1 339 000) for takeover offers accepted.

The Overseas Shares and Overseas Fixed Interest Common Funds received management fee rebates of \$54 000 (\$80 000) and \$6 000 (\$7 000) respectively from pooled fund managers and reinvested these rebates without the exchange of cash.

11.4 Cash Flows presented on a Net Basis

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

- Contributor deposits and withdrawals from the Cash Common Fund;
- Deposits and withdrawals from the Cash Common Fund made by other common funds;
- Advances to estates made by the Cash Common Fund;
- Realised Gains and Losses on disposal of investments.

DEPARTMENT FOR CORRECTIONAL SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

Functions

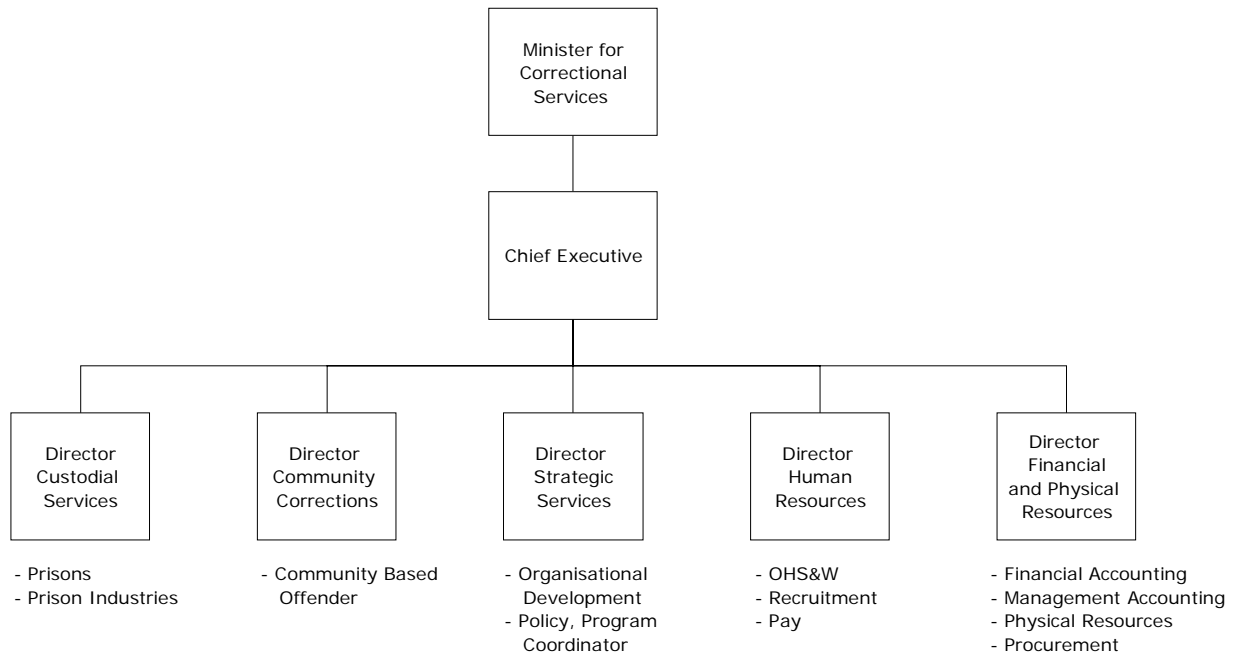
The Department has responsibility for the care and custody of adult offenders. These responsibilities are discharged by:

- the provision of custodial accommodation, including the opportunity for training and education, for both sentenced and remand inmates;
- non-custodial supervision of sentenced offenders through the probation and parole function, the Community Service Order Scheme and the Home Detention Scheme.

The primary objective of the Department for Correctional services is to work to maintain a safer community while contributing to rebuilding lives affected by crime.

Structure

The structure of the Department is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department for Correctional Services for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Department for Correctional Services 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- operating expenditure
- payroll
- fixed assets
- revenue
- contract management
- budgetary monitoring
- information technology.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive Officer. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department for Correctional Services as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Department for Correctional Services in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Department for Correctional Services have been conducted properly and in accordance with law.

Significant Matters Raised with the Agency

The audit of the Department highlighted that although most processes were subject to a satisfactory control environment there were some areas where, in Audit's view, there was room for significant improvement. In addition, Audit noted that some of the control weaknesses had been identified in previous audits, but remained unresolved.

Policies and Procedures

Audit noted during the course of the audit that many areas retained comprehensive manuals relating to the processing of transactions through the relevant systems, but that a similar record of internal controls relating to the business process was not available.

In a number of cases, however, relevant staff had been notified of appropriate control procedures, but this had taken place through the use of internal correspondence, rather than through permanently available documentation. As a result, over time or through staff changes, some staff did not have an understanding of the nature or reason for particular controls.

Audit recommended that policies and procedures be established or updated to ensure that they provide for an appropriate level of control. The Department should also ensure that policies and procedures are communicated to the relevant locations.

Department Response

The Department has undertaken to review current policies and procedures for all areas, and to ensure that these refined policies and procedures are promulgated to appropriate personnel and business units.

Payroll

A number of specific issues were raised in relation to the payroll function. In some cases the issues raised related to the Department's Personnel and Payroll Services section, and others relate to issues that were the sole responsibility of individual sites. It was noted that there were a range of variations to the Department's payroll procedures at the different sites, and there may, in Audit's view, be some benefit in the Department developing a coordinated approach to the documentation of controls for payroll.

The main issues raised concerned the following areas or payroll functions for the:

- creation and control of Bona Fides and leave return forms to ensure that payroll is completely and accurately processed;
- review and authorisation of reports from the Custodial Officers Roster System to ensure the validity and accuracy of data (including overtime, call-backs etc) used as the basis for paying a large number of staff;
- reconciliation and review of payroll prior to the disbursement of payroll.

Department Response

A satisfactory response was received for each of the matters raised.

Information Technology

A review of aspects of the Department's information technology environment identified a number of issues, including:

- the Department had not had a formal IT Strategic Plan in place since 1998, but have relied on other management arrangements to help ensure that the IT services and resources adequately support the future directions of the Department;
- although the Department has a Business Continuity Plan that is updated annually, the plan has not been tested since being developed in 1999;
- there were no formalised exit procedures in place to ensure that access to Departmental systems are disabled for staff who leave the organisation or are transferred to other business units.

Department Response

The Department indicated that it was in the process of setting up an IT strategic plan and had engaged a consultant to assist with the updating, reviewing and testing of the business continuity plan, and that it was developing processes to identify staff movements in a pro-active manner.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2003 \$/million	2002 \$/million	Percentage Change
OPERATING REVENUE			
Government grants	110.6	104.6	6
Other revenue	11.4	10.2	12
Total Operating Revenue	122.0	114.8	6
OPERATING EXPENDITURE			
Employment expenses	83.5	69.0	21
Other expenses	49.6	46.9	6
Total Operating Expenses	133.1	115.9	15
Surplus (Deficit)	(11.1)	(1.1)	-
Net Cash Flows from Operations	7.9	4.2	-
ASSETS			
Current assets	13.5	8.3	63
Non-current assets	171.0	159.1	7
Total Assets	184.5	167.4	10
LIABILITIES			
Current liabilities	12.6	10.5	20
Non-current liabilities	34.1	23.6	44
Total Liabilities	46.7	34.1	37
EQUITY	137.8	133.3	3

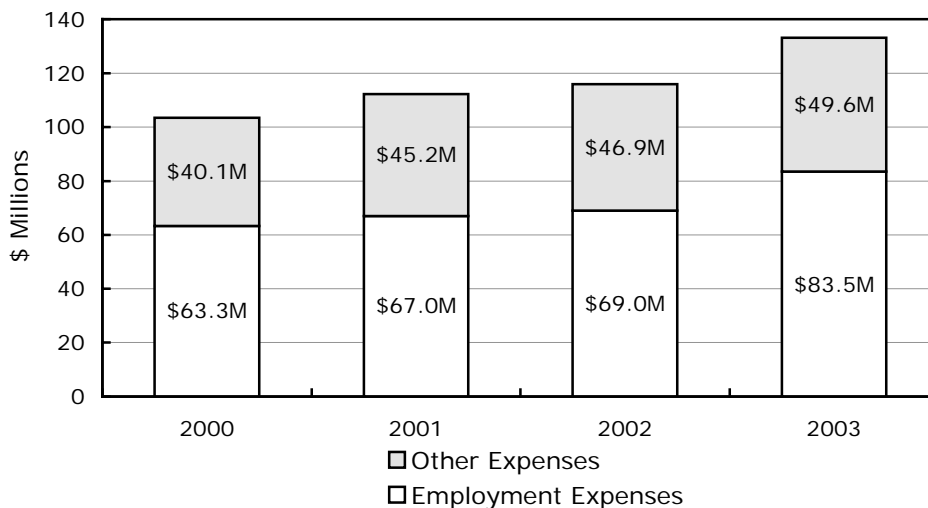
Statement of Financial Performance

Operating Expenses

Total operating expenses increased by \$17.2 million, or 15 percent, to \$133.1 million (\$115.9 million).

The main reason for this was an increase in employment expenses, which have increased by \$14.5 million to \$83.5 million (\$69 million). Of this increase, \$10.4 million can be accounted for by increased Workers Compensation liability in 2002-03, due mainly to a change in the estimation methodology (\$4 million), deteriorating claims experience (\$4 million) and a lower discount rate (\$1 million).

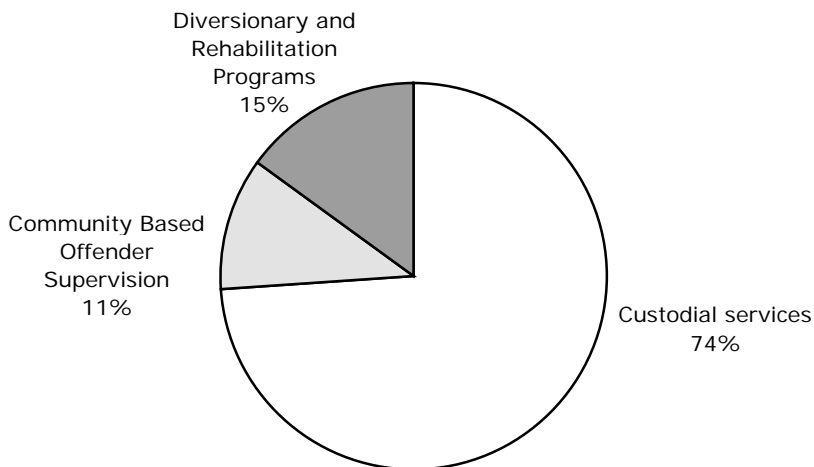
For the four years to 2003 a structural analysis of the main operating expense items for the Department is shown in the following chart.



Operating Expenses by Program

Note 3 to the Financial Statements sets out the different programs of the Department.

The largest component of the Department’s expenditure relates to the custodial (ie prison) services. The proportion of expenses on the different programs has remained relatively stable each year, and is reflected in the following chart, which shows expenditure by program for the last financial year.

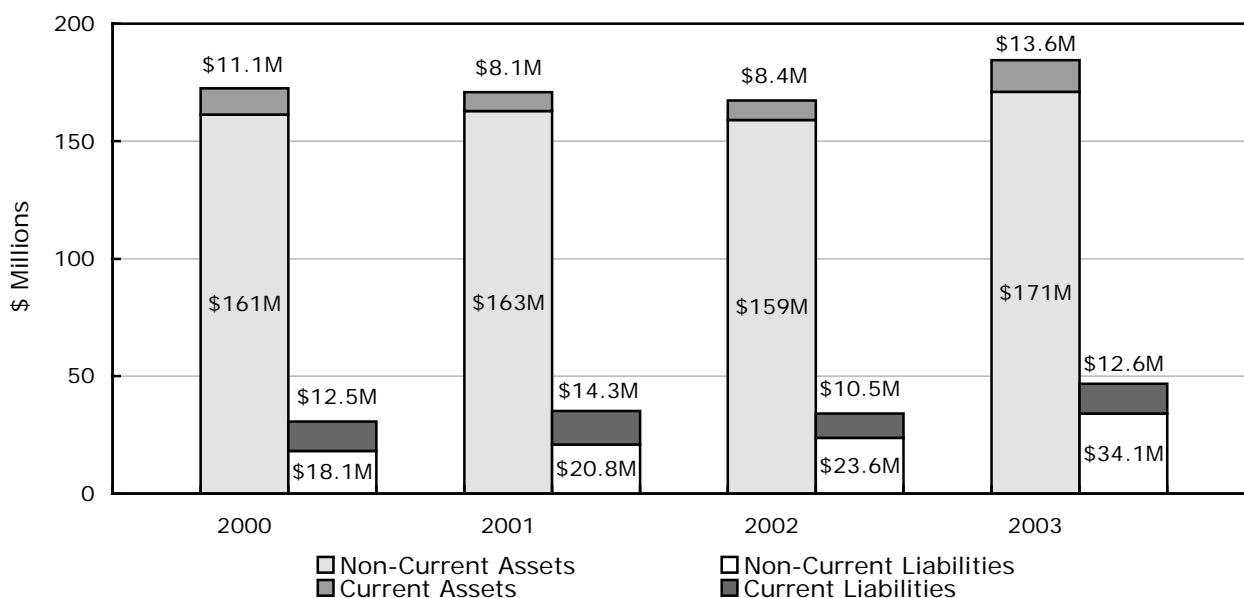


Operating Result

As a result of the increase in employment expenses as detailed above, the operating deficit for the Department was \$11.1 million, a deterioration of \$10 million over 2001-02. This was in part due to the fact that the increase in the employment expenses was primarily a year end adjustment to the provision for workers compensation liabilities, and as a result was not considered when determining the appropriate level of Appropriation funding.

Statement of Financial Position

For the four years to 2003 a structural analysis of assets and liabilities is shown in the following chart.



The chart shows that the largest component of the Department’s Statement of Financial Position is its non-current assets, mainly the prison infrastructure.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Cash at 1 July	6.58	5.65	9.67	11.48
Operations	7.86	4.23	1.77	6.07
Investing	(2.86)	(3.30)	(5.79)	(7.88)
Change in Cash	5.00	0.93	4.02	1.81
Cash at 30 June	11.58	6.58	5.65	9.67

The analysis of cash flows shows that although the Department has had operating deficits for the last three years, it still retains a steady cash flow from operations.

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Revenues from prison labour	7	3 514	3 188
Salaries and goods and services recoups		3 955	2 519
Interest		515	398
Commonwealth and Northern Territory grants and recoups		532	343
Kitchen and Canteen Sales	8	1 844	1 767
Other	9	1 050	1 983
Proceeds from disposals of non-current assets	10	11	35
Total Revenues		11 421	10 233
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	4(a)	83 538	69 018
Supplies and services	5	38 824	37 179
Depreciation	6	6 133	5 681
Payments to prisoners		1 967	1 787
Accommodation and associated lease costs		1 414	1 367
Grants		489	516
Other		371	294
Disposals of non-current assets	10	367	81
Total Expenses		133 103	115 923
NET COST OF SERVICES		121 682	105 690
REVENUES FROM GOVERNMENT		110 595	104 588
NET DEFICIT		(11 087)	(1 102)
Net (Debit) Credit to asset revaluation reserve		15 589	(1 427)
Total revenues, expenses and valuation adjustments recognised directly in equity		15 589	(1 427)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		4 502	(2 529)

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS:			
Cash at bank and on hand	11	11 583	6 587
Receivables	12	796	514
Inventories	13	645	740
Current tax assets		415	371
Other	14	22	121
Total Current Assets		13 461	8 333
NON-CURRENT ASSETS:			
Property, plant and equipment	15	170 954	158 974
Total Non-Current Assets		170 954	158 974
SELF GENERATING AND REGENERATING ASSETS:			
Livestock		91	84
Total Self Generating and Regenerating Assets		91	84
Total Assets		184 506	167 391
CURRENT LIABILITIES:			
Payables	16	3 040	2 650
Provision for employee entitlements	4(b)	4 902	4 026
Other	17	4 689	3 782
Total Current Liabilities		12 631	10 458
NON-CURRENT LIABILITIES:			
Payables	16	1 387	1 273
Provision for employee entitlements	4(b)	11 369	10 405
Other	17	21 302	11 961
Total Non-Current Liabilities		34 058	23 639
Total Liabilities		46 689	34 097
NET ASSETS		137 817	133 294
EQUITY:			
Accumulated surplus	18	111 052	122 139
Amenities fund reserve	19	121	100
Asset revaluation reserve	25	26 644	11 055
TOTAL EQUITY		137 817	133 294
Commitments for expenditure	23		
Contingent liabilities	24		

Statement of Cash Flows for the year ended 30 June 2003

	2003	2002
	Inflows	Inflows
	(Outflows)	(Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
RECEIPTS:		
From prison labour	3 514	3 188
Interest received	510	407
Other	7 286	7 025
GST receipts on sales	678	552
GST receipts from taxation authority	3 473	3 590
Recurrent appropriation	110 595	104 588
PAYMENTS:		
Employees wages and salaries	(71 187)	(69 457)
Suppliers	(39 992)	(39 099)
Prisoners	(1 967)	(1 787)
Grants paid	(489)	(516)
GST payments on purchases	(3 493)	(3 419)
GST payments to taxation authority	(702)	(547)
Other	(370)	(293)
Net Cash provided by Operating Activities	7 856	4 232
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(2 871)	(3 330)
Proceeds from sale of property, plant and equipment	11	35
Net Cash used in Investing Activities	(2 860)	(3 295)
NET INCREASE IN CASH HELD	4 996	937
CASH AT 1 JULY	6 587	5 650
CASH AT 30 JUNE	11 583	6 587

**Program Schedule of Revenues and Expenses
for the year ended 30 June 2003**

Programs (refer Note 3)	2003			Total
	Custodial Services	Community Based Services	Rehabilitation and Repatriation	
	\$'000	\$'000	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:				
Revenues from prison labour	-	-	3 514	3 514
Salaries and goods and services recoups	2 415	477	1 063	3 955
Interest revenue	356	69	90	515
Commonwealth and Northern Territory grants and recoups	532	-	-	532
Other	2 770	27	97	2 894
Revenue from sale of assets	13	1	(3)	11
Revenues from government	83 619	12 764	14 212	110 595
Total Revenues	89 705	13 338	18 973	122 016
EXPENSES FROM ORDINARY ACTIVITIES:				
Employee expenses	60 171	10 525	12 842	83 538
Supplies and services	29 783	3 134	5 907	38 824
Depreciation	5 223	207	703	6 133
Payments to prisoners	1 577	-	390	1 967
Accommodation and associated lease costs	553	514	347	1 414
Grants	294	120	75	489
Other	237	67	67	371
Asset disposals	251	50	66	367
Total Expenses	98 089	14 617	20 397	133 103
NET DEFICIT	8 384	1 279	1 424	11 087

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Departmental Objectives

The Department for Correctional Services is an administrative unit established pursuant to the *Public Sector Management Act 1995*.

The Department contributes to a safer community by working in partnership with other criminal justice organisations and the community to prevent crime and reduce repeat offending.

The Department securely and humanely manages people ordered by the courts to serve a community based or prison sanction and to provide them with opportunities to lead law-abiding and productive lives.

2. Significant Accounting Policies**(a) Basis of Accounting**

The general purpose financial statements have been prepared in accordance with Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Policy Statements issued by the Department of Treasury and Finance, Australian Accounting Standards, Urgent Issues Group Consensus Views and other mandatory professional pronouncements where applicable.

(b) The Reporting Entity*Controlled Resources*

The Department is predominately funded by Parliamentary appropriations. Revenues are also derived from prison industry sales, prisoner canteen sales and recouping community service supervision costs.

The Department's financial activities are conducted through a Special Deposit Account established pursuant to section 8 of the *Public Finance and Audit Act 1987*. The Special Deposit Account is credited with funds provided by State Government appropriations together with revenues from other sources.

Administered Resources

The Department administers but does not control certain resources on behalf of the Attorney-General (Victims of Crime Levy). It is accountable for the transactions involving these administered resources but does not have the discretion to deploy these resources for the achievement of the Department's objectives. Transactions and balances relating to these administered resources are not recognised as Departmental revenues, expenses, assets or liabilities. The following is a summary of the transactions performed on behalf of the Attorney-General:

	2003 \$'000	2002 \$'000
Balance as at 1 July	21	12
Add: Receipts	75	67
	<u>96</u>	<u>79</u>
Less: Payments	73	58
Balance as at 30 June	23	21

Trust Funds

The Department holds prisoner monies in a trustee capacity. These monies are excluded from the financial statements, as the Department cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account:

	2003 \$'000	2002 \$'000
Balance as at 1 July	252	252
Add: Receipts	3 476	3 374
	<u>3 728</u>	<u>3 626</u>
Less: Payments	3 469	3 374
Balance as at 30 June	259	252

(c) Appropriations

Appropriations from the Consolidated Account are recognised as revenue when the Department obtains control over the assets comprising the contributions. Control over appropriations is normally obtained upon their receipt.

(d) Non-Current Assets

The cost method of accounting is used for the initial recording of all acquisitions controlled by the Department. Cost is determined as the fair value of the assets, which is represented by the purchase consideration plus costs incidental to the acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction. Assets acquired at no cost or for nominal consideration are initially recorded at their fair value at the date of acquisition.

Since the Department controls a large number of low value items, the cost of accounting for the capitalisation of items costing less than \$10 000 is expected to outweigh the benefits that would be gained from reporting this information. As a result, items with an acquisition cost less than \$10 000 are expensed in the period in which they are acquired, with the exception of computing assets. Computing assets are expensed in the period in which they are acquired if they have an acquisition cost less than \$1 000, unless in aggregate they cost over \$1 000.

All computing assets over \$1 000 and all other assets over \$10 000 have been accounted for in the financial statements. The inclusion of aggregate computing assets in the financial statements is in accordance with Australian Accounting Standard AAS 5 'Materiality'.

Capital Works in progress are recognised as the cumulative costs of capital projects to balance date. Projects completed during the year have been recognised as buildings, plant or equipment and valued at cost.

(e) Revaluation of Non-Current Assets

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the Department has applied the Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' and has elected to apply the fair value methodology to all non-current assets revalued during the year.

However, the deprival value methodology is still used to value all other non-current assets not covered in the current year revaluation. These non-current assets will be methodically revalued to fair value by 30 June 2005 in accordance with Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'.

Non-current assets are revalued in accordance with Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' every three years. Property, plant and equipment are brought to account at cost or independent valuation. Valuations are based on fair value.

During 2000-01, the Department engaged the services of Andrew J Lucas at Valcorp to revalue the Community Correction Centres at Mount Gambier, Murray Bridge, North East, Noarlunga and Adelaide, in addition to the Adelaide Women's Prison, Adelaide Pre Release Centre and Port Lincoln Prison at Deprival Value.

During 2001-02, the Department engaged the services of Andrew J Lucas, from Valcorp, to revalue the Mount Gambier Prison at Deprival Value.

During 2002-03, the Department engaged the services of Andrew J Lucas, from Valcorp, to revalue the Community Correction Centres at Marla and Coober Pedy, as well as the Adelaide Remand Centre, Cadell Training Centre, Mobilong Prison, Port Augusta Prison, Yatala Labour Prison and the Dog Squad at Fair Value.

The name, address and qualifications of the valuer are detailed below:

Valcorp Aust Pty Ltd	Andrew J Lucas M.B.A. Dip.Acc.	Level 4 75 Hindmarsh Square
	A.A.P.I. B.App. Sc.(Val) A.S.A	Adelaide SA 5000

(f) Depreciation of Non-Current Assets

All non-current assets are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation is provided for on a straight line basis, using rates which are reviewed annually. Major depreciation periods are:

	Years
Vehicles	6-20
Plant and equipment	4-15
Buildings (including prisons)	60
Site infrastructure	1-60
Security infrastructure	10

(g) Employee Entitlements

(i) Salaries and Annual Leave

Liabilities for salaries and annual leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' service to that date.

(ii) Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by Department employees to balance date. The liability has been calculated at nominal rates based on current salary rates. The Department of Treasury and Finance have advised that a benchmark of seven years can be used for a shorthand estimation of long service leave liability in accordance with Accounting Standard AASB 1028 'Employee Benefits'. This advice has been adopted and the long service leave liability has been calculated on that basis.

(iii) Sick Leave

No provision has been made in respect of sick leave. Since sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

(iv) Superannuation

The Department has no liability for superannuation benefits as these are assumed by the Superannuation Funds. The Department has made contributions of \$5.9 million (\$5.4 million) to employer contribution accounts administered by the South Australian Superannuation Board in respect of future superannuation liabilities in 2002-03.

(v) Unclaimed Salaries and Wages

Unclaimed salaries and wages have been included as a current liability for employee entitlements.

(vi) Employment On-Costs

Employment on-costs relating to employee entitlements owing are recognised as liabilities in the Statement of Financial Position. Employee entitlements and employee on-costs accruing during the reporting period are treated as an expense in the Statement of Financial Performance.

(vii) Workers Compensation

The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. For the 2003 valuation, the Justice, Department of Employment, Training and Education (DETE), Department of Human Services (DHS) and all other portfolios have been analysed separately. In previous years, the Justice Portfolio was analysed together with all other non-DHS agencies. The new valuation methodology has resulted in the Justice Portfolio's liability being more specifically measured. The Department for Correctional Services liability is an allocation of the Justice Portfolio's total assessment.

(vii) Workers Compensation (continued)

It is important to note that the new methodology adopted for this valuation has significantly contributed to the large increase. Applying the new methodology to the previous year's data would have resulted in the Justice Portfolio's June 2002 liability being 25 percent larger than reported.

(h) Leases

The Department has entered into a number of operating lease agreements for buildings and motor vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the operating statement over the lease term as this is representative of the pattern of benefits derived from the leased property.

The Department does not have any finance lease agreements.

(i) Provision for Doubtful Debts

A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date.

(j) Inventories

Stock in institutional stores are held for consumption and are carried at cost. Prison canteen stock is carried at cost. Both the stores and canteen stock values of inventory are assigned on the basis of average cost. PRIME inventories are valued at historical cost.

(k) Livestock

Livestock is valued at current market value. The Department accounts for this item in accordance with Accounting Standard AASB 1037 'Self Generating and Regenerating Assets'.

(l) Prisoner Amenities Fund

Proceeds from the sale of canteen goods to prisoners are used for the acquisition of items for the benefit of prisoners.

(m) Prisoner Payments

These include payments made on behalf of prisoners and payments made to prisoners upon discharge.

(n) Grants

The Department contributes to a small number of organisations by way of grant payments. For the year ended 30 June 2003, recipients included:

- Offenders Aid and Rehabilitation Services (OARS);
- Joint Chaplaincy Committee;
- University of South Australia - Forensic Psychology Department.

(o) Financial Instruments

The Department's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2003, are as follows:

(i) Financial Assets

Cash at Bank includes a Special Deposit Account with the Department of Treasury and Finance. Interest revenues are recognised as they accrue. Interest rates are based on the average of the 90 day bank bill rate and have fluctuated between 4.59 percent and 4.6 percent for the year ended 30 June 2003. The balance of Cash at Bank relates to prison bank advance accounts held at the various institutions. These are deposited in individual 'at call' bank accounts and as a result details of interest rates are not readily available.

Receivables in respect of sales of produce and other goods are recorded at their recoverable amount. At the end of each reporting period these receivable balances are reviewed and a provision is raised in respect of any balance where recovery is considered doubtful.

(ii) Financial Liabilities

Creditors are raised for amounts payable by the Department as at 30 June 2003.

All financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximates net fair value.

(p) Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of UIG Abstract 31 'Accounting for Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The net GST receivable from the Australian Taxation Office has been recognised as a receivable in the Statement of Financial Position.

3. Programs of the Department

The identity and purpose of each program run by the Department is summarised below. Financial information relating to the Department's programs is reported in the Program Schedule.

13. Inventories		2003	2002
		\$'000	\$'000
Raw materials and work in progress		203	214
Finished goods		66	117
Stores		376	409
		645	740
14. Other Current Assets			
Prepayments		12	20
Other		10	101
		22	121

15. Property, Plant and Equipment		2003			2002		
	Gross Value	Accumulated Depreciation	Net Book Value	Gross Value	Accumulated Depreciation	Net Book Value	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Freehold land and buildings	252 939	84 176	168 763	234 206	78 160	156 046	
Leasehold improvements	80	27	53	70	24	46	
Plant and equipment	5 325	3 187	2 138	6 454	3 572	2 882	
Balance at 30 June	258 344	87 390	170 954	240 730	81 756	158 974	

Property, Plant and Equipment - Movements in Net Book Value:

	Freehold Land and Buildings	Leasehold Improvement	Plant and Equipment	2003 Total
	\$'000	\$'000	\$'000	\$'000
Gross Carrying Amount:				
Balance at 1 July	234 206	70	6 454	240 730
Additions/Transfers	3 444	10	(550)	2 904
Disposals	(300)	-	(579)	(879)
Net revaluation increments	15 589	-	-	15 589
Balance at 30 June	252 939	80	5 325	258 344
Accumulated Depreciation/Amortisation:				
Balance at 1 July	78 160	24	3 572	81 756
Additions/Transfers	-	-	-	-
Disposals	628	-	(1 127)	(499)
Depreciation expense	5 388	3	742	6 133
Balance at 30 June	84 176	27	3 187	87 390
Net Book Value:				
As at 30 June 2003	168 763	53	2 138	170 954
As at 30 June 2002	156 046	46	2 882	158 974

16. Payables		2003	2002
Current:		\$'000	\$'000
Creditors		1 492	1 344
Employee related expenses		1 548	1 306
		3 040	2 650
Non-Current:			
Employee related expenses		1 387	1 273

17. Other Liabilities			
Current:			
Workers compensation - Medical and other costs		1 811	1 888
Workers compensation - Income maintenance		2 878	1 894
		4 689	3 782
Non-Current:			
Workers compensation - Medical and other costs		6 995	5 798
Workers compensation - Income maintenance		14 307	6 163
		21 302	11 961

18. Accumulated Surplus			
Balance as at 1 July		122 139	123 239
Net Deficit		(11 087)	(1 100)
Balance as at 30 June		111 052	122 139

19. Amenities Fund Reserve			
Balance as at 1 July		100	102
Add: Receipts		152	127
		252	229
Less: Payments		131	129
Balance as at 30 June		121	100

20. Reconciliation of Net Deficit to Net Cash provided by Operating Activities	2003	2002
	\$'000	\$'000
Net deficit	(11 087)	(1 102)
<i>Add: Non-cash items:</i>		
Net loss on disposal of non-current assets	357	46
Depreciation expense	6 133	5 681
Change in operating assets and liabilities:		
Decrease (Increase) in receivables	(213)	593
Decrease in inventories	96	45
Decrease (Increase) in prepayments	8	(15)
(Increase) in livestock	(6)	(17)
(Decrease) Increase in payables	124	(1 973)
Increase in provision for employee entitlements	2 196	335
Increase in provision for workers compensation	10 248	639
Net Cash provided by Operating Activities	7 856	4 232

21. Consultancy Fees	2003	2002
During the year the Department engaged 8 (14) consultants to assist in its operations.	Number of	Number of
The cost of these consultancies was \$106 000 (\$332 000). The number of consultancies whose payments fell within the following bands were:	Consultancies	Consultancies
\$0 - \$10 000	5	8
\$10 001 - \$50 000	2	4
\$50 001 and above	1	2

The purpose and cost of each consultancy in excess of \$10 000 is outlined below:

Consultant	Purpose of Consultancy	2003
		\$'000
SSA Global Technologies	Provide advice and assistance regarding the implementation of Masterpiece Accounts Receivable module	12
SSA Global Technologies	Preparation of Requirements document for the Point of Sale System in Prison canteens	15
University of South Australia	Forensic Psychology consultants	63

22. Remuneration of Auditors	2003	2002
	\$'000	\$'000
Amounts paid and payable to the Auditor-General's Department for auditing services	95	108

23. Commitments for Expenditure	2003	2002
(a) Operating Leases	\$'000	\$'000
At 30 June 2003, the Department had the following accommodation obligations under non-cancellable operating leases (these obligations are not recognised as liabilities in the Statement of Financial Position):		
Not later than one year	624	597
Later than one year and not later than five years	1 426	1 668
Later than five years	349	571
	2 399	2 836

The accommodation obligations are payable monthly in advance.

(b) Contracted Services	2003	2002
The contract for the management of Mount Gambier Prison and the Prisoner Movement and In-Court Management and Home Detention Monitoring Contracts extend beyond 30 June 2003 (the Prisoner Movement and In-Court Management contract was renewed for 5 years commencing 1 July 2002). These three contracts have provisions for termination by the Crown without penalty to the Crown. However, a termination for convenience by the Crown would attract variable payments and reimbursements specified in the contract depending on the circumstance and amount of termination notice. The ongoing cancellable commitments (which have not been recognised as liabilities) are as follows:	\$'000	\$'000
Not later than one year	9 198	8 925
Later than one year and not later than five years	19 732	27 881
	28 930	36 806

The figures above are:

- are subject to an escalation based on indices not yet published by the Australian Bureau of Statistics, and as a result are not adjusted for inflation and are based on 2002-03 prisoner populations; and
- are exclusive of goods and services tax

24. Contingent Liabilities

The Department has a number of common law claims against it made by various claimants. The maximum exposure facing the Department in respect of these claims is \$ 213 000 (\$244 000).

The Department also has a potential financial exposure in respect of a pay claim made by the Public Service Association on behalf of a group of custodial specialists regarding alleged under payment of penalty rates. This financial exposure cannot be reliably quantified at 30 June 2003.

These contingent liabilities are not actual liabilities and have therefore not been included in the financial statements. They represent a potential financial obligation in circumstances which have been deemed to be possible not probable.

25. Asset Revaluation Reserve

The reserve includes a revaluation increment that amounted to \$15 589 000 in relation to the Community Correction Centres at Marla and Coober Pedy, as well as the Adelaide Remand Centre, Cadell Training Centre, Mobilong Prison, Port Augusta Prison, Yatala Labour Prison and the Dog Squad.

COUNTRY FIRE SERVICE BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Country Fire Service Board (the Board) was established pursuant to the *Country Fires Act 1989*. The Board is responsible to the Minister for Emergency Services for the administration of the *Country Fires Act 1989*.

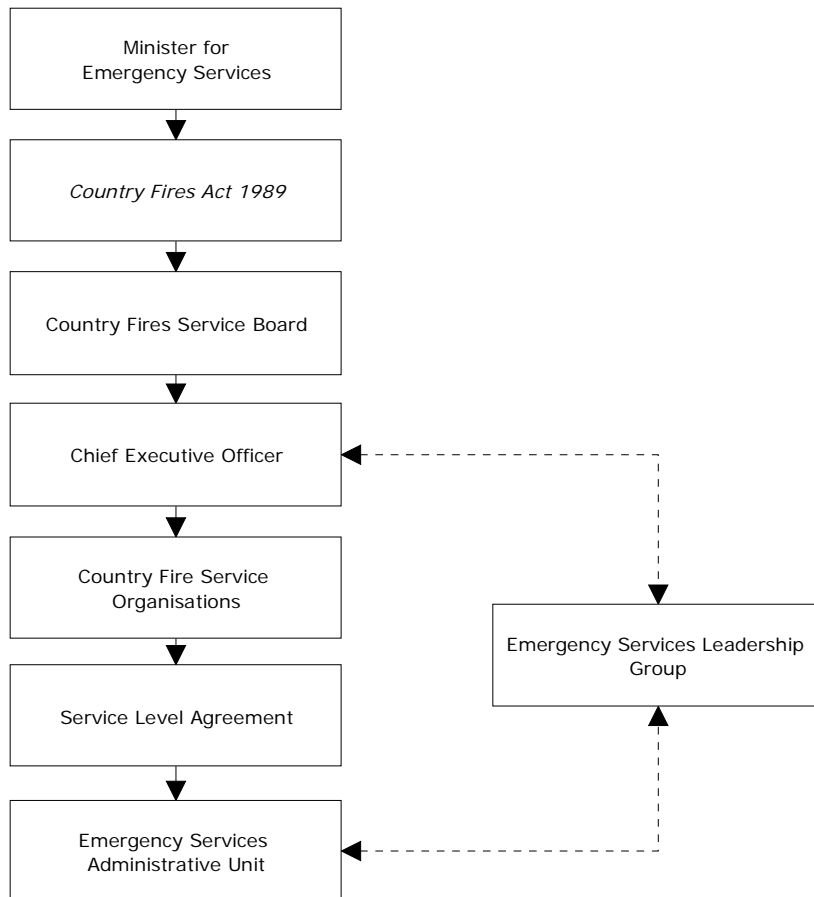
Functions

The functions of the Board are to:

- approve the Strategic Plan, providing clear goals and direction;
- consider business plans and approve performance measures and broad resource allocations;
- provide overall policy guidance and ensure that appropriate measures are in place to manage risk and volunteer support;
- monitor operational and financial performance, environmental and occupational health, safety and welfare performance, legal compliance and ethical behaviour.

Structure

The structure of the Country Fire Service (CFS) is illustrated in the following organisation chart.



The Board is a decentralised organisation supporting six regions.

The Emergency Services Administrative Unit (ESAU) provides various services in support of the Board's primary functions, including strategic risk management, financial management and accounting services. These were subject to corporate service level agreements.

The Board's financial management is heavily reliant on information and reporting provided by ESAU.

An Emergency Services Leadership Group (ESLG) which comprises the chief executive officers of the CFS, the South Australian Metropolitan Fire Service (SAMFS), ESAU and the Director, State Emergency Services (a division of ESAU) has been established. Some of the key roles of the ESLG are to ensure that emergency services operate in an integrated manner and that appropriate strategic and business plans consistent with the Government's priorities are established, maintained and implemented.

The ESLG, through the Chief Executive Officer of ESAU, reports to a (Department of) Justice Leadership Team. There is in turn a lineage of reporting responsibilities from the Justice Leadership Team to the Minister for Emergency Services.

As a member of the ESLG, the Chief Executive Officer of the CFS has a responsibility to report back to the Board of which he is also a member. This represents another tier in the decision making processes relating to the Board. It is relevant to note that while the Board is responsible to the Minister for the administration of the *Country Fires Act 1989*, it is not able to be directed by the Minister.

Changes to Functions and Structure

In October 2002 a review was commissioned to examine and identify improvements to the management, administration and governance arrangements of emergency services in South Australia, in relation to:

- Country Fire Service
- State Emergency Service
- South Australian Metropolitan Fire Service
- Emergency Services Administrative Unit.

The Emergency Services Review was released on 13 May 2003, and recommended the creation of a Fire and Emergency Services Commission. The Government supports this recommendation, believing that there is much to be gained from sharing resources, minimising duplication and improving the use of resources. The implementation process for the establishment of the Fire and Emergency Service Commission is expected to take up to twelve months and is expected to impact on the operation of the Board.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 21(3) of the *Country Fires Act 1989* provides for the Auditor-General to audit the accounts of the Board in respect of each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* 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.

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

The audit of the Board during 2002-03 required Audit to direct much of its focus to the audit of the 'centralised accounting' structure maintained by ESAU and to test transactions at this level.

During 2002-03, specific areas of audit attention included:

- payroll
- revenue
- general ledger
- accounts payable
- asset registers
- budgetary control.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive Officer. Responses to the management letters were considered to be satisfactory. Major matters raised with the Board and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Country Fire Service Board as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Country Fire Service Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Country Fire Service Board have been conducted properly and in accordance with law.

Significant Matters Raised with the Board

Corporate Governance

The audit revealed that business and risk management plans were out of date and that there was no mechanism for monitoring the plans on a regular basis. Audit also observed that the Service Level Agreements with the Emergency Service Agencies were signed off late in the financial year.

The Board indicated that the plans will be completed and processes established to ensure they are regularly updated and endorsed.

Accounting for CFS Volunteer Funds

Audit noted that funds raised by CFS brigades are not included in the Board's financial statements. As the activities of the CFS brigades and volunteers includes fundraising and the funds acquired through those means are used to acquire assets and to fund certain operational requirements of the brigades, Audit recommended that the results of fundraising activities conducted by the CFS brigades be incorporated in the Board's financial statements.

In response the Board indicated that it has approved the development of a policy which recognises the notion of local fundraising for local benefit whilst at the same time recognising the need for periodic reporting and appropriate delegations of authority.

For the year ended 30 June 2003, efforts were made to incorporate the results of CFS brigades fundraising activities into the Board's financial statements. The information obtained in this regard was not considered to be sufficiently reliable as to warrant inclusion at this date. Appropriate disclosure to this effect has been included in the Board's financial statements and processes have been commenced to ensure that the information is available for inclusion in the 2004 financial statements.

Credit Cards

The audit of the use of credit cards revealed that credit cards had been issued to volunteers which is not in compliance with the requirements of Treasurer's Instruction 12.

Audit also observed a need to ensure that appropriate management approval is obtained and purchases are appropriately costed on the monthly statements.

In response the Board indicated that the Department of Treasury and Finance have advised that approval has been obtained to exempt the Board from the requirements of Treasurer's Instruction 12 so that cards may be issued to volunteers. The Board further indicated it will review and monitor procedures to ensure that appropriate approvals and documentation are obtained in relation to the use of credit cards.

Accounts Payable and Purchasing

The audit of accounts payable revealed room for improvement in the documentation of, compliance with and review of policies and procedures. Specifically, Audit observed, cash reimbursement summaries were not authorised, purchase authorisations were not checked, purchase orders were not raised, and the supplier masterfile was not reviewed.

The Board indicated that procedures will be reviewed to address these issues.

Payroll

The audit of payroll revealed a need for bona fide reports to be produced for CFS employees and distributed to management to ensure that only authorised personal are paid. Audit also noted that time worked as reflected on timesheets is not always in accordance with the provisions for the Country Fire Service Industrial Agreement.

In response, the Board informed Audit that with the introduction of the CHRIS Payroll system, bona fide reports will be distributed to CFS management in a timely manner and that training will be provided to managers to ensure there is an adequate understanding of the provisions of the industrial agreement.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS**Highlights of Consolidated Financial Statements**

	2003 \$'million	2002 \$'million	Percentage Change
OPERATING REVENUE			
Contributions from Government	43	41	5
Other	4	2	-
Total Operating Revenue	47	43	7
OPERATING EXPENDITURE			
Employee benefits	7	6	17
ESAU recharge	5	5	-
Government Radio Network costs	10	10	-
Other expenses	22	19	16
Total Operating Expenses	44	40	10
Surplus from Ordinary Activities	3	3	-
Net Cash Flows from Operations	9	8	12
ASSETS			
Current assets	5	3	67
Non-current assets	101	62	63
Total Assets	106	65	63
LIABILITIES			
Current liabilities	3	3	-
Non-current liabilities	3	2	50
Total Liabilities	6	5	20
EQUITY	100	60	67

Statement of Financial Performance

Operating Revenues

The Board is essentially funded from the Contribution from the Community Emergency Services Fund established on 1 July 1999. Other revenue has typically represented only a small percentage of revenue since that time.

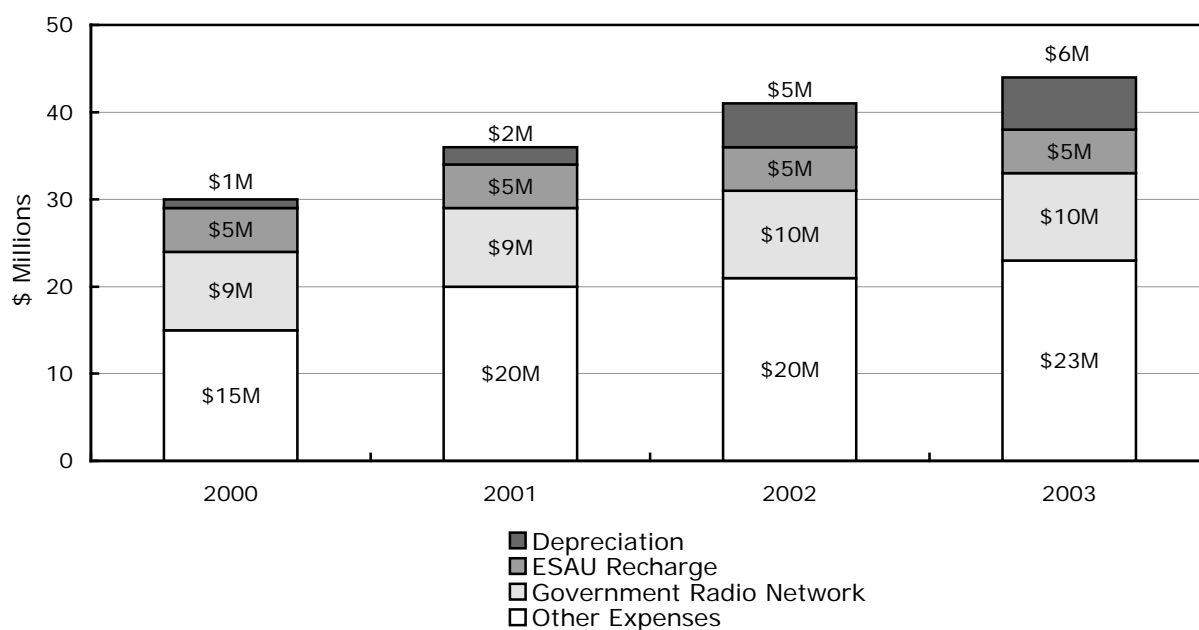
The Contribution from the Community Emergency Services Fund for the current year increased by \$2 million (5 percent) to \$43 million. At the same time other revenue has increased by \$1.5 million to \$4 million as a result of increased revenue from incident cost recoveries (\$525 000) and Government Radio Network recoveries (\$931 000). These increases have resulted in an overall increase in operating revenues of \$3.8 million or 7 percent.

Operating Expenses

During the year ending 30 June 2003, total operating expenses rose by \$4 million (10 percent) to \$44 million. The primary reasons for this increase was a change in valuation methodology being adopted to measure workers compensation liability, which resulted in a year end adjustment to employee benefits expense of \$1.1 million, and an increase in aerial support costs of \$727 000.

Over the four year period to 2003 total operating expenses have increased by \$14 million (46 percent) due mainly to increases in depreciation expense (up \$4.5 million) arising from an increased non-current asset base and other expenses (up \$8 million) of which employee benefits expense has increased by \$3.3 million and other operational costs by \$5 million.

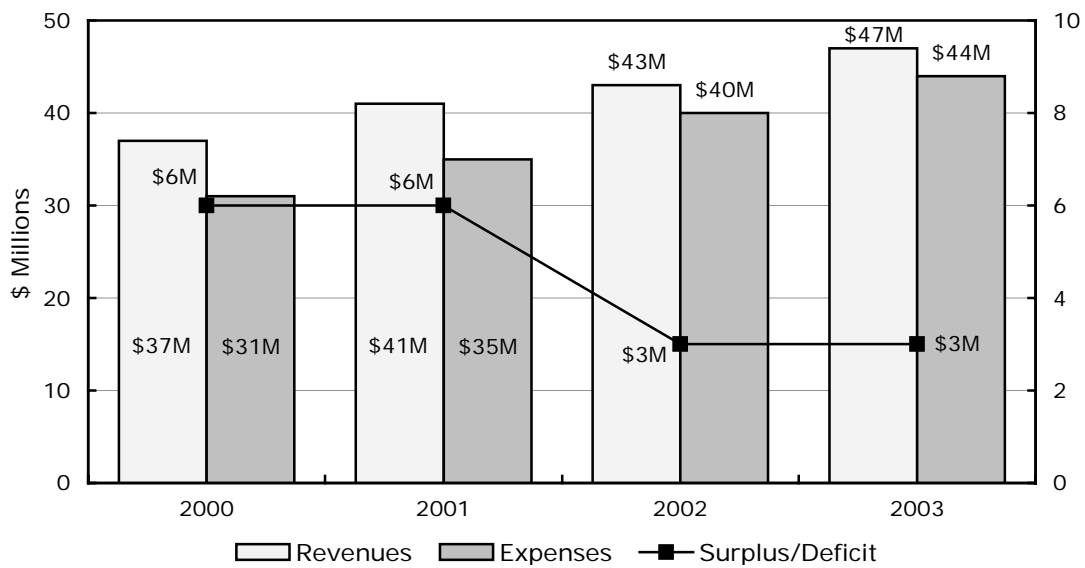
For the four years to 2003 a structural analysis of the main operating expense items for the Board is shown in the following chart.



Operating Result

The Board's surplus has remained relatively stable over the past four years, with the main decrease occurring in the 2002 financial year as a result of increased depreciation expense arising from the transfer of assets from local government.

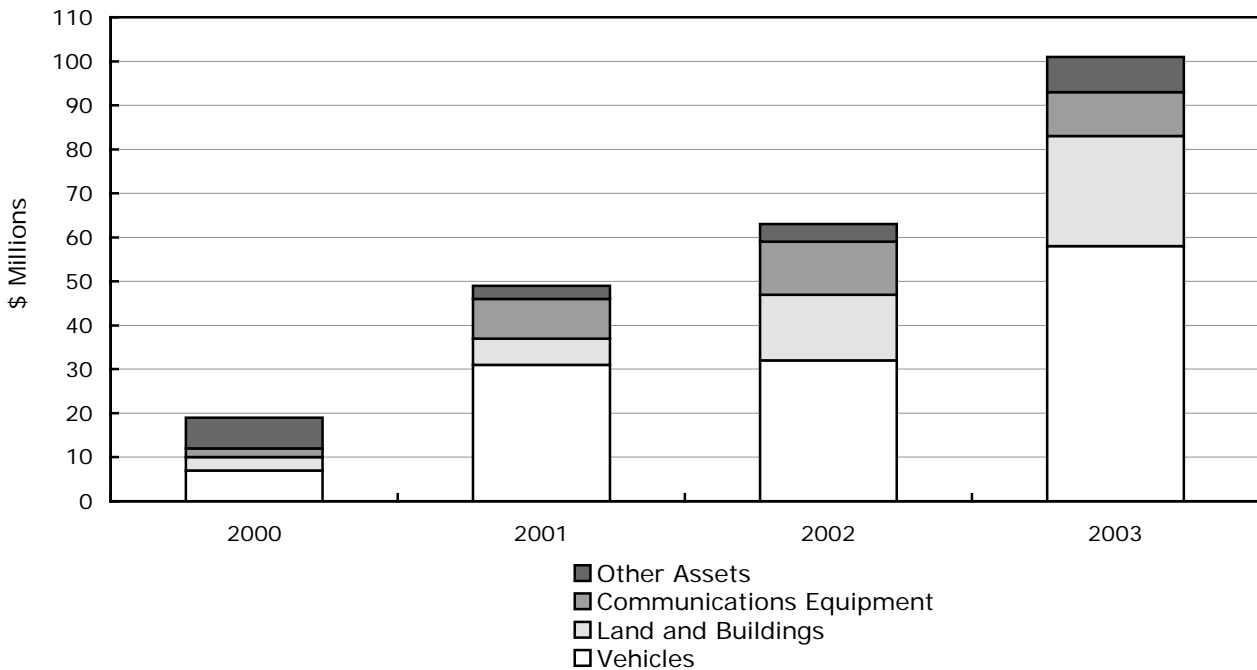
The following chart shows the operating revenues, operating expenses and surpluses for the four years to 2003.



Statement of Financial Position

The Board’s financial position is dominated by the value of non-current property, plant and equipment assets. The written down current cost of these assets totalled \$100.6 million as at 30 June 2003, an increase of \$38.4 million over the previous year which is due primarily to the transfer of assets from local government (\$12.5 million) and the revaluation of land and buildings and vehicles (\$23.3 million).

For the four years to 2003 a structural analysis of assets and liabilities is shown in the following chart.



While revaluations added \$23.3 million to assets in 2003, the major reason for the growth has been the transfer of responsibilities from local government entities to the Board for appliance, fire station, fire fighting and rescue equipment maintenance over the four years to 2003. The value of those transfers since 2000 is \$39 million. Note 10 provides further details.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	9	8	8	9
Investing	(8)	(7)	(8)	(8)
Change in Cash	1	1	1	-
Cash at 30 June	3	2	1	1

The analysis of cash flows shows that the Board generate sufficient cash flows from operations to fund its investing activities. The level of cash held is dependent on the funding provided by the Community Emergency Services Fund as the Board has little capacity to generate funds from other sources.

Statement of Financial Performance for the year ended 30 June 2003

	Note	Consolidated 2003 \$'000	2002 \$'000	Country Fire Service 2003 \$'000	2002 \$'000
REVENUES FROM ORDINARY ACTIVITIES:					
Fees and charges for services	3	3 267	1 830	3 267	1 830
Interest		201	98	194	95
Other revenue	4	512	537	511	350
Total Revenues		3 980	2 465	3 972	2 275
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee benefits	5	6 925	5 909	6 925	5 909
Depreciation	6	5 751	4 614	5 751	4 614
Emergency Services Administrative Unit recharge		5 320	5 125	5 320	5 125
Government Radio Network costs	7	9 544	9 752	9 544	9 752
Supplies and services	8	16 493	14 849	16 494	14 943
Total Expenses		44 033	40 249	44 034	40 343
NET COST OF SERVICES		40 053	37 784	40 062	38 068
REVENUES FROM GOVERNMENT:					
Contributions from the Community Emergency Services Fund		43 401	41 148	43 401	41 148
Total Revenues from Government		43 401	41 148	43 401	41 148
Net revenues (cost) from disposal of non-current assets	9	(40)	44	(40)	44
SURPLUS FROM ORDINARY ACTIVITIES		3 308	3 408	3 299	3 124
NON-OWNER TRANSACTION CHANGES IN EQUITY:					
Net credit to an asset revaluation reserve on revaluation of non-current assets	17	23 308	-	23 308	-
Net revenues from the transfer of assets from Local Government	10	12 507	9 793	12 507	9 793
Total revenues and expenses recognised directly into equity		35 815	9 793	35 815	9 793
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER					
		39 123	13 201	39 114	12 917

Statement of Financial Position as at 30 June 2003

		Consolidated		Country Fire Service	
		2003	2002	2003	2002
CURRENT ASSETS:	Note	\$'000	\$'000	\$'000	\$'000
Cash assets	11	3 167	2 136	2 875	1 851
Receivables	12	1 815	1 042	1 814	1 042
Total Current Assets		4 982	3 178	4 689	2 893
NON-CURRENT ASSETS:					
Property, plant and equipment	13	100 598	62 236	100 598	62 236
Total Non-Current Assets		100 598	62 236	100 598	62 236
Total Assets		105 580	65 414	105 287	65 129
CURRENT LIABILITIES:					
Payables	14	1 592	1 803	1 592	1 802
Provision for employee benefits	15	838	723	838	723
Total Current Liabilities		2 430	2 526	2 430	2 525
NON-CURRENT LIABILITIES:					
Payables	14	73	74	73	74
Provision for employee benefits	15	3 310	2 170	3 310	2 170
Total Non-Current Liabilities		3 383	2 244	3 383	2 244
Total Liabilities		5 813	4 770	5 813	4 769
NET ASSETS		99 767	60 644	99 474	60 360
EQUITY:					
Accumulated surplus	16	76 459	60 644	76 166	60 360
Asset revaluation reserve	17	23 308	-	23 308	-
TOTAL EQUITY		99 767	60 644	99 474	60 360
Commitments and Contingent Liabilities	18				

Statement of Cash Flows for the year ended 30 June 2003

		Consolidated		Country Fire Service	
		2003 Inflows (Outflows)	2002 Inflows (Outflows)	2003 Inflows (Outflows)	2002 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:					
PAYMENTS:	Note	\$'000	\$'000	\$'000	\$'000
Employee benefits		(4 972)	(5 564)	(4 972)	(5 564)
Supplies and services		(17 746)	(14 935)	(17 746)	(15 030)
Government Radio Network costs		(9 212)	(9 752)	(9 212)	(9 752)
Emergency Service Administrative Unit recharge		(5 320)	(5 125)	(5 320)	(5 125)
Total Payments		(37 250)	(35 376)	(37 250)	(35 471)
RECEIPTS:					
Fees and charges for services		1 182	1 876	1 182	1 876
Interest on investments		194	98	187	95
Other revenue		1 844	537	1 844	350
Total Receipts		3 220	2 511	3 213	2 321
CASH FLOWS FROM GOVERNMENT:					
Contributions from the Community Emergency Services Fund		43 401	41 148	43 401	41 148
Net Cash provided by Operating Activities	21	9 371	8 283	9 364	7 998
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from the sale of non-current assets		197	123	197	123
Payments for non-current assets		(8 537)	(7 599)	(8 537)	(7 599)
Net Cash used in Investing Activities		(8 340)	(7 476)	(8 340)	(7 476)
NET INCREASE IN CASH HELD		1 031	807	1 024	522
CASH AT 1 JULY		2 136	1 329	1 851	1 329
CASH AT 30 JUNE	11	3 167	2 136	2 875	1 851

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) Objectives

The Country Fire Service Board (the Board) is established under the *Country Fires Act 1989* and is responsible under the Act for the following:

- Prevention, control and suppression of fires in the country; and
- Protection of life and property in fire and other emergencies occurring in the country.

(b) Funding and Administrative Arrangements

Funding of the Board is derived from the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*, for the cost of its operational services in the protection of South Australian citizens and their property and the cost of strategic and administrative services delivered to it by the Emergency Services Administrative Unit (ESAU).

Funds generated by Groups and Brigades through fund raising activities are held locally by these operational units. Financial data was collected from these operational units for the financial year ended 30 June 2003 for the purpose of consolidation. The data was reviewed and was not considered to be reliable at this time. As a result, the Board has chosen not to include these funds in the financial statements. Further work is continuing on a number of matters with a view to consolidating this data in the 2003-04 financial statements.

2. Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report prepared in accordance with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, and mandatory professional reporting requirements (Urgent Issues Group Consensus Views). It has been prepared on the accrual basis of accounting using the historical cost accounting method, with the exception of certain major non-current assets which have been revalued to their fair value.

(b) Principles of Consolidation

The financial statements incorporate the assets and liabilities of all entities controlled by the Board as at 30 June 2003 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. Refer to Note 27.

(c) State Government Funding

The financial report is prepared under the assumption of ongoing financial support being provided to the Board by the State Government.

(d) Valuation of Non-Current Assets

Property, plant and equipment are brought to account at fair value. During 2002-03 the Board brought to account the first stage of implementation of revaluation to fair values of approximately 40 percent of properties and approximately 90 percent of emergency response vehicles. The remaining properties and emergency response vehicles will be revalued to fair value during 2003-04.

- (i) Plant and equipment is at historical cost.
- (ii) Independent valuations for certain land and buildings were obtained in 2002-03 from Andrew J Lucas, MBA, B.App.Sc (Val), AVLE (Val), ASA, Certified Practising Valuer of Valcorp Australia Pty Ltd and was determined on the basis of open market values for existing use.
- (iii) An independent valuation of vehicles was obtained in 2002-03 for current emergency response vehicles from Stephen Sinclair, B.App.Sc (Val), AVLE (Val), ASA, Certified Practising Valuer of Valcorp Australia Pty Ltd and represents the written down current cost of vehicles.
- (iv) Assets transferred from Local Government are initially recognised at their fair value at the date of acquisition.
- (v) Capital works in progress represent costs accumulated during the construction or development of an asset and is valued at cost.

(e) Depreciation of Non-Current Assets

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets with annual reassessments for major items.

Asset Class:	Useful Lives Years
Communications equipment	10
Vehicles	5-20
Plant and equipment	6-10
Computer equipment	5
Buildings	30

(f) Employee Benefits

(i) Salaries and Annual Leave

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date. These liabilities are calculated at undiscounted amounts based on remuneration wage and salary rates that the Board expects to pay at the time the liability is settled. Relevant employment on-costs are shown under the item 'Payables'.

- (ii) **Long Service Leave**
Long service leave is recognised on a pro-rata basis in respect of services provided by Board employees to balance date. The liability has been calculated at nominal amounts based on current salaries and wages rates using a benchmark of 12 years as advised by the Department of Treasury and Finance. Relevant employment on-costs are shown under the item 'Payables'.
- (iii) **Sick Leave**
No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be from the current year's accrual, no liability is recognised.
- (iv) **Superannuation**
Contributions are made by the Board to a number of State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. The Board has 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 superannuation schemes.
- (v) **Workers Compensation**
A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. For the 2003 valuation, the Justice, Human Services and all other portfolios have been analysed separately. In previous years, the Justice Portfolio was analysed together with all other non-Human Services agencies. The new valuation methodology has resulted in the Justice Portfolio's liability being more specifically measured. The Board's liability is an allocation of the Justice Portfolio's total assessment.

It is important to note that the new methodology adopted for this valuation has significantly contributed to the large increase in liability in 2003. Applying the new methodology to the previous year's data would have resulted in the Board's June 2002 liability being 25 percent larger than reported.

The Board fully funds this provision for both employees and volunteers.

- (g) **Goods and Services Tax**
Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), where the amount of GST incurred is not recoverable from the Australian Taxation Office (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 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 a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis.

- (h) **Revenue Recognition**
All revenues are recognised when services are provided at the fair value of the consideration received or receivable.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

The gross proceeds of non-current asset sales are included as revenue at the date control of assets passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

- (i) **Cash**
For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and investments.

- (j) **Change in Accounting Policy**
In accordance with Accounting Standard AASB 1028 'Employee Benefits' on 1 July 2002 the entity changed its policy for recognising its liability for salaries and wages and annual leave. Under the new policy the amount of the liability is calculated using the remuneration rate that is expected to apply at the time of settlement rather than the remuneration rate that applies at reporting date.

This change in accounting policy had no material impact on the results for the period.

- (k) **Change in Accounting Estimate**
The long service leave liability shorthand benchmark, as advised by the Department of Treasury and Finance has been revised upwards from 8 years to 12 years. The change in accounting estimate has resulted in the liability being reduced by \$70 000, from \$707 000 to \$637 000.

3. Fees and Charges for Services

	Consolidated		Country Fire Service	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Fees and charges for services for the reporting period comprised:				
Government Radio Network recovery	2 085	1 154	2 085	1 154
Training and other recoveries	220	202	220	202
Incident cost recoveries	947	422	947	422
Other	15	52	15	52
	3 267	1 830	3 267	1 830

11. Cash Assets (continued)

In addition to the cash and investments shown, there is known to be additional cash and investments on hand as at 30 June 2003 held by CFS Groups and Brigades. These funds have been generated by the CFS Groups and Brigades as a result of fund raising activities and all such funds are held locally by these units. Financial returns relating to these funds were sought for the financial year ended 30 June 2003 for the purpose of reflecting these funds as part of the consolidated cash and investments held. The financial returns supporting this figure have been assessed as not being sufficiently reliable at this time to include these funds in the consolidated position as at 30 June 2003. Further work will be undertaken to including this data in the consolidated financial statements for 2003-04.

12. Receivables

	Consolidated		Country Fire Service	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current:				
Sundry debtors	904	269	903	269
Less: Allowance for doubtful debts	6	-	6	-
	898	269	897	269
GST refunds	917	773	917	773
	1 815	1 042	1 814	1 042

13. Non-Current Assets**(a) Property, Plant and Equipment**

Land at independent valuation	3 429	780	3 429	780
Land at cost	472	1 917	472	1 917
Total Land	3 901	2 697	3 901	2 697
Buildings at independent valuation	18 206	7 224	18 206	7 224
Less: Accumulated depreciation	404	137	404	137
	17 802	7 087	17 802	7 087
Buildings at cost	3 497	5 757	3 497	5 757
Less: Accumulated depreciation	383	610	383	610
	3 114	5 147	3 114	5 147
Total Buildings	20 916	12 234	20 916	12 234
Total Property	24 817	14 931	24 817	14 931
Vehicles at independent valuation	56 527	34 541	56 527	34 541
Less: Accumulated depreciation	542	17 713	542	17 713
	55 985	16 828	55 985	16 828
Vehicles at cost	2 505	21 694	2 505	21 694
Less: Accumulated depreciation	880	6 576	880	6 576
	1 625	15 118	1 625	15 118
Total Vehicles	57 610	31 946	57 610	31 946
Communications equipment at cost	17 064	16 992	17 064	16 992
Less: Accumulated depreciation	6 737	5 339	6 737	5 339
Total Communications Equipment	10 327	11 653	10 327	11 653
Computer equipment at cost	1 894	1 437	1 894	1 437
Less: Accumulated depreciation	1 206	1 100	1 206	1 100
Total Computer Equipment	688	337	688	337
Plant and equipment at cost	3 742	3 308	3 742	3 308
Less: Accumulated depreciation	2 301	2 274	2 301	2 274
Total Plant and Equipment	1 441	1 034	1 441	1 034
Total work in progress at cost	5 715	2 335	5 715	2 335
Total Property, Plant and Equipment	100 598	62 236	100 598	62 236

(b) Asset Movement Schedule

	2003						2003 Total \$'000
	Land and Buildings \$'000	Vehicles \$'000	Communi- cations Equipment \$'000	Computer Equipment \$'000	Plant and Equipment \$'000	Work in Progress \$'000	
Gross Carrying Amount:							
Balance at 1 July 2002	15 678	56 235	16 992	1 437	3 308	2 335	95 985
Transfer of work in progress	830	2 931	-	374	18	(4 153)	-
Asset revaluation	1 309	(4 050)	-	-	-	-	(2 741)
Transfer from local government councils	7 936	4 546	9	16	-	-	12 507
Additions	-	46	82	85	699	7 533	8 445
Disposals	(149)	(676)	(19)	(18)	(283)	-	(1 145)
Balance at 30 June 2003	25 604	59 032	17 064	1 894	3 742	5 715	113 051
Accumulated Depreciation:							
Balance at 1 July 2002	(747)	(24 289)	(5 339)	(1 100)	(2 274)	-	(33 749)
Asset revaluation	379	25 670	-	-	-	-	26 049
Disposals	251	485	9	18	235	-	998
Depreciation expense	(670)	(3 288)	(1 407)	(124)	(262)	-	(5 751)
Balance at 30 June 2003	(787)	(1 422)	(6 737)	(1 206)	(2 301)	-	(12 453)
Net Book Value as at 30 June 2003	24 817	57 610	10 327	688	1 441	5 715	100 598

(b) Asset Movement Schedule (continued)	2002						
	Land and Buildings \$'000	Vehicles \$'000	Communi- cations Equipment \$'000	Computer Equipment \$'000	Plant and Equipment \$'000	Work in Progress \$'000	2002 Total \$'000
Gross Carrying Amount:							
Balance at 1 July 2001	6 584	50 796	13 524	1 255	3 585	1 158	76 902
Transfer of work in progress	985	1 282	3 786	12	23	(6 088)	-
Asset reclassification	106	53	52	83	(294)	-	-
Transfer from local government councils	8 003	4 385	-	-	-	-	12 388
Additions	-	244	-	87	-	7 265	7 596
Disposals	-	(525)	(370)	-	(6)	-	(901)
Balance at 30 June 2002	15 678	56 235	16 992	1 437	3 308	2 335	95 985
Accumulated Depreciation:							
Balance at 1 July 2001	(396)	(19 470)	(4 394)	(916)	(2 189)	-	(27 365)
Asset reclassification	(45)	(10)	(57)	(62)	174	-	-
Disposals	-	510	310	-	5	-	825
Transfer from local government councils	(124)	(2 471)	-	-	-	-	(2 595)
Depreciation expense	(182)	(2 848)	(1 198)	(122)	(264)	-	(4 614)
Balance at 30 June 2002	(747)	(24 289)	(5 339)	(1 100)	(2 274)	-	(33 749)
Net Book Value as at 30 June 2002	14 931	31 946	11 653	337	1 034	2 335	62 236

14. Payables	Consolidated		Country Fire Service	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Payables comprise the following:				
Current Liabilities:				
Accrued salaries and wages	29	13	29	13
On-costs re employee benefit provisions and accruals	36	40	36	40
Creditors	1 527	1 750	1 527	1 749
	1 592	1 803	1 592	1 802
Non-Current Liabilities:				
On-costs re employee benefits provisions and accruals	73	74	73	74
	73	74	73	74
15. Provision for Employee Benefits				
Employee benefits for the reporting period comprised:				
Current Liabilities:				
Annual leave	191	205	191	205
Long service leave	20	20	20	20
Workers compensation	627	498	627	498
	838	723	838	723
Accrued salaries and wages (included in payables)	29	13	29	13
On-costs re provision for employee benefits (included in payables)	36	40	36	40
	903	776	903	776
Non-Current Liabilities:				
Long service leave	617	621	617	621
Workers compensation	2 693	1 549	2 693	1 549
	3 310	2 170	3 310	2 170
On-costs re provision for employee benefits (included in payables)	73	74	73	74
	3 383	2 244	3 383	2 244
16. Accumulated Surplus				
Balance at 1 July	60 644	47 443	60 360	47 443
Changes during the period:				
Surplus from ordinary activities	3 308	3 408	3 299	3 124
Net revenues from the transfer of assets from local government	12 507	9 793	12 507	9 793
Balance at 30 June	76 459	60 644	76 166	60 360
17. Asset Revaluation Reserve				
The asset revaluation reserve is the cumulative balance of asset revaluation increments and decrements.				
Balance at 1 July	-	-	-	-
Revaluation of land and buildings	1 688	-	1 688	-
Revaluation of vehicles	21 620	-	21 620	-
Balance at 30 June	23 308	-	23 308	-

18. Commitments and Contingent Liabilities**(a) Commitments for Capital Expenditure**

As at the reporting date the Board had entered into contracts for the following capital expenditures which are not included in the financial statements.

	Consolidated		Country Fire Service	
	2003	2002	2003	2002
These projects are due for completion within one year:	\$'000	\$'000	\$'000	\$'000
Vehicles	1 375	1 061	1 375	1 061
Fire stations and other equipment	714	466	714	466
	2 089	1 527	2 089	1 527

(b) Operating Leases

Commitments under non-cancellable operating leases at the reporting date are payable as follows:

Payable not later than one year	875	833	875	833
Payable later than one year and not later than five years	1 270	1 435	1 270	1 435
Payable later than five years	661	871	661	871
	2 806	3 139	2 806	3 139

The abovementioned operating lease payments are not recognised in the financial statements as liabilities.

These non-cancellable leases are property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased annually based on CPI movement.

(c) Contractual Commitments

At the end of the reporting period the Board had the following commitments on contracts:

	Consolidated		Country Fire Service	
	2003	2002	2003	2002
Payable not later than one year	\$'000	\$'000	\$'000	\$'000
Payable not later than one year	1 388	1 034	1 388	1 034
Payable later than one year and not later than five years	2 799	-	2 799	-
	4 187	1 034	4 187	1 034

Contractual commitments relate to aerial bombing, cleaning, and occupational welfare services.

19. Reconciliation of Surplus from Ordinary Activities to Net Cash provided by Operating Activities

	Consolidated		Country Fire Service	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Surplus from Ordinary Activities	3 308	3 408	3 299	3 124
Depreciation	5 751	4 614	5 751	4 614
Net (revenue) loss from disposal of non-current assets	40	(44)	40	(44)
Increase in employee benefits	1 255	318	1 255	318
Decrease in payables	(211)	(59)	(209)	(60)
Decrease (Increase) in receivables	(772)	46	(772)	46
Net Cash provided by Operating Activities	9 371	8 283	9 364	7 998

20. Remuneration of Auditors

The amount due and payable for audit services provided by the Auditor-General's Department

	19	18	19	18
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The auditors provided no other services.

21. Consultancies

Total expenditure (excluding GST) on 11 (14) consultancies in 2002-03 amounted to \$90 000 (\$231 000).

	Consolidated		Country Fire Service	
	2003	2002	2003	2002
	Number of	Number of	Number of	Number of
	Consultants	Consultants	Consultants	Consultants
Less than \$10 000	8	8	8	8
\$10 000 - \$50 000	3	5	3	5
Greater than \$50 000	-	1	-	1

22. Remuneration of Employees

The number of employees whose remuneration received or receivable fell within the following bands were:

	Consolidated		Country Fire Service	
	2003	2002	2003	2002
	Number of	Number of	Number of	Number of
	Employees	Employees	Employees	Employees
\$100 001 - \$110 000	5	-	5	-
\$130 001 - \$140 000	1	-	1	-

The aggregate remuneration for all employees referred to above was \$666 000 (\$Nil).

23. Board Members' Remuneration

The names of persons who held office as a member of the Board during the course of the reporting period were:

Mr R Stevens - commenced December 2002	Mr V Monterola
Ms L Loan - commenced December 2002	Mr BK McHugh - ceased February 2003
Mr R Peate - commenced March 2003	Mr J Cook - ceased February 2003
Mr B Treloar - commenced March 2003	Ms D Erwin - ceased February 2003
Mr R Branson	Ms V Monaghan - ceased December 2002
Mr PJ Forster	

Mr V Monterola is employed as Chief Executive of the Country Fire Service and does not receive board member fees.

The number of members whose income from the Country Fire Service Board falls within the following bands was:

	2003	2002
	Number of	Number of
	Members	Members
\$1 - \$10 000	9	5
\$10 001 - \$20 000	-	1
\$60 001 - \$70 000	-	1
\$80 001 - \$90 000	-	1
\$130 001 - \$140 000	1	-

Total remuneration received by those members was \$193 000 (\$202 000), which includes fringe benefits and superannuation contributions. These figures include Mr V Monterola, the Chief Executive, Country Fire Service.

24. Financial Instruments**(a) Terms and Conditions**

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash at bank	11	Cash at bank comprises cash held in a Department of Treasury and Finance Deposit Account and a deposit account held at Westpac. Interest revenue is recorded on an accrual basis.	Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance and is based on the average daily balance of the Deposit Account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts, which varied between 4.59 percent and 4.60 percent during 2002-03 (4.06 percent and 4.80 percent in 2001-02). Interest on cash at bank is calculated on a quarterly basis for the Society Cheque Fund. Interest rates for the Society Cheque Fund have varied from 0.30 percent to 0.31 percent during 2002-03.
Investments	11	The Board holds cash deposits with the South Australian Government Financing Authority and Westpac. Interest revenue is recorded on an accrual basis.	Interest on deposits is credited monthly and is calculated on the average daily balance of the account. The rate of interest is based on the overnight cash rate less a margin of 0.10 percent and during the reporting period varied between 4.05 percent and 4.65 percent (4.15 percent and 4.90 percent in 2001-2002). Interest rates for the Westpac Term Deposit Account have varied from 4.05 percent to 4.30 percent during 2002-03. Interest is calculated on a monthly basis for the Term Deposit Account.
Receivables	12	Receivables are recorded at the amounts due to the Board, less an allowance for doubtful debts. They are recorded when goods have been supplied and services completed.	Receivables are due within 30 days of the rendering of an account.
Financial Liabilities			
Payables	14	Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided to the Board.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

Financial Instrument	Weighted Average Interest Rate at 30.6.03 Percent	Consolidated			Country Fire Service			
		Interest Bearing \$'000	Non-Bearing \$'000	2003 Total \$'000	Weighted Average Interest Rate at 30.6.03 Percent	Interest Bearing \$'000	Non-Bearing \$'000	2003 Total \$'000
Financial Assets:								
Cash on hand		-	2	2		-	2	
Cash at bank	4.60	1 857	-	1 857	4.60	1 734	-	1 734
Investments	4.65	1 308	-	1 308	4.65	1 139	-	1 139
Receivables		-	1 815	1 815		-	1 814	1 814
Total Financial Assets		3 165	1 817	4 982		2 873	1 816	4 689
Financial Liabilities:								
Payables		-	1 665	1 665		-	1 665	1 665
Total Financial Liabilities		-	1 665	1 665		-	1 665	1 665

Financial Instrument	Weighted Average Interest Rate at 30.6.02 Percent	Consolidated			Country Fire Service			
		Interest Bearing \$'000	Non-Bearing \$'000	2002 Total \$'000	Weighted Average Interest Rate at 30.6.02 Percent	Interest Bearing \$'000	Non-Bearing \$'000	2002 Total \$'000
Financial Assets:								
Cash on hand		-	2	2		-	2	
Cash at bank	1.14	878	-	878	1.27	761	-	761
Investments	4.55	1 256	-	1 256	4.65	1 088	-	1 088
Receivables		-	1 042	1 042		-	1 042	1 042
Total Financial Assets		2 134	1 044	3 178		1 849	1 044	2 893
Financial Liabilities:								
Payables		-	1 877	1 877		-	1 876	1 876
Total Financial Liabilities		-	1 877	1 877		-	1 876	1 876

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument	Note	2003			
		Consolidated		Country Fire Service	
		Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:					
Cash on hand	11	2	2	2	2
Cash at bank	11	1 857	1 857	1 734	1 734
Investments	11	1 308	1 308	1 139	1 139
Receivables	12	1 815	1 815	1 814	1 814
Total Financial Assets		4 982	4 982	4 689	4 689
Financial Liabilities:					
Payables	14	1 665	1 665	1 665	1 665
Total Financial Liabilities		1 665	1 665	1 665	1 665

Financial Instrument	Note	2002			
		Consolidated		Country Fire Service	
		Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:					
Cash on hand	11	2	2	2	2
Cash at bank	11	878	878	761	761
Investments	11	1 256	1 256	1 088	1 088
Receivables	12	1 042	1 042	1 042	1 042
Total Financial Assets		3 178	3 178	2 893	2 893
Financial Liabilities:					
Payables	14	1 877	1 877	1 876	1 876
Total Financial Liabilities		1 877	1 877	1 876	1 876

(d) Credit Risk Exposure

The Board's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Board has no significant exposures to any concentrations of credit risk.

25. Related Party Transactions

Members of the Board, or their member-related entities, conduct transactions with the Country Fire Service within a normal supplier relationship on terms no more favourable than those with which it is reasonable to expect Country Fire Service would have adopted with the member or member-related entity at arms-length in similar circumstances.

26. Controlled Entity

The consolidated financial statements at 30 June 2002 include the following controlled entity:

<i>Name of Controlled Entity</i>	<i>Place of Incorporation</i>
The Country Fire Service Foundation	Australia

The Country Fire Service Foundation (the Foundation) was incorporated on 22 November 2001 under the *Associations Incorporations Act 1985*. The Foundation was established for the following purposes:

- To support CFS Volunteers and members of the public, and to relieve them from poverty, sickness, destitution, suffering or misfortune arising from fires and other emergencies in the country.
- To provide money, property or benefits to Deductible Gift Recipients or for the establishment of Deductible Gift Recipients.

27. Event Occurring After Reporting Date

In October 2002, the Minister for Emergency Services (the Minister) commissioned a review into the management, administration and governance arrangements of emergency services in South Australia. This included the structure and activities of the Country Fire Service Board (the Board).

The Report of the Emergency Services Review Taskforce, subsequently released by the Minister in May 2003, foreshadowed a number of major recommendations. Some of these may directly impact the structure and operations of the Board.

In July 2003 the Government provided a formal response to that report and signalled its intention to implement many of the Report's recommendations. While it is not possible to determine what financial effect(s) will flow from this, it is anticipated that the Board will continue, albeit likely within a framework of revised administrative and governance arrangements.

COURTS ADMINISTRATION AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Courts Administration Authority was established pursuant to the *Courts Administration Act 1993*. The Authority is constituted of the State Courts Administration Council, the State Courts Administrator, and other staff of the Council.

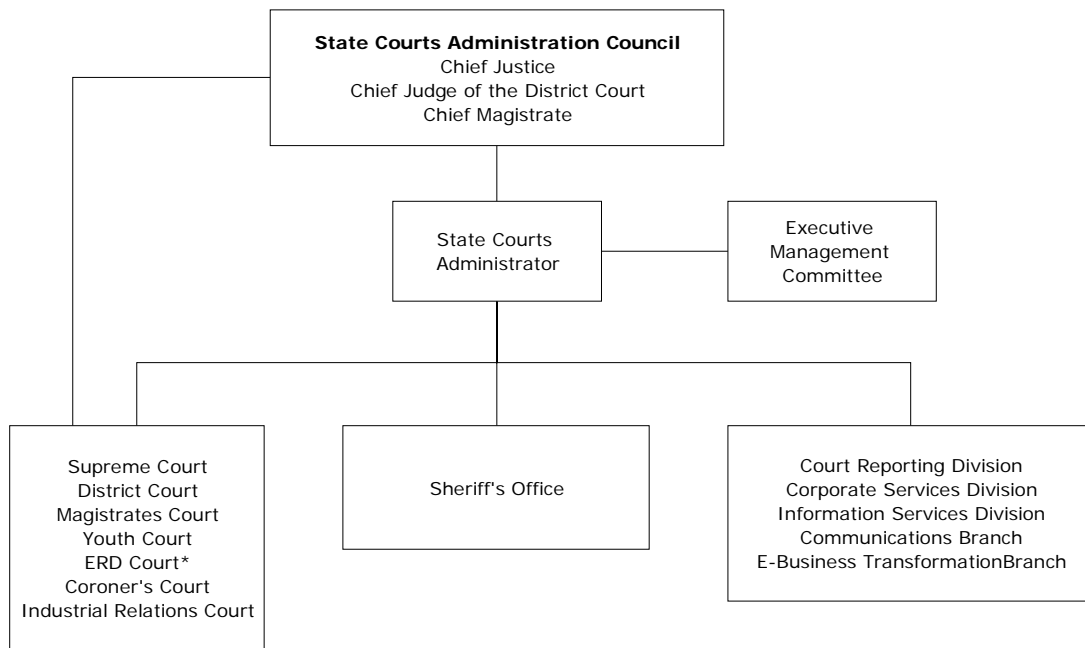
Functions

The function of the State Courts Administration Council, as an administrative authority independent of control of Executive government, is to provide courts with the administrative facilities and services necessary for the proper administration of justice.

The State Courts Administrator is responsible to the Council for management of the Council's staff and property.

Structure

The structure of the Courts Administration Authority is illustrated in the following organisation chart.



* Environment Resources and Development Court

STATUS OF FINANCIAL STATEMENTS

The Courts Administration Authority was unable to finalise its financial statements for the year ended 30 June 2003 in sufficient time to enable the audit to be completed at the date of finalisation of this Report.

The audited financial statements of the Courts Administration Authority for the year ended 30 June 2003 will be included in a Supplementary Audit Report to Parliament.

EMERGENCY SERVICES ADMINISTRATIVE UNIT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Emergency Services Administrative Unit (ESAU) is an administrative unit established pursuant to the *Public Sector Management Act 1995*. ESAU is responsible to the Minister for Emergency Services.

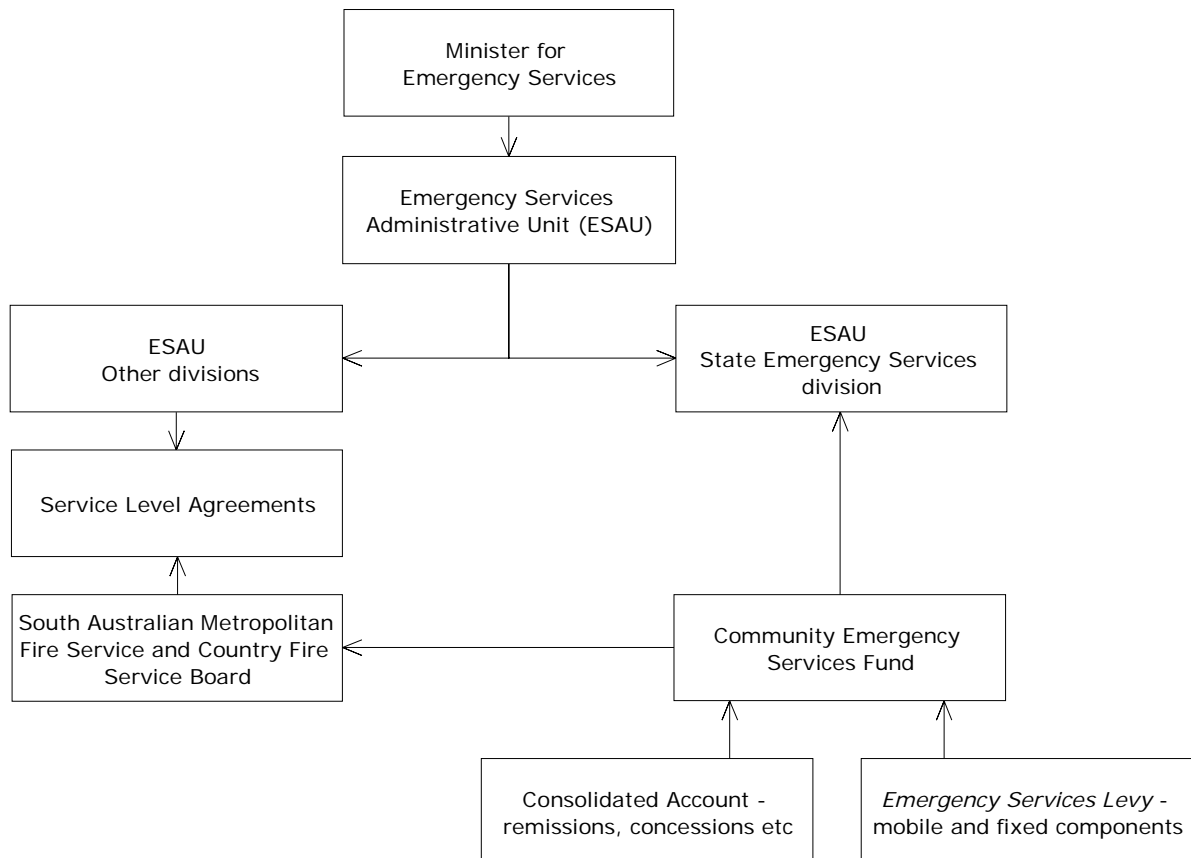
Functions

The functions of the ESAU are as follows:

- To provide strategic, corporate and support services to the South Australian emergency services, namely the South Australian Metropolitan Fire Service (SAMFS), the Country Fire Service (CFS) and the State Emergency Service (SES).
- Through the SES, to provide a local incident emergency response service, and significant participation in State Disaster emergency management, planning and training.

Structure

The structure of the ESAU is illustrated in the following organisation chart.



The operations of ESAU are financed through recharges to SAMFS and CFS for services rendered. The Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*, provides funding direct to those organisations.

The SES is directly financed by the Fund for the cost of its operational services in the protection of South Australian citizens and their property. The SES also receives funding from the same source for the cost of strategic and administrative services delivered to it by ESAU.

Changes to Functions and Structure

Responsibility for the administration of the Office of Volunteers was transferred on 1 July 2002 from ESAU to the Department of the Premier and Cabinet.

On 1 July 2002 the operations of the Fire Equipment Services SA were transferred from the Attorney-General's Department to ESAU.

Review of Emergency Service Arrangements in South Australia

In October 2002 a review was commissioned to examine and identify improvements to the management, administration and governance arrangements of emergency services in South Australia, in relation to:

- Country Fire Service
- State Emergency Service
- South Australian Metropolitan Fire Service
- Emergency Services Administrative Unit.

The Emergency Services Review was released on 13 May 2003, and recommended the creation of a Fire and Emergency Services Commission. The Government supports this recommendation, believing that there is much to be gained from sharing resources, minimising duplication and improving the use of resources. The implementation process for the establishment of the Fire and Emergency Services Commission is expected to take up to twelve months. It is likely that the ESAU will not continue in operation within the proposed framework of revised administrative and governance arrangements.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Emergency Services Administrative Unit for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Emergency Services Administrative Unit 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- expenditure, including accounts payable and salaries and wages
- plant and equipment, including the adequacy of asset register maintenance
- revenue, debtors, receipting and banking
- service level agreements
- general ledger.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive Officer. The response to the management letter was generally considered to be satisfactory. Major matters raised with ESAU and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory

professional reporting requirements in Australia, the financial position of the Emergency Services Administrative Unit as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Emergency Services Administrative Unit 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 outlined under 'Significant Matters raised with ESAU' is sufficient to provide reasonable assurance that the financial transactions of the Emergency Services Administrative Unit have been conducted properly and in accordance with law.

Significant Matters Raised with ESAU

Corporate Governance

The audit revealed that business and risk management plans were out of date and that there was no mechanism for monitoring the plans on a regular basis. Audit also observed that the Service Level Agreements with the Emergency Service Agencies were signed off late in the financial year.

ESAU indicated it will continue to integrate its business plans with its client agencies and where possible will articulate these plans within the client business plans. A review of the risk management plan is currently being undertaken and will involve assigning specific risks to appropriate officers and establishing timeframes for mitigating action.

Finance Manual and Internal Controls

Audit review of the ESAU Finance Manual promulgated for use by all emergency service agencies revealed that the document did not clearly convey its purpose, provided too much detail and did not establish a clear and concise control environment supported by appropriate procedures and allocation of responsibility.

ESAU advised that it had developed a document that it considers to be a useful resource, however, efforts will be made to revise the content of the Finance Manual.

Accounting for SES Volunteer Funds

Audit noted that funds raised by SES brigades are not included in the ESAU financial statements. As the activities of the SES brigades and volunteers includes fundraising and the funds acquired through those means are used to acquire assets and to fund certain operational requirements of the brigades, Audit recommended that the results of fundraising activities conducted by the SES brigades be incorporated in the ESAU financial statements.

ESAU informed Audit that in conjunction with the SES, extensive work will be undertaken to include fundraising income and expenditure in the 2002-03 financial statements. This has occurred.

Credit Cards

The audit of the use of credit cards revealed that credit cards had been issued to volunteers which is not in compliance with the requirements of Treasurer's Instruction 12.

Audit also observed a need to ensure that appropriate management approval is obtained and purchases are appropriately costed on the monthly statements.

In response ESAU indicated that the Department of Treasury and Finance have advised that approval has been obtained to exempt ESAU from the requirements of Treasurer's Instruction 12 so that cards may be issued to volunteers. ESAU further indicated it will review and monitor procedures to ensure that appropriate approvals and documentation are obtained in relation to the use of credit cards.

Accounts Payable and Purchasing

The audit of accounts payable revealed room for improvement in the documentation of, compliance with and review of policies and procedures. Specifically, Audit noted instances where cash reimbursement summaries were not authorised, purchase authorisations were not checked, purchase orders were not always raised, and the supplier master file was not reviewed on a regular basis.

ESAU indicated that procedures will be reviewed to address these issues.

Assets

Audit noted that assets policies and procedures were not reviewed on a regular basis and did not reflect current operating practice.

Audit also observed that all capital expenditure is processed through the work in progress account resulting in assets not being accounted for in accordance with Accounting Standards. In addition, work in progress reconciliations were not accurate, performed on a timely basis or reviewed by an independent officer.

In addition, Audit noted that assets purchased using SES fundraising money are not recorded on the asset register, and hence not accounted for in accordance with Accounting Standards.

ESAU advised that it is of the view that the Assets Policy meets the required accounting standards and that the Assets Policy does not set out to provide a set of procedures regarding responsibility for all activities. Consideration will be given to the development of procedures for staff when dealing with assets that meets the Assets Policy. A revised policy will be issued in 2003-04.

Audit reviewed the accounting for assets as part of the year end process and was satisfied that the requirements of the Accounting Standards were met.

Payroll

The audit of payroll revealed a need for improvement in payroll policies and procedures and the establishment of an appropriate segregation of duties. Audit also noted that timesheets are not being received from all staff, and that bona fide certificates were not always distributed to ensure that only authorised employees are paid.

In response, ESAU advised the policies and procedures will be formalised, and the segregation of duties issues will be examined as the implementation of the CHRIS Payroll system is completed. ESAU stated that improvements have been made with regard to the establishment and circulation of bona fide reports for ESAU, however, acknowledgement was made that further improvement was still required.

Revenue

The audit of revenue revealed that no documented evidence is maintained for cancelled invoices, the receipting and banking procedures need to be reviewed to eliminate duplication of effort and to ensure that adequate controls are in place, and that banking of receipts is not undertaken in a timely manner.

ESAU indicated that procedures will be implemented to address these issues.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2003 \$'million	2002 \$'million	Percentage Change
OPERATING REVENUE			
Emergency Services Administrative Unit Recharge	9	9	-
Contributions from the Community Emergency Services Fund	10	10	-
Total Operating Revenue	21	21	-
OPERATING EXPENDITURE			
Employment benefits	10	10	-
Government Radio Network costs	2	2	-
Supplies and Services	6	7	(14)
Total Operating Expenses	18	19	(5)
Surplus from Ordinary Activities	2	1	50
Net Cash Flows from Operations	5	2	-

	2003 \$'million	2002 \$'million	Percentage Change
ASSETS			
Current assets	4	1	-
Non-current assets	11	9	22
Total Assets	15	10	50
LIABILITIES			
Current liabilities	3	1	-
Non-current liabilities	2	2	-
Total Liabilities	5	3	67
EQUITY	10	6	67

Statement of Financial Performance

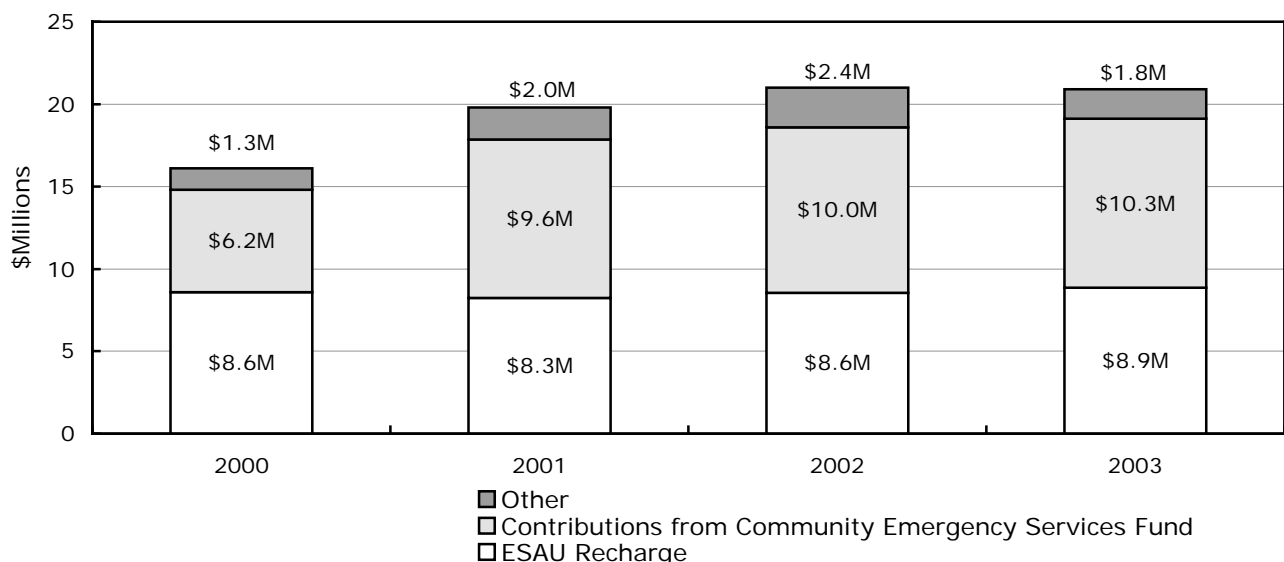
Operating Revenues

Other revenue decreased by \$580 000 (32 percent) to \$1.3 million, primarily as a result of decreases in Commonwealth Grants (\$230 000), the reimbursement of Government Radio Network Costs (\$539 000) and Targeted Voluntary Separation Package expense recoveries (\$419 000). These decreases were offset by the recognition for the first time of fundraising monies held by SES units which increased other revenue by \$666 000.

Total operating revenues have remained steady over the past two years following an increase of \$5 million in 2001 due to an increase in contributions from the Community Emergency Services Fund. All other revenue has remained relatively constant over the period under review.

ESAU's major sources of funds are contributions from the Community Emergency Services Fund and the recharge received from other emergency services agencies which are essentially also funded from the Community Emergency Services Fund. These two sources of revenue account for over 90 percent of ESAU's revenue.

A structural analysis of operating revenues for ESAU for the four years to 2003 is presented in the following chart.

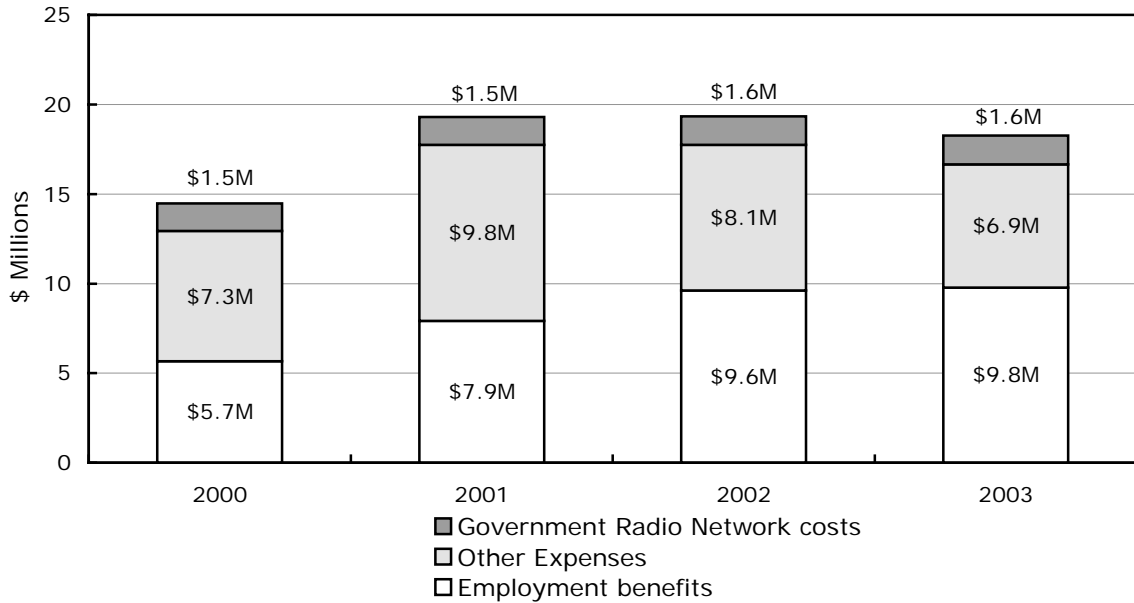


Operating Expenses

Operating expenses decreased by \$1 million to \$18.3 million. This decrease was primarily the result of a decrease in consultancy and legal fees of \$429 000 and the cessation of the Minister's Grants Program with grants reducing by \$863 000.

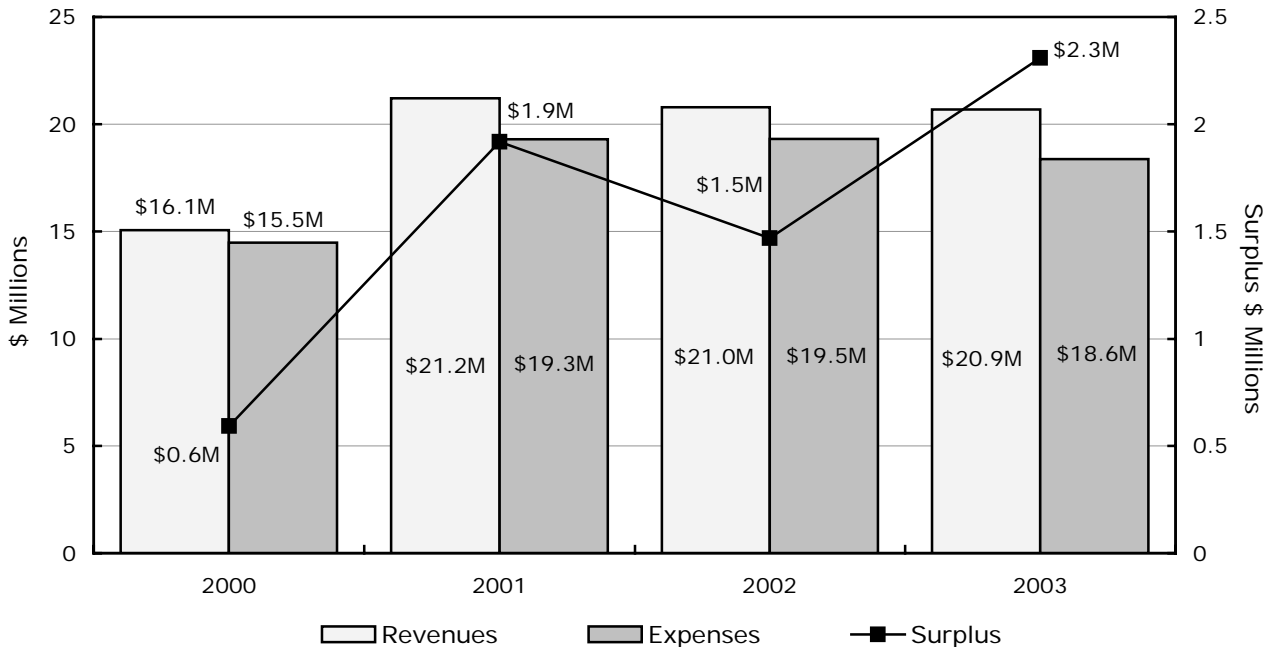
Since 2001 total expenses have been relatively constant. The increase in employee benefit and other expenses in 2001 is a result of ESAU establishing a steady level of operations since its establishment in 1999.

A structural analysis of the main operating expense items for ESAU is shown in the following chart.



Operating Result

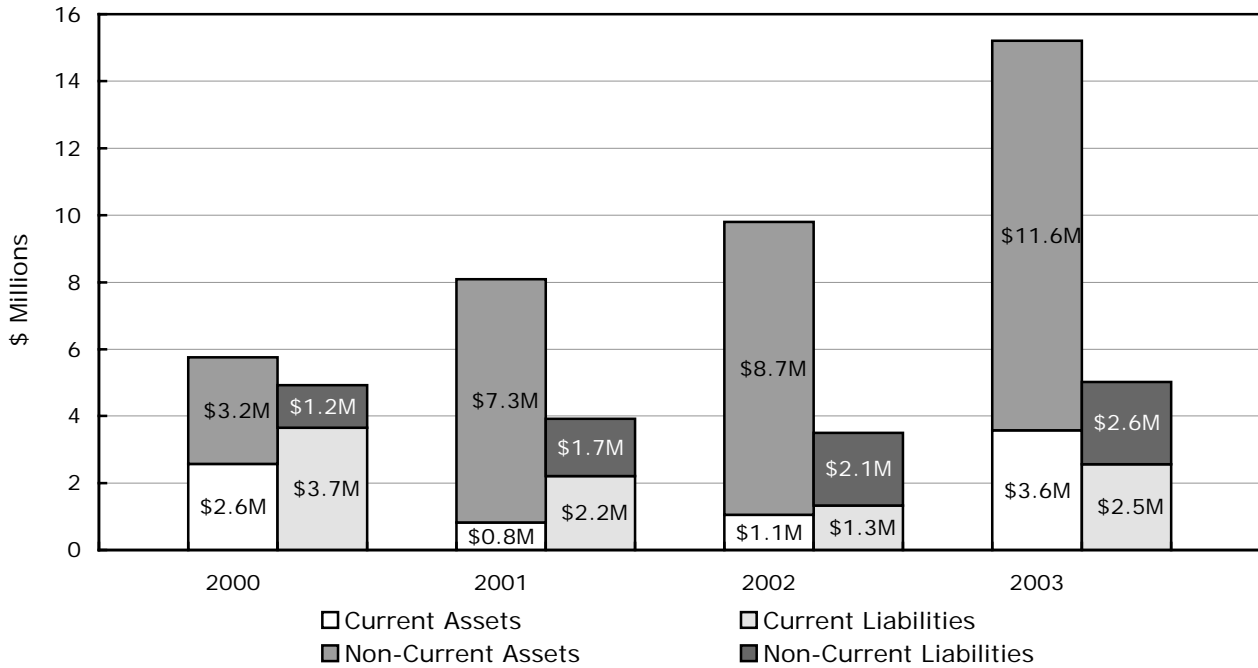
The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2003. Over the period under review ESAU has recorded a small surplus which has fluctuated depending on the level of activity in each particular year.



Statement of Financial Position

Over the four years to 2003, there has been a significant increase in assets, and in particular non-current assets as a result of the transfer of assets from Local Government (Note 11 provides details), the Government Radio Network (\$1.4 million in 2001) and the revaluation of some classes of non-current assets. Current assets increased in 2003 as a result of an increase in cash. Liabilities have remained relatively steady over the period under review.

A structural analysis of assets and liabilities for the four years to 2003 is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'000	2002 \$'000	2001 \$'000	2000 \$'000
Net Cash Flows				
Operations	5 045	1 950	(929)	5 486
Investing	(2 311)	(1 595)	(1 491)	(3 017)
Change in Cash	2 734	355	(2 420)	2 469
Cash at 30 June	3 138	404	49	2 469

The analysis of cash flows shows that the ESAU has steadily increased cash flows from operations since 2001. Cash has significantly increased in 2003 as a result of the recognition of SES fundraising monies in the accounts for the first time and the impact of decreasing cash outlays for operating activities.

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges for services	3	491	551
Interest		35	15
Emergency Services Administrative Unit recharge		8 870	8 563
Other revenue	4	1 259	1 839
Total Revenues		10 655	10 968
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	5	9 794	9 620
Depreciation	6	879	760
Government Radio Network costs	7	1 612	1 569
Supplies and services	8	5 986	7 371
Total Expenses		18 271	19 320
NET COST OF SERVICES		7 616	8 352
REVENUES FROM STATE GOVERNMENT:			
Contributions from the Community Emergency Services Fund		10 254	10 029
Total Revenues from Government		10 254	10 029
Net costs from restructuring	9	(237)	(167)
Net losses on disposal of non-current assets	10	(92)	(40)
SURPLUS FROM ORDINARY ACTIVITIES		2 309	1 470
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net revenues from the transfer of assets from Local Government	11	968	652
Net credit to an asset revaluation reserve on revaluation of non-current assets	18	605	-
Total revenues, expenses and restructuring adjustments recognised directly in equity		1 573	652
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		3 882	2 122

Statement of Financial Position as at 30 June 2003

		2003	2002
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets	12	3 138	404
Receivables	13	439	651
Total Current Assets		3 577	1 055
NON-CURRENT ASSETS:			
Property, plant and equipment	14	11 626	8 744
Total Non-Current Assets		11 626	8 744
Total Assets		15 203	9 799
CURRENT LIABILITIES:			
Payables	15	1 848	859
Provision for employee benefits	16	713	466
Total Current Liabilities		2 561	1 325
NON-CURRENT LIABILITIES:			
Payables	15	208	218
Provision for employee benefits	16	2 250	1 954
Total Non-Current Liabilities		2 458	2 172
Total Liabilities		5 019	3 497
NET ASSETS		10 184	6 302
EQUITY:			
Accumulated surplus	17	9 579	6 302
Asset revaluation reserve	18	605	-
TOTAL EQUITY		10 184	6 302
Commitments and Contingent Liabilities	19		

Statement of Cash Flows for the year ended 30 June 2003

		2003	2002
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:	Note		
Employee benefits		(8 175)	(9 524)
Supplies and services		(6 065)	(8 079)
Government Radio Network costs		(1 541)	(1 569)
Restructuring of the Office of Volunteers		(300)	-
		<u>(16 081)</u>	<u>(19 172)</u>
RECEIPTS:			
Fees and charges for services		491	551
Emergency Services Administrative Unit recharges		8 870	8 563
Other revenue		1 478	1 964
Interest		33	15
		<u>10 872</u>	<u>11 093</u>
CASH FLOWS FROM GOVERNMENT:			
Contributions from the Community Emergency Services Fund		10 254	10 029
Net Cash provided by Operating Activities	20	<u>5 045</u>	<u>1 950</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of non-current assets		4	50
Payments for non-current assets		(2 315)	(1 645)
Net Cash used in Investing Activities		<u>(2 311)</u>	<u>(1 595)</u>
NET INCREASE IN CASH HELD		2 734	355
CASH AT 1 JULY		404	49
CASH AT 30 JUNE	12	<u>3 138</u>	<u>404</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) Objectives

The Emergency Services Administrative Unit (ESAU) was established on 1 July 1999 with the following objectives:

- To provide strategic, corporate and support services to the South Australian emergency services, namely the SA Metropolitan Fire Service (SAMFS), the Country Fire Service (CFS) and the State Emergency Service (SES).
- To provide a local incident emergency response service, and significant participation in State Disaster emergency management, planning and training to the State Emergency Service (SES).

(b) Funding and Administrative Arrangements

The funding of ESAU is derived from the Community Emergency Services Fund (the Fund), which was established by the *Emergency Services Funding Act 1998*.

The SES is directly funded from the Fund for the cost of its operational services in the protection of South Australian citizens and their property. The SES also receives funds from the same source for the cost of strategic and administrative services delivered to it by ESAU. Fundraising revenue by the SES units has been recognised in the Financial Statements for the first time.

2. Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report prepared in accordance with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, and mandatory professional reporting requirements (Urgent Issues Group Consensus Views). It has been prepared on the accrual basis of accounting using the historical cost accounting method, with the exception of certain major non-current assets, which have been revalued to fair value.

(b) Valuation of Non-Current Assets

Property, plant and equipment are brought to account at fair value. During 2002-03 ESAU brought to account the first stage of implementation of revaluation to fair value of approximately 40 percent of properties and approximately 90 percent of emergency response vehicles. The remaining properties and emergency response vehicles will be revalued to fair value during 2003-04.

- (i) Plant and equipment is at historical cost
- (ii) Independent valuations for certain land and buildings were obtained in 2002-03 from Andrew J Lucas, MBA, B.App.Sc (Val), AVLE (Val), ASA, Certified Practising Valuer of Valcorp Australia Pty Ltd and was determined on the basis of open market values for existing use.
- (iii) An independent valuation of vehicles was obtained in 2002-03 for current emergency response vehicles from Stephen Sinclair, B.App.Sc (Val), AVLE (Val), ASA, Certified Practising Valuer of Valcorp Australia Pty Ltd and represents the written down current cost of vehicles.
- (iv) Assets transferred from Local Government are initially recognised at their fair value at the date of acquisition.
- (v) Capital works in progress represent costs accumulated during the construction or development of an asset and is valued at cost.

(c) Depreciation of Non-Current Assets

Depreciation on property, plant and equipment, excluding freehold land, is calculated on a straight-line basis, based on the expected useful lives of the assets, which are reviewed annually. Major depreciation periods are:

	Years
Buildings	25
Vehicles	5-15
Communications equipment	3-10
Plant and equipment	5-15
Computer equipment	3

(d) Employee Benefits**(i) Wages and Salaries and Annual Leave**

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date. These amounts are not discounted and are based on remuneration wage and salary rates that the ESAU expects to pay at the time the liability is settled. Relevant employment on-costs are shown under the item 'Payables'.

(ii) Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by employees to balance date. The liability has been calculated at nominal amounts based on current salaries and wages rates using a benchmark of 12 years as advised by the Department of Treasury and Finance. Relevant employment on-costs are shown under the item 'Payables'.

(iii) Sick Leave

No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be from the current year's accrual, no liability is recognised.

(iv) *Superannuation*

Contributions are made by ESAU to several 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 superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

(v) *Workers Compensation*

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. For the 2003 valuation, the Justice, Human Services and all other portfolios have been analysed separately. In previous years, the Justice Portfolio was analysed together with all other non-Human Service agencies. The new valuation methodology has resulted in the Justice Portfolio's liability being more specifically measured. ESAU's liability is an allocation of the Justice Portfolio's total assessment.

It is important to note that the new methodology adopted for this valuation has significantly contributed to the large increase in liability in 2003. Applying the new methodology to the previous year's data would have resulted in ESAU's June 2002 liability being 25 percent larger than reported.

ESAU fully funds this provision. Liability with respect to SES Volunteers is currently held and managed by the Office for the Commissioner for Public Employment.

(e) *Goods and Services Tax*

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (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 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 a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis.

(f) *Revenue Recognition*

All revenues are recognised when services are provided, at fair value of the consideration received.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

The gross proceeds of non-current asset sales are included as revenue at the date control of assets passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(g) *Cash*

For purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(h) *Change in Accounting Policy*

In accordance with Accounting Standard AASB 1028 'Employee Benefits' on 1 July 2002 the entity changed its policy for recognising its liability for salaries and wages and annual leave. Under the new policy the amount of the liability is calculated using the remuneration rate that is expected to apply at the time of settlement rather than the remuneration rate that applies at reporting date.

This change in accounting policy had no material impact on the results for the period.

(i) *Change in Accounting Estimate*

The Long Service Leave Liability shorthand benchmark, as advised by the Department of Treasury and Finance has been revised upwards from 8 years to 12 years. The change in the accounting estimate has resulted in the liability being reduced by \$130 000 from \$1 984 000 to \$1 854 000.

3. Fees and Charges for Services	2003	2002
Fees and charges for services comprised:	\$'000	\$'000
Administrative services provided	491	529
Other	-	22
	491	551
4. Other Revenue		
Other revenue comprised:		
Commonwealth grant - State Disaster Committee	545	536
Commonwealth grant - Other	13	252
Reimbursement for Government Radio Network installation and registration	-	539
Targeted Voluntary Separation Package expenses recovered	-	419
Fundraising by SES units	666	-
Other	35	93
	1 259	1 839

5. Employee Benefits		2003	2002
Employee benefits expenses for the reporting period comprised:		\$'000	\$'000
Salaries and wages		7 650	7 622
Payroll tax and superannuation		1 269	1 115
Long service leave expenses		207	353
Other employee related costs		668	530
		9 794	9 620
6. Depreciation			
Depreciation expenses for the reporting period were charged in respect of:			
Communications equipment		192	192
Vehicles		369	357
Plant and equipment		77	69
Buildings		117	49
Computer equipment		124	93
		879	760
7. Government Radio Network (GRN) Costs			
ESAU has been charged by the Department for Administrative and Information Services for costs associated with the provision to SES of emergency communication services, including voice, paging and data transmission using the GRN.			
Contribution towards GRN – Voice		1 441	1 398
Contribution towards GRN - Paging		162	146
Other GRN costs		9	25
		1 612	1 569
8. Supplies and Services			
Supplies and services for the reporting period comprised:			
Computing expenses		656	845
Consumables and minor purchases		1 030	1 168
Repairs and maintenance		564	552
Accommodation		56	53
Uniforms and protective clothing		471	238
Communication expenses		566	495
Energy		40	37
Light vehicle expenses		37	44
Travel and training		558	695
Consultancy fees, legal fees and other expenses		933	1 362
Minister's Grants Program		22	885
Leases		1 053	997
		5 986	7 371

9. Net Costs from Restructuring

As a result of a restructuring of administrative arrangements, ESAU assumed responsibility for Fire Equipment Services SA (FESSA) as at 1 July 2002. Liabilities assumed by ESAU as a result of the transfer are recognised in the Statement of Financial Position at the carrying amount of those assets in the transferor Attorney-General's Department Statement of Financial Position immediately prior to the transfer.

In addition, ESAU relinquished its responsibility for the Office of Volunteers and transferred the net assets relating to this business activity to the Department of the Premier and Cabinet at 1 July 2002.

In respect of the activities assumed, the following assets and liabilities have been recognised.

Fire Equipment Services SA		2003	2002
Current Liabilities:		\$'000	\$'000
Payables		(8)	-
Provision for annual leave		(42)	-
		(50)	-
Non-Current Liabilities:			
Payables		(6)	-
Provision for long service leave		(50)	-
		(56)	-
Total Liabilities		(106)	-
Net cost attributable to Fire Equipment Services SA		(106)	-

In respect of the activities relinquished the following assets and liabilities have been transferred.

Office of Volunteers

Current Assets:			
Cash at bank		(300)	-
		(300)	-
Non-Current Assets:			
Plant and equipment		(20)	21
Computer equipment		(7)	8
		(27)	29
Total Assets		(327)	29

Office of Volunteers (continued)		2003	2002
Current Liabilities:		\$'000	\$'000
Payables		7	(7)
Provision for annual leave		31	(31)
		<u>38</u>	<u>(38)</u>
Non-Current Liabilities:			
Payables		31	(31)
Provision for long service leave		127	(127)
		<u>158</u>	<u>(158)</u>
Total Liabilities		<u>196</u>	<u>(196)</u>
Net Cost attributable to Office of Volunteers		<u>(131)</u>	<u>(167)</u>
Net Cost from Restructuring		<u>(237)</u>	<u>(167)</u>
10. Net Revenues from Disposal of Non-Current Assets			
Proceeds from disposal of non-current assets		4	50
Less: Written down value of non-current assets		96	90
		<u>(92)</u>	<u>(40)</u>
11. Transfer of Assets from Local Government			
Since 1999 negotiations have been undertaken to identify and transition land, buildings, minor plant and equipment and motor vehicles from Local Government and other sources into the ownership or the care and control of the Minister for Emergency Services (the Minister). As at 30 June 2003 approximately 98 percent of all vehicles, appliances, minor plant and equipment have been transferred to the Minister, and security of tenure by way of transfer, rededication, lease or licence for approximately 91 percent of all land and buildings has been negotiated. Some operational costs in the servicing of these non-transferred assets have been incurred over the course of 2002-03.			
12. Cash Assets		2003	2002
		\$'000	\$'000
Cash on hand		4	4
Cash at bank		3 134	400
		<u>3 138</u>	<u>404</u>
13. Receivables			
Current:			
Receivables		258	361
GST refunds		181	290
		<u>439</u>	<u>651</u>
14. Non-Current Assets		2003	
<i>(a) Property, Plant and Equipment</i>			Written Down Value
	Cost/Valuation	Accumulated Depreciation	Value
	\$'000	\$'000	\$'000
Land at independent valuation	370	-	370
Buildings at independent valuation	2 153	34	2 119
Buildings at cost	622	45	577
Vehicles at independent valuation	4 626	478	4 148
Vehicles at cost	1 588	115	1 473
Communications equipment	2 330	767	1 563
Computer equipment	902	316	586
Plant and equipment	855	222	633
Work in progress	157	-	157
	<u>13 603</u>	<u>1 977</u>	<u>11 626</u>
		2002	
	Cost/Valuation	Accumulated Depreciation	Written Down Value
	\$'000	\$'000	\$'000
Land at independent valuation	145	-	145
Buildings at independent valuation	325	10	315
Buildings at cost	1 040	55	985
Vehicles at independent valuation	2 922	1 549	1 373
Vehicles at cost	3 387	300	3 087
Communications equipment	2 249	575	1 674
Computer equipment	471	192	279
Plant and equipment	802	145	657
Work in progress	229	-	229
	<u>11 570</u>	<u>2 826</u>	<u>8 744</u>

(b) Asset Movement Schedule

	2003						2003
	Land and Buildings	Vehicles	Communi- cations Equipment	Computer Equipment	Plant and Equipment	Work in Progress	Total \$'000
Gross Carrying Amount	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2002	1 510	6 309	2 249	471	802	229	11 570
Transfer of work in progress	853	897	78	439	74	(2 341)	-
Transfer from Local Government Councils	807	161	-	-	-	-	968
Transfer to Office of Volunteers	-	-	-	(8)	(21)	-	(29)
Net adjustment on revaluation	(66)	(909)	-	-	-	-	(975)
Additions	41	-	3	-	-	2 269	2 313
Disposals	-	(244)	-	-	-	-	(244)
Balance at 30 June 2003	3 145	6 214	2 330	902	855	157	13 603
Accumulated Depreciation							
Balance at 1 July 2002	(65)	(1 849)	(575)	(192)	(145)	-	(2 826)
Net adjustment on revaluation	103	1 477	-	-	-	-	1 580
Depreciation expense	(117)	(369)	(192)	(124)	(77)	-	(879)
Disposals	-	148	-	-	-	-	148
Balance at 30 June 2003	(79)	(593)	(767)	(316)	(222)	-	(1 977)
Net Book Value at 30 June 2003	3 066	5 621	1 563	586	633	157	11 626

	2002						2002
	Land and Buildings	Vehicles	Communi- cations Equipment	Computer Equipment	Plant and Equipment	Work in Progress	Total \$'000
Gross Carrying Amount	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2001	971	4 315	2 148	443	677	777	9 331
Transfer of work in progress	5	1 124	101	4	-	(1 234)	-
Transfer from Local Government Councils	470	329	-	-	-	-	799
Transfer from Office of Volunteers	-	-	-	8	21	-	29
Additions	64	662	-	16	217	686	1 645
Disposals	-	(121)	-	-	(113)	-	(234)
Balance at 30 June 2002	1 510	6 309	2 249	471	802	229	11 570
Accumulated Depreciation							
Balance at 1 July 2001	(16)	(1 376)	(383)	(99)	(189)	-	(2 063)
Transfer from Local Government Councils	-	(147)	-	-	-	-	(147)
Depreciation expense	(49)	(357)	(192)	(93)	(69)	-	(760)
Disposals	-	31	-	-	113	-	144
Balance at 30 June 2002	(65)	(1 849)	(575)	(192)	(145)	-	(2 826)
Net Book Value at 30 June 2002	1 445	4 460	1 674	279	657	229	8 744

15. Payables		2003	2002
Current:		\$'000	\$'000
Accrued salaries and wages		243	64
On-costs re employee benefit provisions		106	73
Creditors		1 499	722
		1 848	859
Non-Current:			
On-costs re employee benefit provisions		208	218
		208	218
16. Provision for Employee Benefits			
Provision for employee benefits consists of the following:			
Current:			
Annual leave		540	367
Long service leave		66	66
Workers compensation		107	33
		713	466
Accrued salaries and wages (included in payables)		243	64
On-costs re employee benefit provisions (included in payables)		106	73
		1 062	603
Non-Current:			
Long service leave		1 788	1 851
Workers compensation		462	103
		2 250	1 954
On-costs re employee benefit provisions (included in payables)		208	218
		2 458	2 172

		2003	2002
17.	Accumulated Surplus	\$'000	\$'000
	Balance at 1 July	6 302	4 180
	Change during period:		
	Surplus from ordinary activities	2 309	1 470
	Net revenues from the transfer of assets from Local Government	968	652
	Balance at 30 June	9 579	6 302
18.	Asset Revaluation Reserve		
	The asset revaluation reserve is the cumulative balance of asset revaluation increments and decrements.		
	Balance at 1 July	-	-
	Revaluation of land and building	37	-
	Revaluation of vehicles	568	-
	Balance at 30 June	605	-
19.	Commitments and Contingent Liabilities		
	(a) Commitments for Capital Expenditure		
	As at the reporting date ESAU had entered into contracts for the following capital expenditures which are not included in the financial statements.		
	These amounts are due for payment:		
	Not later than one year	967	530
	(b) Operating Leases		
	Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
	Payable not later than one year	814	724
	Payable later than one year and not later than five years	2 562	2 189
	Payable later than five years	894	1 385
		4 270	4 298
	These operating leases are not recognised in the Statement of Financial Position as liabilities. The non-cancellable leases are property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased annually based on CPI movement. Options exist to renew the leases at the end of the term of the leases.		
	(c) Contractual Commitments	2003	2002
	At the end of the reporting period ESAU had the following commitments on contracts:	\$'000	\$'000
	Payable not later than one year	12	-
	Payable later than one year and not later than five years	12	-
		24	-
	Contractual commitments relate to central communications maintenance for the State Operations Centre.		
20.	Reconciliation of Surplus from Ordinary Activities to Net Cash provided by Operating Activities		
	Surplus from ordinary activities	2 309	1 470
	Depreciation	879	760
	Net (revenue) cost from restructuring not accounted for in cash flow	27	(29)
	Net loss from disposal of non-current assets	92	40
	Increase in employee benefits	543	254
	Increase (Decrease) in payables	983	(670)
	Decrease in receivables	212	125
	Net Cash provided by Operating Activities	5 045	1 950
21.	Remuneration of Auditors		
	The amount due and payable for audit services provided by the Auditor-General's Department was:	73	68
	The auditors provided no other services.		
22.	Consultancies	Number of	Number of
	Total expenditure (excluding GST) on 10 (10) consultancies in 2002-03 amounted to \$37 000 (\$206 000).	Consultants	Consultants
	Less than \$10 000	9	7
	\$10 000 - \$50 000	1	2
	Greater than \$50 000	-	1

23. Remuneration of Employees	Number of Employees	Number of Employees
The number of employees whose remuneration received or receivable fell within the following bands were:		
\$100 001 - \$110 000	1	1
\$110 001 - \$120 000	-	1
\$130 001 - \$140 000	1	-
\$160 001 - \$170 000	1	1

The aggregate remuneration for the employees referred to above was \$409 000 (\$390 000).

24. Targeted Voluntary Separation Package (TVSP) Scheme	2003 Number of Employees	2002 Number of Employees
Number of employees paid TVSPs	-	5
Amounts paid to these employees:	\$'000	\$'000
TVSP	-	419
Accrued annual leave and long service leave	-	171
	-	590
Amount recovered from the Department of the Premier and Cabinet	-	419

25. Financial Instruments

(a) Terms and Conditions	Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
<i>Financial Assets:</i>				
	Cash at bank	12	Cash at bank comprises cash held in a Department of Treasury and Finance Deposit Account. Interest revenue is recorded on an accrual basis.	Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance and is based on the average daily balance of the Deposit Account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts, which varied between 4.59 percent and 4.60 percent during 2002-03. (4.06 percent and 4.80 percent in 2001-02).
	Receivables	13	Receivables are recorded at the amounts due to ESAU. They are recorded when goods have been supplied and services completed.	Receivables are due within 30 days of the rendering of an account.
<i>Financial Liabilities:</i>				
	Payables	15	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided to ESAU.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

Financial Instrument	Effective Interest Rate Percent	2003			Effective Interest Rate Percent	2002		
		Interest Bearing \$'000	Non-Bearing \$'000	2003 Total \$'000		Interest Bearing \$'000	Non-Bearing \$'000	2002 Total \$'000
Financial Assets:								
Cash on hand		-	4	4		-	4	4
Cash at bank	4.60	3 134	-	3 134	4.12	400	-	400
Receivables		-	439	439		-	651	651
Total Financial Assets		3 134	443	3 577		400	655	1 055
Financial Liabilities:								
Payables		-	2 056	2 056		-	1 077	1 077
Total Financial Liabilities		-	2 056	2 056		-	1 077	1 077

(c)	Net Fair Values of Financial Assets and Liabilities		2003		2002	
			Total Carrying Amount	Net Fair Value	Total Carrying Amount	Net Fair Value
	Financial Instrument	Note	\$'000	\$'000	\$'000	\$'000
	Financial Assets:					
	Cash on hand	12	4	4	4	4
	Cash at bank	12	3 134	3 134	400	400
	Receivables	13	439	439	651	651
			3 577	3 577	1 055	1 055
	Financial Liabilities:					
	Payables	15	2 056	2 056	1 077	1 077

(d) **Credit Risk Exposure**

ESAU's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. ESAU has no significant exposures to any concentrations of credit risk.

26. Related Party Transactions

There have been no related party transactions for the financial year ending 30 June 2003.

27. Event Occurring After Reporting Date

In October 2002, the Minister commissioned a review into the management, administration and governance arrangements of emergency services in South Australia. This included the structure and activities of the ESAU.

The Report of the Emergency Services Review Taskforce, subsequently released by the Minister in May 2003, foreshadowed a number of major recommendations. In July 2003 the Government provided a formal response to that report and signalled its intention to implement many of the Report's recommendations.

Principal among these was the Government's intention to disband ESAU and to transfer all or part of its functions to the proposed South Australian Fire and Emergency Services Commission. While the timing of these measures and the corresponding financial effects are not clear at this time, it is likely that ESAU will not continue in operation within the proposed framework of revised administrative and governance arrangements.

LEGAL SERVICES COMMISSION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Legal Services Commission (the Commission) is a body corporate established pursuant to subsection 6(1) of the *Legal Services Commission Act 1977* (the Act). As determined by subsection 6(3) of the Act the Commission is not an instrumentality of the Crown and is independent of the Government.

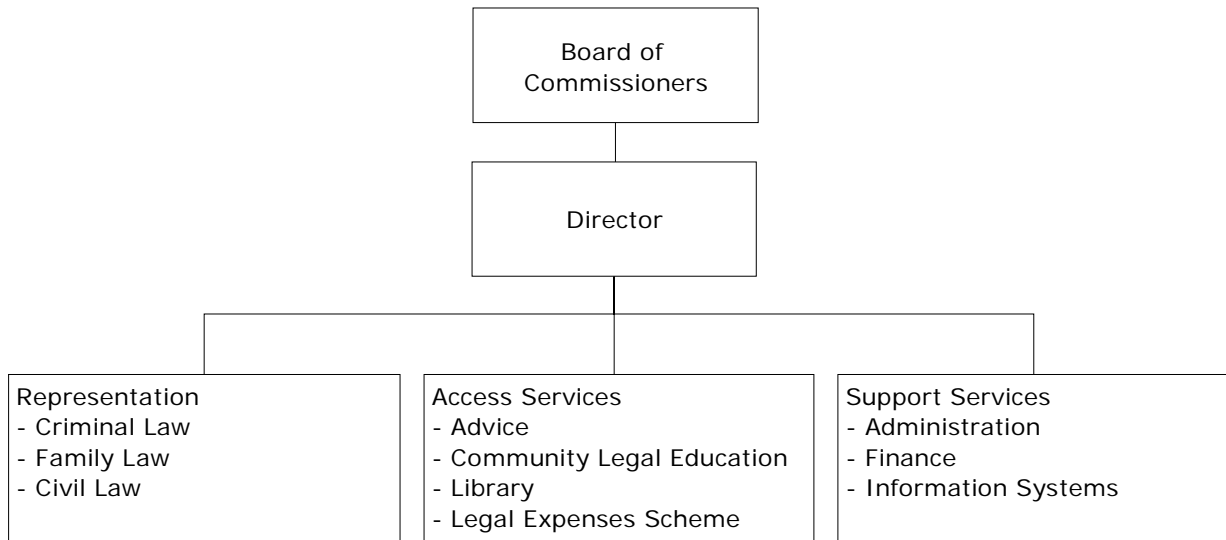
Functions

The Act provides for the Commission to undertake a variety of functions concerning legal assistance including:

- provide, or arrange for legal assistance and determine the criteria under which that assistance is to be granted;
- co-operate and make reciprocal arrangements with persons administering schemes of legal assistance in other States and Territories of the Commonwealth or elsewhere;
- initiate and carry out educational programmes to promote an understanding by the public of their rights, powers, privileges and duties under the laws of the Commonwealth or the State;
- perform other functions as the Attorney-General may direct.

Structure

The structure of the Commission is illustrated in the following organisation chart.



Audit and Risk Management Committee

The Commission has an Audit and Risk Management Committee which comprises two Commissioners and the Director. The Committee meets at least three times a year and reports to the Board of Commissioners. The Committee's primary function is to monitor and oversee audit and risk management and associated policies and procedures. Representatives of the Auditor-General's Department attend meetings of the Committee as observers.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 25 of the *Legal Services Commission Act 1977* provides for the Auditor-General to audit the accounts of the Commission in respect of each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* 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.

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework (FMF) as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- payroll
- expenditure (including legal and administrative expenses)
- revenue, receipting and banking
- accounts receivable
- fixed assets
- budgetary control.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chairperson of the Commission and a satisfactory response was received. Major matters raised with the Commission and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Legal Services Commission as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that 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 is sufficient to provide reasonable assurance that the financial transactions of the Commission have been conducted properly and in accordance with law.

Significant Matters Raised with Agencies

Commentary on Financial Management Framework

In recent years the audit has included a review of the Commission's progress with respect to implementing the prescribed elements set out in the FMF. The audits revealed that the Commission was progressing satisfactorily with respect to all components of the FMF with the exception of Planning and Analysis and Control.

In 2002-03 a follow-up review revealed that the Commission has made progress in addressing issues relating to the review of the internal audit function and Terms of Reference of the Audit and Risk Management Committee (formerly the Audit Committee). Further, the Commission has formally endorsed its risk management reporting framework.

Notwithstanding this, the Commission had not yet established a framework for the development, approval and review of its policies and procedures as recommended by Audit in 2001-02.

In response, the Commission provided a listing of policies and their approval processes.

Commentary on General Financial Controls

The audit of the Commission's general control environment revealed that internal controls were operating satisfactorily. Notwithstanding this observation, Audit identified opportunities to enhance the existing controls. These matters were raised with the Commission for consideration and a satisfactory response was received.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

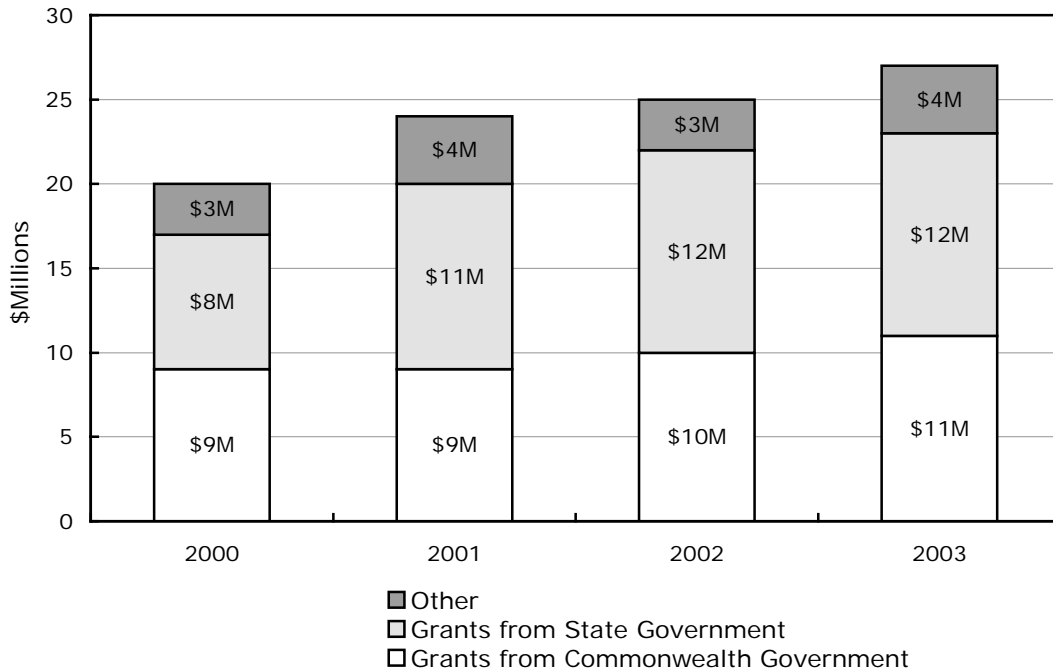
Highlights of Financial Statements

	2003 \$'million	2002 \$'million	Percentage Change
<i>OPERATING REVENUE</i>			
Commonwealth Government grants	11	10	10
State Government grants	12	12	-
Other revenue	4	3	33
Total Operating Revenue	27	25	8
<i>OPERATING EXPENDITURE</i>			
Employment expenses	10	9	11
Legal Expenses	13	12	8
Other expenses	3	3	-
Total Operating Expenses	26	24	8
Operating Surplus from Ordinary Activities	1	1	-
Net Cash Flows from Operations	1	1	-
<i>ASSETS</i>			
Current assets	8	7	14
Non-current assets	4	4	-
Total Assets	12	11	9
<i>LIABILITIES</i>			
Current liabilities	2	2	-
Non-current liabilities	1	1	-
Total Liabilities	3	3	-
<i>EQUITY</i>	9	8	13

Statement of Financial Performance

Operating Revenues

A structural analysis of operating revenues for the Commission in recent years is presented in the following chart.



The majority of the Commission's revenue is provided by the State and Commonwealth Governments.

Commonwealth Government Grants

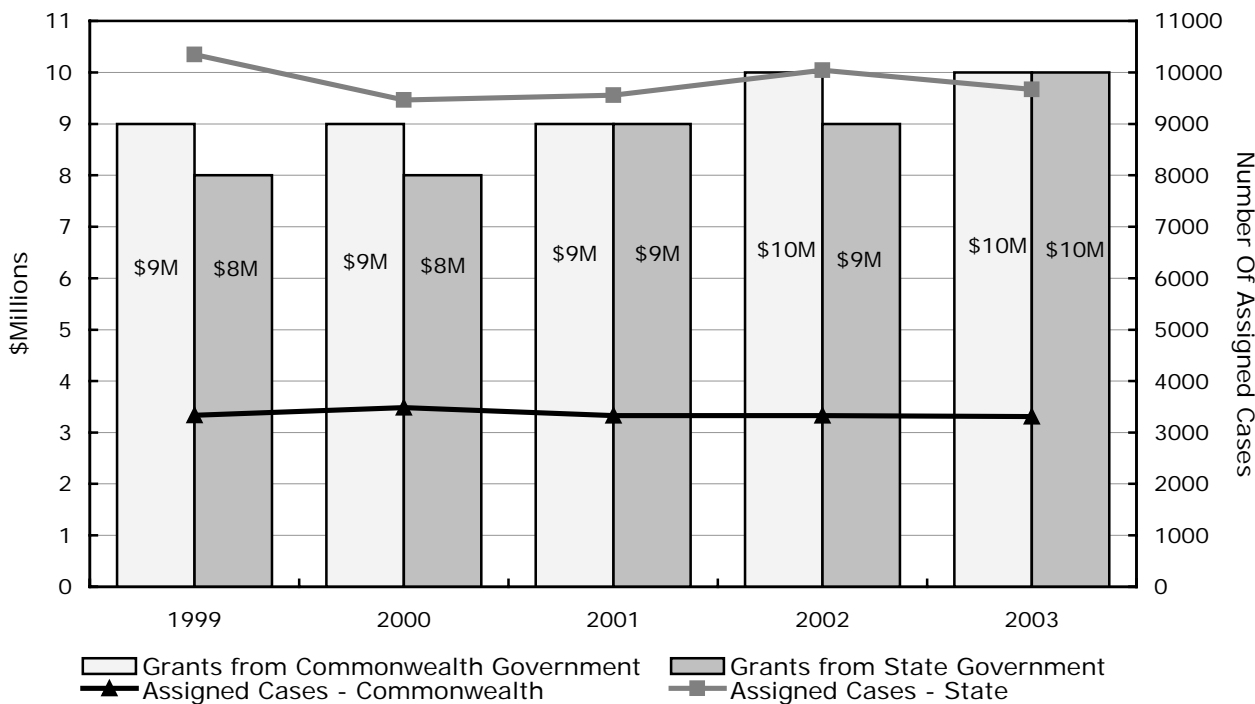
In meeting the cost of providing legal aid, the Commission is funded by the Commonwealth in accordance with an agreement between the Commonwealth and State Governments. The agreement commenced on 1 July 2000 and covers a four year period to 30 June 2004. The Commonwealth grants received by the Commission are expended in accordance with the agreement between the Commonwealth and State Governments. Legal assistance is only to be provided within South Australia for matters arising under Commonwealth law which are a matter of priority. The matters of priority are predominantly in the areas of family law, criminal law, and certain civil matters.

General grants from the Commonwealth Government provided in accordance with the funding agreement (excluding specific Commonwealth grants provided for primary dispute resolution of \$125 000 and child support of \$408 000), totalled \$10 million (\$9.9 million) and comprised 38 percent (39 percent) of total Revenues from Ordinary Activities of the Commission.

State Government Grants

The funding provided by the State is determined through the budgetary process of the South Australian Government. The State grants received by the Commission are expended on State Law matters and these are predominately criminal cases, and community advice and education.

General grants from the State Government (excluding specific State grants for expensive cases of \$2.5 million and extended duty solicitor service of \$120 000) totalled \$9.7 million (\$9.4 million) and comprised 35 percent (37 percent) of total Revenues from Ordinary Activities of the Commission.

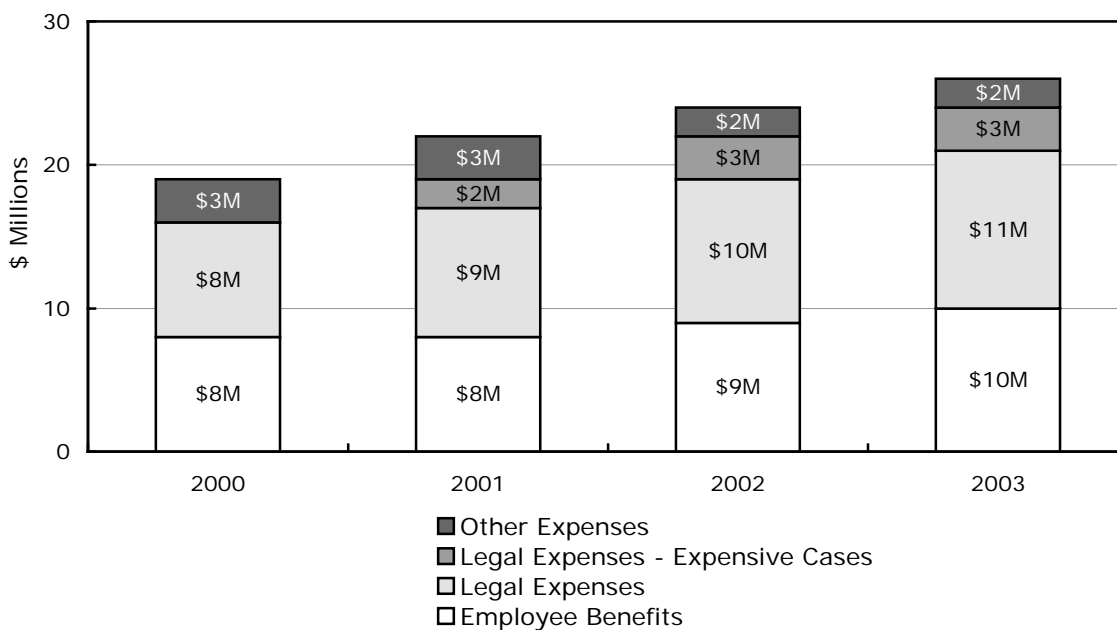


The above chart illustrates for the past five years, the proportions of State and Commonwealth funding provided in accordance with the agreement between the Governments (general grants only). It also illustrates the number of cases that have been assigned that relate to Commonwealth and State grant funding.

Operating Expenses

During the year ending 30 June 2003, total operating expenses increased by 7 percent to \$26.4 million.

A structural analysis of the main operating expense items for the Commission is shown in the following chart which illustrates that the composition of the Commission’s expenses has remained relatively constant with a gradual increase in employee benefits and legal expenses.

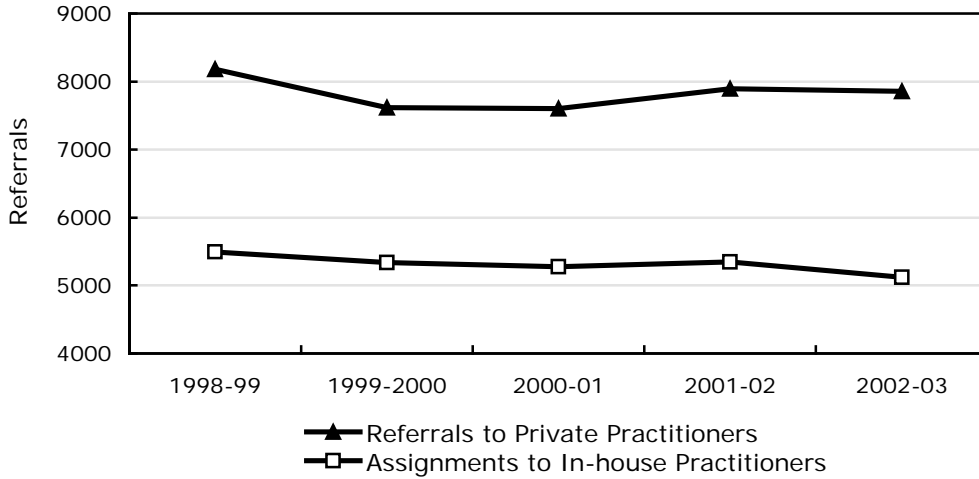


The item ‘Legal Expenses – Expensive Cases’ in the chart above predominantly reflects expenditure relating to the provision of legal representation to the defendants in the Snowtown Murders Case. As at 30 June 2003 a total of \$7.3 million has been spent on this case, for which the equivalent amount of State Government grant funding has been received over the period of three years.

Referrals to Private and In-house Practitioners

Referrals to private practitioners for the 2002-03 year totalled 7856 (7895) or 61 percent (60 percent) of approvals. Fees to private legal practitioners for these cases (legal expenses) amounted to \$10.7 million (\$9.6 million) and comprised 40 percent (39 percent) of total Expenses from Ordinary Activities. Applications assigned to the in-house practitioners totalled 5120 (5347) or 39 percent (40 percent).

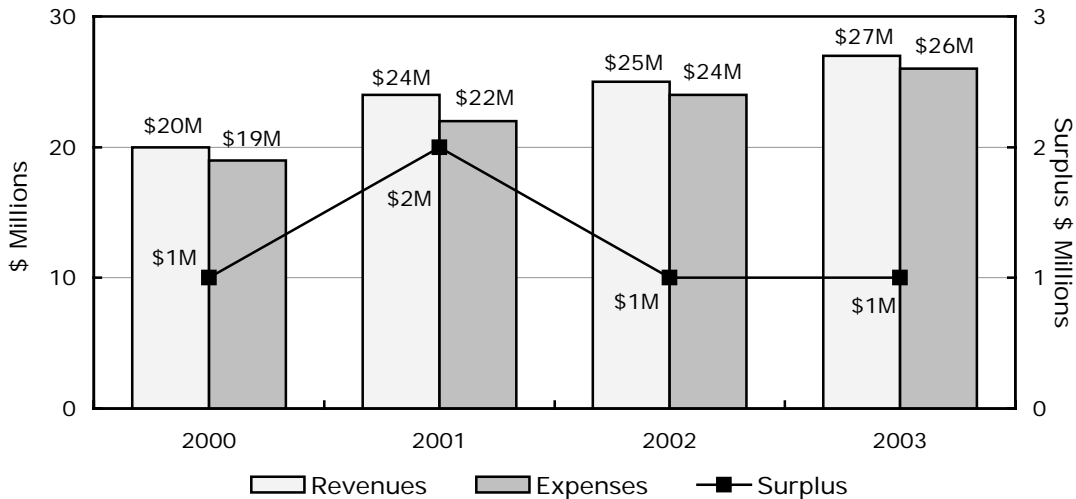
The following chart shows the trend in referrals to private practitioners and assignment to in-house practitioners over the past five years.



Operating Result

The Statement of Financial Performance for the year ended 30 June 2003 reports total Revenues from Ordinary Activities of \$27.4 million (\$25.5 million) and total Expenses from Ordinary Activities of \$26.4 million (\$24.6 million), resulting in an Operating Surplus from Ordinary Activities of \$1 million (\$900 000).

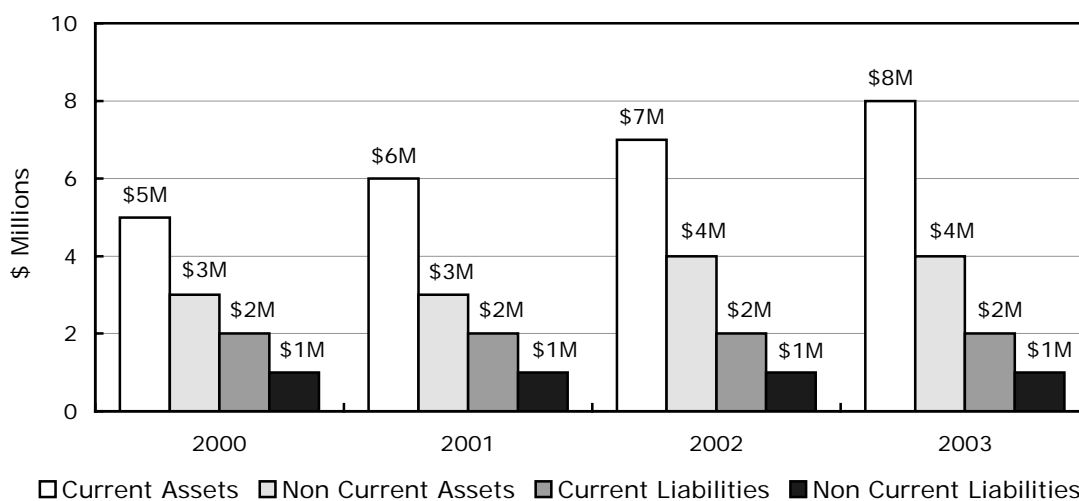
The following chart shows the revenues, expenses and surplus for the four years to 2003.



The chart highlights that the Commission has consistently achieved a small surplus every year over the period.

Statement of Financial Position

For the four years to 2003 a structural analysis of assets and liabilities is shown in the following chart.



This analysis shows a gradual increase in assets and no change in liabilities over the period under review. Total assets have grown by 50 percent. This growth is primarily a result of an increase in cash at bank and an increase in statutory charge debtors (relate to the Commission's charges over property owned by some recipients of legal aid to secure legal costs owed).

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	1.1	1.4	1.6	1.5
Investing	(0.4)	(0.6)	(0.1)	(0.3)
Financing	0.0	0.0	0.0	0.0
Change in Cash	0.7	0.8	1.5	1.2
Cash at 30 June	7.2	6.5	5.7	4.2

The analysis of cash flows shows a gradual increase in cash at the end of each reporting period primarily as a result of a small positive cash contribution from operating activities each year. This trend is consistent with the operating surpluses achieved each year.

The cash balance of \$7.2 million as at 30 June 2003 is sufficient to meet the Commission's outstanding liabilities and future commitments of \$3 million (as disclosed in Notes 16 and 17).

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants from Commonwealth Government:			
General	1.2	10 351	9 901
Primary dispute resolution funding	1.2	125	82
Child support - Stage One matters	1.2	408	325
Grants from State Government:			
General	1.2	9 691	9 412
Extended Duty Solicitor Service		120	-
Expensive cases	1.2	2 521	2 593
<i>Legal Practitioners Act</i> revenue	3	2 279	1 449
Costs recovered and contributions	4	248	244
Other revenue	5,6	1 628	1 540
Total Revenues		27 371	25 546
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	2.4	10 194	9 082
Legal expenses	7	10 654	9 637
Legal expenses - State Government expensive cases		2 515	2 599
Other expenses	8	2 660	2 634
Depreciation expense		309	265
Bad and doubtful debt expense		25	129
Commonwealth Expensive Case Refund		-	300
Total Expenses		26 357	24 646
OPERATING SURPLUS FROM ORDINARY ACTIVITIES			
		1 014	900
Increase in asset revaluation reserve		-	121
TOTAL REVENUES, EXPENSES AND VALUATION			
ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY			
		-	121
TOTAL CHANGES IN EQUITY OTHER THAN THOSE			
RESULTING FROM TRANSACTIONS WITH OWNERS			
AS OWNERS			
		1 014	1 021

**Statement of Financial Position
as at 30 June 2003**

		2003	2002
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash at bank and on hand	9	7 202	6 502
Receivables	10	1 079	841
Other	11	107	120
Total Current Assets		8 388	7 463
NON-CURRENT ASSETS:			
Library	2.3	333	333
Computers and other equipment	12	1 098	952
Statutory charge debtors	22	2 468	2 250
Total Non-Current Assets		3 899	3 535
Total Assets		12 287	10 998
CURRENT LIABILITIES:			
Legal creditors	2.7	884	991
Employee provisions	13	583	520
Creditors		429	258
Total Current Liabilities		1 896	1 769
NON-CURRENT LIABILITIES:			
Employee provisions	13	1 470	1 322
Total Non-Current Liabilities		1 470	1 322
Total Liabilities		3 366	3 091
NET ASSETS		8 921	7 907
EQUITY:			
Reserves	14	1 013	1 839
Accumulated funds	15	7 908	6 068
TOTAL EQUITY		8 921	7 907
Commitments, Contingent Liabilities	16, 17, 21		

Statement of Cash Flows for the year ended 30 June 2003

		2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
PAYMENTS:			
Employee benefits		(9 880)	(8 930)
Suppliers		(2 641)	(2 592)
Private practitioners		(10 745)	(9 468)
GST payments on purchases		(1 735)	(1 630)
GST payments to tax authority		(132)	(114)
Private practitioners - State Government expensive cases		(2 515)	(2 599)
Commonwealth Government expensive case refund		-	(300)
Total		(27 648)	(25 633)
RECEIPTS:			
Commonwealth Government:			
Funding agreement		10 351	9 901
Child support - Stage One matters		408	325
Primary dispute resolution		125	82
State Government:			
Funding		9 691	9 412
Other - Expensive Cases		2 521	2 593
Legal Practitioners Act receipts		2 147	1 343
Costs recovered and contributions		222	267
Statutory charge receipts		569	610
GST receipts on receivables		81	84
GST receipts from taxation authority		1 596	1 597
Other		1 063	860
Total		28 774	27 074
Net Cash provided by Operating Activities	18	1 126	1 441
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchase of equipment		(426)	(657)
Net Cash used in Investing Activities		(426)	(657)
NET INCREASE IN CASH HELD		700	784
CASH AT 1 JULY		6 502	5 718
CASH AT 30 JUNE	9	7 202	6 502

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Function and Funding Arrangements

1.1 Function

The Legal Services Commission (the Commission) was established under the *Legal Services Commission Act 1977* (the Act) to provide, or arrange for the provision of legal assistance in accordance with the Act.

1.2 Funding Arrangements

Commonwealth Government

A Commonwealth Government Legal Assistance Agreement was entered into between the Commonwealth and State Governments for the provision of legal assistance. The agreement was effective from 1 July 2000. Pursuant to that Agreement:

- The Commonwealth is required to contribute \$9 450 000, \$9 901 000, \$10 351 000 and \$10 802 000 for the years 2000-01, 2001-02, 2002-03 and 2003-04 respectively. These funds purchase agreed levels of outputs at agreed prices for outputs. An inclusive fee of \$82 000 for strategic services is included in Commonwealth funds provided in 2002-03;
- In addition the Commonwealth provided specific funding of \$125 000 (\$82 000) for primary dispute resolutions.
- The Commonwealth Government entered into a separate agreement for the provision of Legal Assistance in Stage 1 Carer-Parent Matters. The Agreement was effective from 18 February 2002. Pursuant to the Agreement funding of \$408 000 (\$325 000) was provided in 2002-03.

State Government

- The State Government increased funding in the normal budget process to maintain the Legal Services Commission overall funding and to provide a scale of fee increase for Private Practitioners and provide for other expenses;
- The State Government provided \$2 521 000 (\$2 593 000) to a specific State Expensive Case during 2002-03.

Future Commitments

The Commission has a future commitment for legal matters referred to external practitioners. Legal matters are identified as State and Commonwealth responsibilities. At 30 June 2003, the Commission has a future Commonwealth legal commitment of \$1 244 000 (\$1 120 000) and a future State legal commitment of \$1 522 000 (\$1 504 000).

The commitments of \$2 766 000 (\$2 624 000) have not been recognised as a liability but are disclosed as a commitment in Note 16.

2. Statement of Accounting Policies

The Commission has prepared the financial report on an accrual basis.

The General Purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Department of Treasury and Finance Accounting Policy Statements and Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*. The financial report has also been prepared on the historical cost basis except for the valuation of the library which is at an independent valuation.

2.1 Revenues

Government Funding

The Commission receives funding from the State and Commonwealth Governments which are recognised as income when monies are received and when all conditions under which funding is provided have been fulfilled.

Other Revenues

Other revenue is recognised as it accrues.

2.2 Depreciation

All computers and other equipment that have a limited useful life are systematically depreciated over their useful lives, in a manner which reflects the consumption of their service potential. Computers and other equipment are depreciated using the straight line method. The useful lives used for each class of assets are as follows:

	Years
Computers	3-5
Office equipment	5-13
Furniture and fittings	13
Leasehold improvements	10

2.3 Library

In October 2001, the Commission obtained an independent revaluation of the library at market or market replacement value. The library collection which comprises reports/major works, journals, loose-leaf services and a mix of dictionaries, encyclopaedias, statutes etc. The revaluation was undertaken by Lawyers Books, which valued the library at \$333 000.

2.4 **Employee Benefits**

Employee benefits include benefits for salaries and contract fees, long service leave, annual leave and superannuation benefits.

In the 2003 financial year, the Commission applied the revised AASB 1028 'Employee Benefits' which prescribes the recognition and measurement of employee benefits using remuneration rates that the Commission expects to pay when the leave is taken. Previously, employee benefits expected to be settled in the next 12 months were recognised on the employee's current salary rate applicable at the reporting date.

In accordance with Treasurer's Accounting Policy Statement 9 'Employee Benefits', a salary inflation of 4 percent has been applied to employee benefits existing at the reporting date which are expected to be paid from 1 October 2003.

The guidelines for the Treasurer's Accounting Policy Statement 9 'Employee Benefits' have been amended based on an actuarial assessment and a benchmark of seven years can be used for a short hand estimation of long service leave liability in accordance with Accounting Standard AASB 1028 'Employee Benefits'.

The benchmark for the measurement of long service leave liabilities has been revised from eight years to seven years as a result of actuarial assessment. The 2001-02 liabilities are based on a benchmark of eight years.

Sick leave is not provided for as it is non-vesting, however, entitlements are accumulated.

The superannuation expense included in the Commission's financial report comprises Commonwealth and State components:

- (1) The Commission paid an amount to 'Comsuper' towards the accruing government liability in respect of currently employed contributors to the Commonwealth Superannuation Fund. Payments amounted to \$68 000 (\$67 000).
- (2) During 2002-03 the Commission paid \$895 000 (\$766 000) to the South Australian Department of Treasury and Finance towards the accruing government liability for superannuation in respect of all employees.

The Commission has no responsibility for benefits in relation to future superannuation payments to employees.

2.5 **Workers Compensation**

The Commission has no exposure to workers compensation liability at 30 June 2003.

2.6 **Reserves**

The Commission has established the following reserves (refer Note 14):

Asset Revaluation Reserve

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets.

Asset Replacement Reserve

The Commission established an asset replacement reserve in 2001-02 to continue implementing an Asset Replacement Plan. As at 30 June 2002 the balance of the reserve was \$529 000. This amount represented the planned expenditure for the 2002-03 year. The Commission upgraded the Adelaide and Noarlunga offices, in 2002-03 and the balance of the reserve will be used in 2003-04 to complete the upgrade.

Commonwealth Expensive Case Reserve

The Commission had established a Commonwealth Expensive Case Reserve of \$400 000 for specific Commonwealth matters that exceed the cap. The Commission did not use the reserve during 2002-03. As at 30 June 2003 the balance of the reserve was reduced to \$200 000.

State Expensive Case Reserve

The Commission had established a State Expensive Case Reserve for specific state matters that exceed the State guideline cap. The Commission did not use the reserve during 2002-03. As at 30 June 2003, the balance of the reserve was reduced to \$200 000.

State Legal Assistance Scheme Reserve

The Legal Assistance Scheme reserve has been established to fund specific future State Law matters, as determined by agreement with the Law Society of SA.

2.7 **Financial Instruments**

The Commission's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2003, are as follows:

Financial Assets

Cash at Bank (Note 9) comprises deposits at call with the South Australian Government Financing Authority and are recorded at cost. Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 4.65 percent and 4.96 percent for the year ended 30 June 2003 (4.15 percent and 5.95 percent for the year ended 30 June 2002).

Receivables (Note 10) include client debtors and other debtors and are reported at amounts due.

The Commission is exposed to credit risk associated with amounts due from clients with respect to contributions for legal aid and other sundry charges. The credit risk relating to the financial asset recognised in the Statement of Financial Position is the carrying amount net of any provision for doubtful debts.

Financial Liabilities

Legal creditors are raised for amounts billed from private practitioners for approved cases undertaken but unpaid. They are normally settled within 30 days.

Creditors are raised for amounts billed but unpaid and are normally settled within 30 days.

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value.

2.8 Computers and Other Equipment

In accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' and the Commission's re-valuation policy, computers and other equipment are recognised at cost unless the fair value of the group (at the time of acquisition) is greater than \$1 million.

2.9 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- (a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (b) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have however been classified as operating cash flows.

2.10 Comparative Figures

The previous year's figures are provided in the Financial Statements for comparative purposes. Where applicable, comparative figures have been adjusted to conform with changes in presentation and classification in the current year.

3. Legal Practitioners Act Revenue	2003	2002
In accordance with the <i>Legal Practitioners Act 1981</i> the Commission is entitled to revenue from funds administered by the Law Society of South Australia. Amounts related to the:	\$'000	\$'000
Statutory interest account	769	653
Interest on Legal Practitioners Trust Accounts	1 092	795
Legal Practitioners Guarantee Fund	418	1
	2 279	1 449
4. Costs Recovered and Contributions		
Costs recovered	40	53
Contributions*	208	191
	248	244
* In addition contributions of \$347 000 (\$377 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.		
5. Other Revenue		
Statutory charges	721	688
Interest	466	403
Other	441	449
	1 628	1 540
6. Net Gain or Loss from the Disposal of Non-Current Assets		
Proceeds from the disposal of non-current assets	-	-
Less: Written down value of those assets	-	69
	-	(69)
7. Legal Expenses		
Comprise solicitor's fees, counsel fees and disbursements due to private practitioners for approved cases undertaken during the year.		
8. Other Expenses		
Accommodation:		
Rental	700	618
Other	307	283
Computer maintenance and processing	449	464
Telephone and postage	361	307
Travel	144	135
Office requisites	180	233
Loss on disposal of assets (refer to Note 6)	-	69
Library	143	149
Consultancy Fees	42	-
Other*	334	376
	2 660	2 634

* Includes Auditor's remuneration of \$40 000 (\$39 000), for auditing the accounts. The auditors provided no other services and received no other benefits.

9.	Cash at Bank and On Hand	2003	2002
	For the purposes of the Statement of Cash Flows, cash includes cash at bank and on hand and deposits at call with the South Australian Government Financing Authority (SAFA).	\$'000	\$'000
	Deposits at call with SAFA	7 220	6 430
	Cash held in trust on behalf of clients	37	24
	Cash at bank and on hand	(18)	72
		7 239	6 526
	Less: Cash held in trust on behalf of clients	37	24
		7 202	6 502

10.	Receivables	2003		2002	
		\$'000	\$'000	\$'000	\$'000
	Legal Practitioners Act		687		555
	Goods and Services Tax		277		192
	Client debtors and other debtors	128		107	
	Less: Provision for bad debts	13		13	
			115		94
			1 079		841

11.	Other	2003	2002
	Prepayments	\$'000	\$'000
		107	120

12.	Computers and Other Equipment	2003		2002	
		\$'000	\$'000	\$'000	\$'000
	Computer - Major hardware equipment at cost	249		149	
	Less: Accumulated depreciation	111		68	
			138		81
	Computer - Software and applications at cost	478		429	
	Less: Accumulated depreciation	315		216	
			163		213
	Computer - Minor hardware at cost	441		405	
	Less: Accumulated depreciation	231		119	
			210		286
	Office equipment at cost	173		169	
	Less: Accumulated depreciation	101		80	
			72		89
	Furniture and fittings at cost	126		65	
	Less: Accumulated depreciation	29		22	
			97		43
	Leasehold improvements at cost	461		256	
	Less: Accumulated depreciation	43		16	
			418		240
			1 098		952

12.1 Computers and Other Equipment Movement Schedule

	Major Computer Hardware \$'000	Computer Software \$'000	Minor Computer Hardware \$'000	Office Equipment \$'000	Furniture And Fittings \$'000	Leasehold Improve- ments \$'000	Total \$'000
Balance at 30 June 2002	149	429	405	169	65	256	1 473
Add: Additions	100	49	36	4	61	205	455
Less: Disposals	-	-	-	-	-	-	-
Balance at 30 June 2003	249	478	441	173	126	461	1 928
Accumulated Depreciation:							
Balance at 30 June 2002	68	216	119	80	22	16	521
Less: Disposals	-	-	-	-	-	-	-
Add: Depreciation expense	43	99	112	21	7	27	309
Balance at 30 June 2003	111	315	231	101	29	43	830
Net Book Value:							
As at 30 June 2003	138	163	210	72	97	418	1 098
As at 30 June 2002	81	213	286	89	43	240	952

13.	Employee Benefits	2003	2002
	13.1 Employee Provisions	\$'000	\$'000
	Current Liabilities:		
	Annual leave	490	441
	Long service leave	93	79
		583	520
	Non-Current Liabilities:		
	Long service leave	1 470	1 322
		2 053	1 842

13.2 Employee Benefits and Related On-Costs	2003	2002
Accrued salaries and wages	\$'000	\$'000
On-costs included in payables - Current	5	3
Provision for employee benefits - Current	33	3
	38	6
Annual Leave		
On-costs included in payables - Current	64	18
Provision for employee benefits - Current	569	441
	633	459
Long Service Leave		
On-costs included in payables - Current	6	7
Provision for employee benefits - Current	93	78
	99	85
On-costs included in payables - Non-current	129	110
Provision for employee benefits - Non-current	1 471	1 322
	1 600	1 432
Aggregate employee benefits and related on-costs	2 370	1 982
14. Reserves		
Movements during the year were:		
Asset Replacement Reserve:		
Balance at 1 July	529	854
Less: Transfer to accumulated funds	426	665
Add: Transfer from accumulated funds	-	340
Balance at 30 June	103	529
Commonwealth Expensive Case Reserve:		
Balance at 1 July	400	720
Less: Transfer to accumulated funds	200	320
Balance at 30 June	200	400
State Expensive Cases Reserve:		
Balance at 1 July	400	200
Add: Transfer from accumulated funds	200	200
Balance at 30 June	200	400
State Legal Assistance Scheme Reserve:		
Balance at 1 July	389	389
Add: Transfer from accumulated funds	-	-
Balance at 30 June	389	389
Asset Revaluation Reserve:		
Balance at 1 July	121	-
Library revaluation increment	-	121
Balance at 30 June	121	121
Total Reserves	1 013	1 839
15. Accumulated Funds		
Balance at 1 July	6 068	4 723
Add: Transfer from reserve	826	985
Less: Transfer to reserve	-	540
Operating surplus from ordinary activities	1014	900
Balance at 30 June	7 908	6 068
16. Legal Expense Commitments		
Legal Cases Referred		
As at 30 June 2003, the Commission has a future commitment of \$2 766 000 (\$2 624 000) on legal cases referred to private practitioners which are still to be finalised.		
The Commission reviewed outstanding legal commitments and determined that commitments less the underutilisation factor of 26.18 percent would be recognised on all outstanding amounts raised since December 2001 (ie the previous 18 months). Commitments raised prior to this date has been dismissed. If any file prior to this date is reactivated, new commitments will be raised.		
In the normal course of business, further commitment may be required on recognised legal cases. It is not possible to quantify that amount.		
17. Operating Leases and Capital Commitments		
At the reporting date the Commission had the following obligations under non-cancellable operating leases. The obligations are not recognised as liabilities in the Statement of Financial Position. The operating leases held by the Commission are property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. The leases are payable one month in advance. The option to renew the lease is held by the Commission. There are no existing or contingent rental provisions. In relation to capital commitments, the Commission entered into a contract to purchase multifunction units over a period of four years.		

17. Operating Leases and Capital Commitments (continued)	2003	2002
Operating lease commitments payable:	\$'000	\$'000
Not later than one year	64	62
Later than one year but not later than five years	17	81
	81	143
Capital commitments payable:		
Not later than one year	63	-
Later than one year but not later than five years	60	-
	123	-

18. Reconciliation of Operating Surplus from Ordinary Activities to Net Cash provided by Operating Activities		
Operating surplus from ordinary activities	1 014	900
Increase in statutory charge debtors	(218)	(46)
Increase in receivables	(238)	(164)
(Decrease) Increase in legal creditors	(107)	282
Increase in creditors	142	40
Depreciation	309	265
Increase in employee provisions	211	119
Loss on disposal of equipment	-	69
Decrease (Increase) in prepayments	13	(24)
Net Cash provided by Operating Activities	1 126	1 441

19. Related Party Disclosures

The members of the Commission who have held office during the financial year are:

Mr Brian Withers (Chairman)	Mr Michael Burgess
Ms Dymphna Eszenyi (Reappointed 08.08.2002)	Ms Marilyn Lennon
Ms Deborah McCulloch (Reappointed 30.01.2003)	Mr David Meyer
Mr David Bulloch	Mr Kym Pennifold
Mr Gordon Barrett	Mr Hugh Gilmore

The members of the Commission are appointed by the Governor in accordance with the provisions of the *Legal Services Commission Act 1977* and include partners of legal firms. In the ordinary course of business the Commission enters into transactions with legal firms, some of which are associated with members of the Commission. Payments made to these firms are in accordance with the Commission's scale of fees and are payments that apply to practitioners generally.

	2003	2002
The number of members whose remuneration received or receivable fell within the following bands was:	Number of Members	Number of Members
\$nil	1	1
\$1 - \$10 000	8	8
\$10 001 - \$20 000	1	2

The total remuneration received or due and receivable by these members was \$76 165 (\$90 000).

20. Remuneration of Employees

Amounts received or receivable by employees of the Commission whose remuneration is greater than \$100 000. The amounts include salaries and related payments, superannuation benefits and motor vehicle benefits.

	2003	2002
The number of employees whose remuneration received or receivable fell within the following bands was:	Number of Employees	Number of Employees
\$100 001 - \$110 000	4	5
\$110 001 - \$120 000	4	2
\$120 001 - \$130 000	2	2
\$170 001 - \$180 000	-	1
\$180 001 - \$190 000	1	1
\$190 001 - \$200 000	1	-
\$200 001 - \$210 000	-	1
\$210 001 - \$220 000	1	-

The total remuneration received or due and receivable by these employees was \$1 711 000 (\$1 548 000).

21. Contingent Liabilities

At balance date and at the date of the certification of this financial report by the Commission, there were no known contingent liabilities of a material nature.

22. Statutory Charge Debtors

Statutory charge debtors are raised as a result of the Commission registering charges over property owned by some recipients of legal aid to secure legal costs owed on cases undertaken and are reported at amounts due. Debts are recovered when the property is refinanced or sold.

	2003	2002
	\$'000	\$'000
Statutory charge debtors	2 568	2 350
Less: Provision for doubtful debts	100	100
	2 468	2 250

POLICE DEPARTMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Police Department is an administrative unit established under the *Public Sector Management Act 1995*.

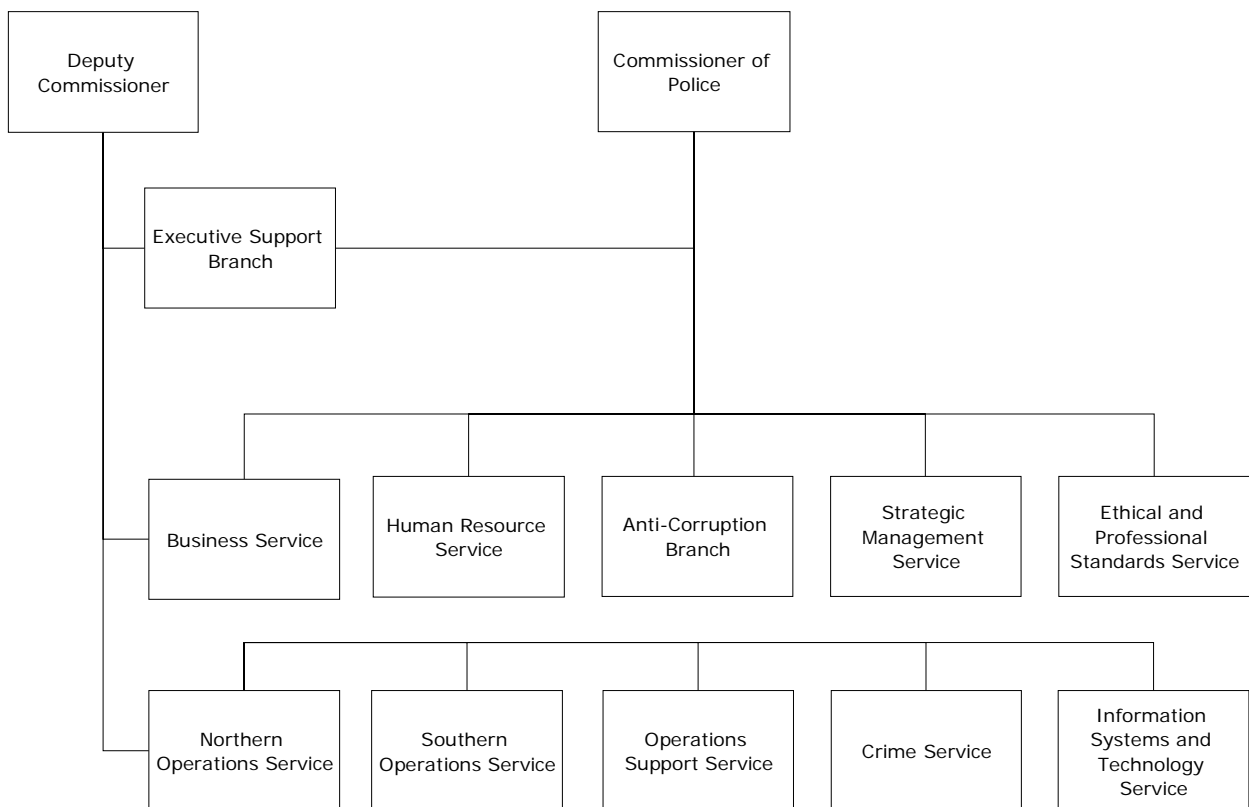
Functions

The functions of the Police Department are:

- Preventing crime.
- Upholding the law.
- Preserving the peace.
- Providing assistance in personal emergencies.
- Co-ordinating and managing emergency incidents.
- Regulating road use and preventing vehicle collisions.

Structure

The structure of the Police Department is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Police Department for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Police Department 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- budgetary control and management reporting
- risk management and internal audit processes
- accounts payable
- payroll
- property, plant, equipment and capital works
- firearm registration and licence fees
- expiation notices
- police security services fees.

The internal audit work done by the Ethical and Professional Standards Service was considered in designing the audit programs. Reliance was placed on the internal audit work in assessing the effectiveness of the Police Department's internal controls. Specific areas in which reliance was placed on the internal audit work included:

- expiation notices
- review of internal audits performed by the service areas.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Commissioner. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Police Department as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Police Department in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Police Department have been conducted properly and in accordance with law.

Significant Matters Raised with Agencies

Risk Management and Internal Audit

Audit noted that the Department has established an appropriate risk management and internal audit framework. A key feature of the framework is that the Commissioner, senior executive and all levels of management are involved in identifying, assessing and managing risk.

Audit also identified opportunities to improve the framework through the establishment of processes that ensure risk based internal audit plans are updated annually and executed within planned timeframes.

Withdrawn Expiation Notices

Expiation notices completed by police officers with incorrect or incomplete hand written information are withdrawn.

In the past, withdrawn notices were replaced with another notice, however, this practice was stopped when the Magistrates Court determined in October 2001 that expiation notices with incorrect or incomplete information were invalid and could not be replaced with another notice. The Crown Solicitor's subsequent advice to the Department recommended that legislation be amended to enable replacement notices to be issued.

Last year Audit reported that the legislative amendments had not been sought and withdrawn notices older than seven months had exceeded the statutory time frame for enforcement.

The Department responded that the legislative amendments had now been sought and an interim policy implemented such that notices would only be withdrawn where errors by their nature required this action.

This year the Department advised that the legislative amendments were before Parliament.

Firearm Licences and Registrations

Audit identified that some policies and practices of the Firearms Branch had not been authorised including the:

- non-refund of overpayments below \$10 (unless requested by the payee) and acceptance of underpayments below \$10 as full payment. Audit noted that the Commissioner had identified and stopped a similar practice in the Expiations Notice Branch;
- refund of licence fees when firearm licences are surrendered. Audit noted that there is no legal requirement or authority to provide refunds when a licence is surrendered;
- procedures and timeframes applied by the Department in following up people with registered firearms and expired licences. Audit noted that it is offence under subsection 11 (1) of the *Firearms Act 1977* to possess a firearm without a licence and also noted that delays in people renewing their expired licences results in lost revenue as the licence period commences from the day the licence fee is paid.

The Department responded that the policies and practices would be reviewed.

Police Security Services

Audit suggested that a review be undertaken to determine whether it is appropriate to merge some of the administrative functions of the Police Security Services Branch (PSSB) with those functions performed centrally for the rest of the Department, for example:

- PSSB operates its own procurement function which is performed centrally for the rest of the Department. Audit noted that, unlike the rest of the Department, PSSB were not complying with the Procurement Policies and Procedures issued by the Department of Justice;
- PSSB operates its own accounts payable function which is performed centrally for the rest of the Department. Audit observed that, unlike the rest of the Department, PSSB did not have policies and procedures for certifying that goods or services had been received prior to processing payments.

The Department responded that:

- PSSB will adopt the Procurement Policies and Procedures applied by the rest of the Department;
- a review will be conducted to determine whether it is appropriate to merge the accounts payable functions;
- PSSB will adopt the policies and procedures applied by the rest of the Department for certifying that goods or services have been received.

Bank and Imprest Accounts

The Department operates approximately 130 bank and imprest accounts.

Audit identified that:

- bank reconciliations for a significant number of bank accounts had not been performed each month and some imprest bank account reconciliations were long outstanding;
- internal audits of bank reconciliations were not being conducted at least biannually as specified by the Commissioner's Audit and Inspection Procedures Manual;
- current practices did not provide for appropriate segregation of duties with respect to the operation of some imprest accounts.

The Department responded in May 2003 that:

- checks would be implemented to ensure monthly bank reconciliations are performed for every bank and imprest account;
- procedures would be established to ensure internal audits of bank accounts are performed at least biannually.

Payroll

Audit regards the certification of the Personnel Audit Report (bona fide report) to be an efficient and effective control for preventing salary over payments by ensuring that:

- employees are bona fide;
- terminated employees are made inactive on the payroll system;
- employees are paid at the correct rank or classification;
- allowances and higher duties paid to each employee are authorised;
- requests to cease allowances and higher duties are processed.

Audit's review of the Department's procedures for the review, certification and retention of the Personnel Audit Reports indicated that:

- Commissioned Officers and Managers had not been provided with documented policies and procedures for the review, certification and retention of the Personnel Audit Report, including details of those items on the Report that require verification;
- the certificate on the Personnel Audit Report does not reflect the actual practice of Commissioned Officers and Managers in verifying the details of employees rank and higher duties;
- some Local Service Areas were not adequately reviewing and certifying the Personnel Audit Reports which increases the risk of errors on the Reports, and subsequently in the payroll system, not being detected and corrected;
- the fortnightly registers of certified Personnel Audit Reports and the Reports themselves for 2002-03 had not been retained for some Local Service Areas.

The Department responded that a Corporate Human Resources Policy will be developed by October 2003 specifying procedures for the review, certification and retention of the Personnel Audit Report.

IT Management and Control

Over the past year, Audit has maintained a focus on IT Governance and Management Control matters at a whole of government and Agency level and has undertaken a number of specific reviews.

The Department's Capture, Adjudication and Reporting System (CARS) was selected for review with specific focus on aspects of information security access controls, and operational and business continuity considerations. In addition, the review addressed certain computer processing environment control areas for the CARS system environment at the Department.

The Department, through its Expiation Notice Branch within Business Services, is responsible for the administration of expiation notices. A major source of expiation notices is the operation of red light and speed cameras. CARS is an integrated software and hardware system which has been developed to provide

computerised film scanning, adjudication, archiving, document management and reporting services and to incorporate technologies such as digital film processing and optical character recognition.

Audit has formally communicated the findings of the review of CARS to the Department and has received appropriate responses from management.

I intend to report on the issues arising from the review to Parliament, together with outcomes from certain other agency reviews, in the latter part of 2003.

Management of Sick Leave

Audit Comment

In early 2002 audit undertook a review of the processes and procedures used at the Police Department to manage sick leave. The management of leave, including sick leave, is considered to be an important element in maintaining the efficiency and effectiveness of policing services in South Australia given the Police Department's reliance on human resources to deliver policing services.

In a management letter to the Commissioner of Police dated 15 February 2002 Audit reported there was:

- a need for improvements in systems and processes to provide management with timely and reliable information on sick leave trends and patterns to effectively manage sick leave;
- a relatively high level of sick leave for Police Department employees according to the Australasian Police Agencies HR Benchmarking Report of 2000-01 notwithstanding that the reliable comparison of sick leave trends of police officers to interstate Police Departments is dependent on sick leave information being produced on a consistent basis by all Police Departments and there is a need to improve the consistency and comparability of data provided in that Report;
- that over the three year period 1998-99 to 2000-01, Police Department staff employed under the *Public Sector Management Act 1995* (PSM Act) took approximately 25 percent more uncertified single paid days sick leave on Monday than any other day of the work week. (Uncertified sick leave refers to applications for sick leave not supported by a medical certificate from a medical practitioner).

Timely and reliable information on sick leave trends and patterns is considered by Audit to be a key element in the effective management of sick leave, particularly for the identification of unfavourable trends requiring investigation and improvement. Strategies for improvement may be developed in-house or adopted from those agencies with better strategies and more favourable sick leave trends. Such agencies may be identified by comparison of sick leave trends of the Department's PSM Act employees to other administrative units, and comparison of sick leave trends of police officers to interstate Police Departments.

Departmental Response

The Police Department had previously recognised the importance of managing sick leave and had reflected the requirement in the SA Police Enterprise Agreement (signed in November 2001) to develop strategies to improve the management of absenteeism of police officers. In response to the Audit management letter the Police Department advised that a working party had been established to develop the strategies.

In August 2002, the Department further advised Audit that it will implement improved reporting of sick leave trends and patterns at a corporate level together with reporting to identify individuals taking excessive sick leave. The Department also advised that a lack of query and report writing software had made the collection of information on sick leave trends and patterns very time-consuming and it is intended that a new human resource management system will be implemented with better report writing tools.

In 2002-03 the Department developed a strategy for managing sick leave which covers the following seven key areas:

- Development of a management framework that includes guidelines for managing sick leave.
- Provision of training to managers on how to manage sick leave.
- Establishment of sick leave performance targets.
- Provision of information to employees about the arrangements for the management of sick leave.
- Establishment of a reporting system that provides managers with up-to-date information on sick leave trends and patterns.
- Periodic review of actual results against performance targets.
- Review of performance targets as part of the annual corporate planning cycle.

The strategy is planned to be implemented in 2003-04 after consultation with managers, employees and unions.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS**Highlights of Financial Statements**

	2003 \$/million	2002 \$/million	Percentage Change
<i>OPERATING REVENUE</i>			
Revenues from Government	373	358	4
Fees and charges	13	12	8
Other	11	11	0
Total Operating Revenue	397	381	4
<i>OPERATING EXPENDITURE</i>			
Employment expenses	337	304	11
Other expenses	89	99	(10)
Total Operating Expenses	426	403	6
Surplus (Deficit)	(29)	(22)	(32)
 Net Cash Flows from Operations	 10	 16	 (38)
<i>ASSETS</i>			
Current assets	50	48	4
Non-current assets	174	178	(2)
Total Assets	224	226	(1)
<i>LIABILITIES</i>			
Current liabilities	45	38	18
Non-current liabilities	110	89	24
Total Liabilities	155	127	22
<i>EQUITY</i>	69	98	(30)

Statement of Financial Performance***Operating Revenues***

Revenues from the State Government increased by \$15 million to \$373 million principally to fund salary and wages increases.

Revenues from other sources have varied between \$20 million and \$24 million each year over the past four years.

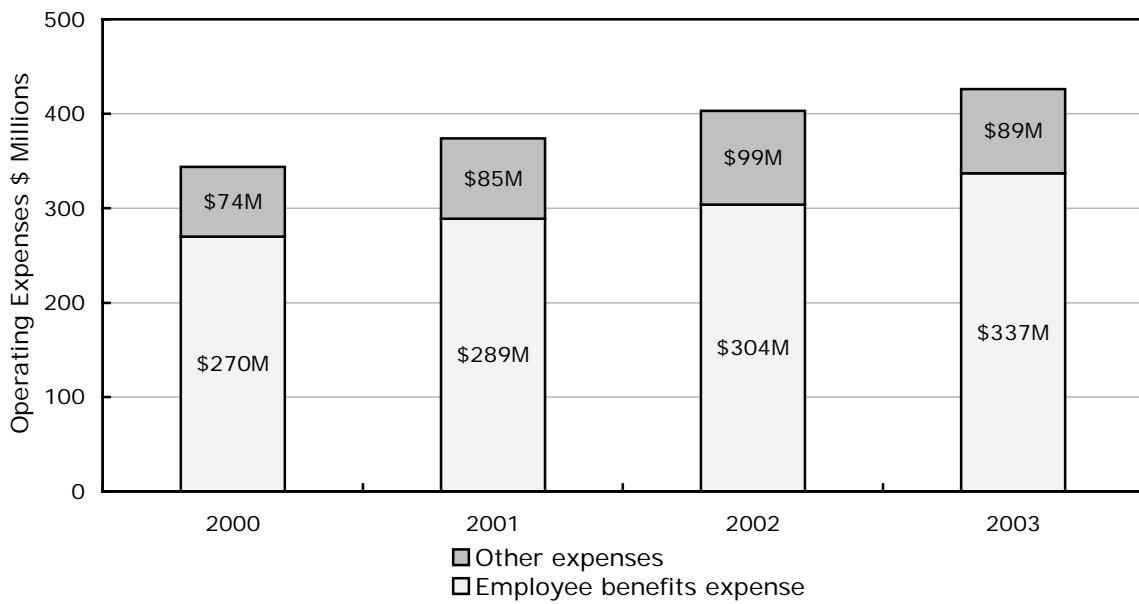
Operating Expenses

Employee benefit expenses increased by \$33 million to \$337 million due mainly to a:

- \$20 million increase in workers compensation expense, which was due partly to the change in the method for calculating the provision;
- \$12 million increase in salaries and wages expense as a result of enterprise bargaining pay increases for police officers operative from 1 July 2002 and for other staff operative from 1 October 2002.

Other expenses reduced by \$10 million. Expenses from the disposal and write down of non-current assets were \$9 million higher last year due mainly to the write-off of assets with a carrying value of \$6.2 million in accordance with the Department's revised capitalisation policy as detailed in Notes 2(c) and 9 to the financial statements.

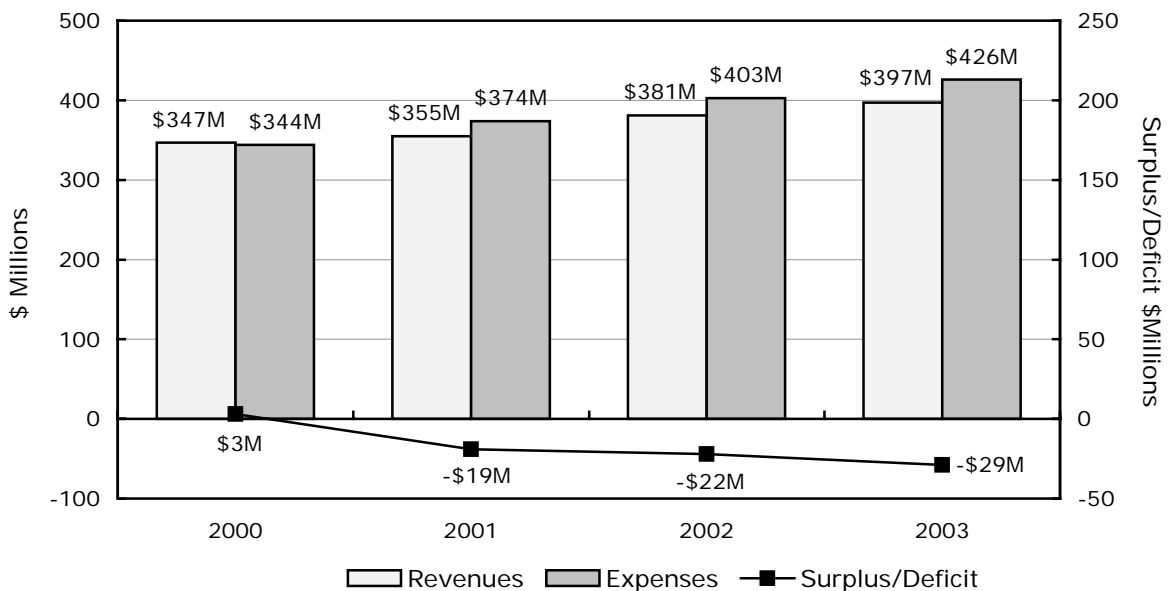
A structural analysis of the main operating expense items for the Department for the last four years is shown in the following chart.



Operating Result

In 1999-2000 the Department had a small operating surplus. Deficits were reported in subsequent years reflecting the effect in 2000-01 and 2001-02 of the write-off of assets that had a purchase price below the Department's revised capitalisation threshold and the effect in 2002-03 of an increase in the provision for workers compensation.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the last four years.



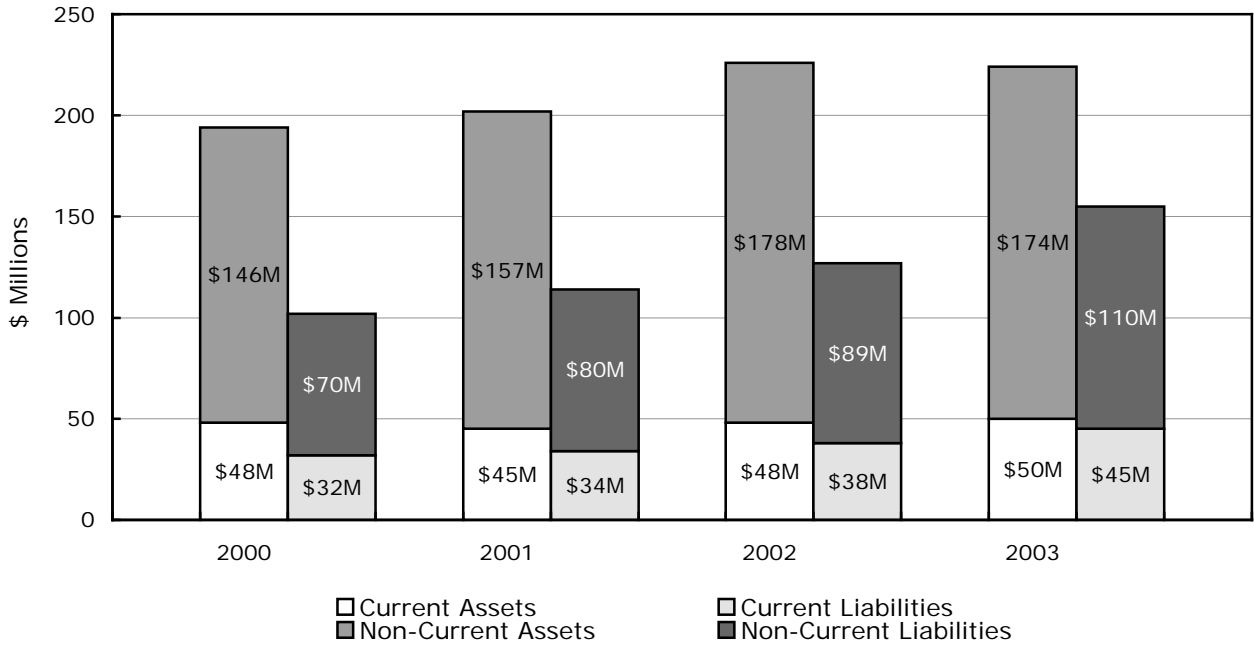
Statement of Financial Position

The Department's non-current assets increased significantly in 2001-02 when it revalued its land, buildings and leasehold improvements resulting in a revaluation increment of \$23 million

Current assets and current liabilities have increased marginally each year since 1999-2000.

Non-current liabilities have increased each year since 1999-2000 due mainly to increases in employees benefit entitlements and the provision for workers compensation.

A structural analysis of assets and liabilities for the current year and the three preceding years is shown in the following chart.



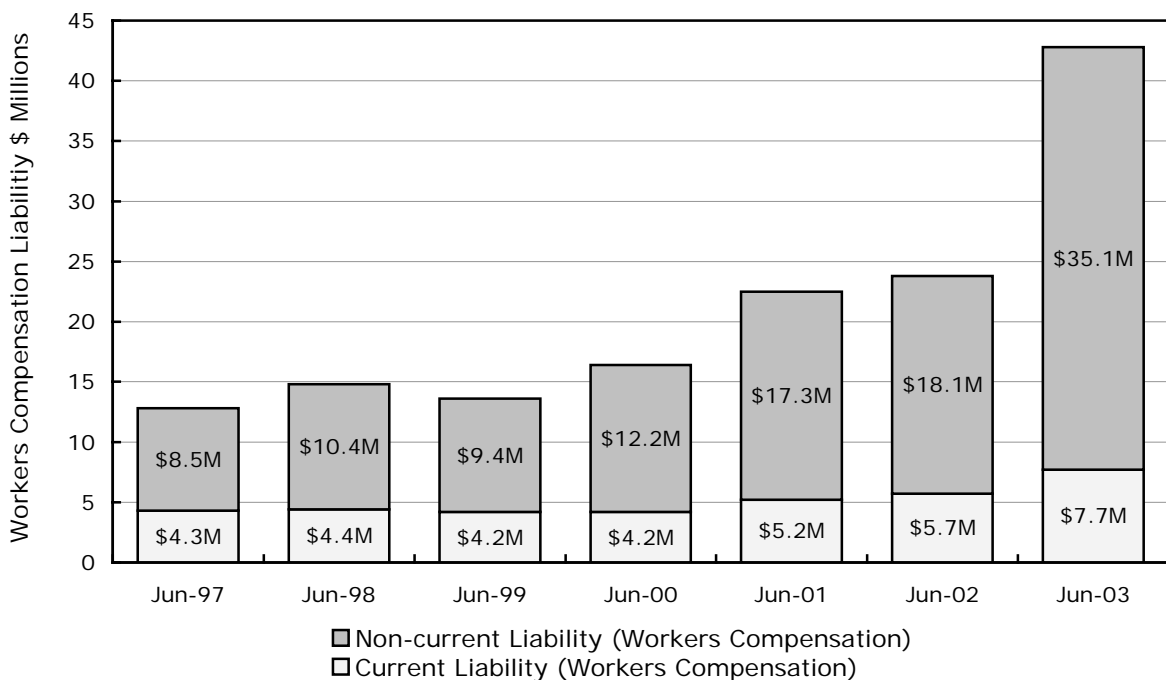
Workers Compensation

The Police Department are self insured for workers compensation and pay all claims, apart from some specific types of claims funded and paid by the Department of the Premier and Cabinet.

From June 1997 to June 2003 the workers compensation liability increased by \$30 million (234 percent) to \$42.8 million while employee benefits expense (excluding workers compensation expense) increased by \$74.4 million (32 percent) to \$309.3 million over the same period. The increase in the liability is due mainly to an increase in the non-current component of the liability and reflects the long term nature of the injury and stress claims. These figures do not include the workers compensation liability payable by the Department of the Premier and Cabinet.

The significant increase in the liability in 2003 was due partly to the change in the method for calculating the liability as detailed in Note 2(h) of the financial statements.

The change in the workers' compensation liability for the last seven years is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the current year and the preceding three years.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	10	16	3	17
Investing	(5)	(21)	(28)	(13)
Financing	0	10	15	0
Change in Cash	5	5	(10)	4
Cash at 30 June	44	39	34	44

The analysis of cash flows shows that delays in progressing major capital projects has resulted in cash being accumulated in the years up to and including 2001-02 while the increase in cash in 2002-03 is due mainly to cash received as reimbursement for payments made last year on behalf of the Minister for the Audio Management System and an increase in funds held to meet planned expenditure on the Road Safety Reform Program.

Administered Items

Expiation Fees

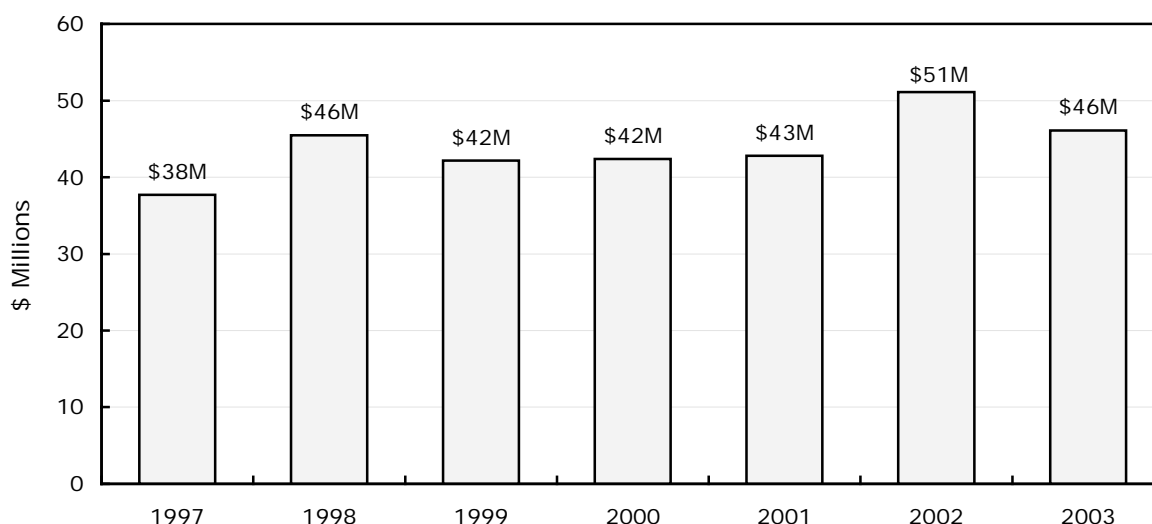
Expiation fees collected by the Department and paid into the Consolidated Account, as reflected in the following chart, increased by \$8.3 million in 2001-02 due mainly to the use of 12 additional red light cameras at 25 additional sites from April 2001.

In 2002-03 the expiation fees decreased by \$5 million. The Department advised that the decrease was due to:

- a court decision that notices containing errors could not be reissued resulting in \$484 000 in notices being withdrawn in 2002-03;
- the introduction of the 50 kph default speed limit from 1 March 2003 which had a three month education phase where drivers were cautioned;
- drivers appearing to be more cautious with the new speed limits.

Audit have not validated the Department's explanations.

Expiation Fees Collected by the Department



Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	4	337 396	304 391
Goods and services	5	79 576	80 777
Depreciation	6	9 546	8 470
Net expense from disposal and write-down of Non-Current Assets	9	-	9 272
Total Expenses		426 518	402 910
REVENUES FROM ORDINARY ACTIVITIES:			
Operating Revenues:			
Fees and charges	7	12 659	12 053
Other revenues	8	11 404	11 247
Net revenue from disposal of Non-Current Assets	9	184	-
Total Revenues		24 247	23 300
NET COST OF SERVICES		402 271	379 610
REVENUES FROM STATE GOVERNMENT:			
Intra-Sector Grants:			
Grants from State Government		341 534	326 405
Contributions from the Community Emergency Services Fund		16 750	16 605
Contributions from the Highways Fund		14 700	14 700
Total Revenues from State Government		372 984	357 710
DECREASE IN NET ASSETS		(29 287)	(21 900)
TAX EQUIVALENT PAYMENTS	2(k)	106	55
DECREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER TAX EQUIVALENT PAYMENTS		(29 393)	(21 955)
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net increase in asset revaluation reserve	13,20	-	22 655
Total Revenues, Expenses and Valuation Adjustments Recognised in Equity		-	22 655
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(29 393)	700

**Statement of Financial Position
as at 30 June 2003**

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS:			
Cash assets	10	43 831	38 784
Receivables	11	5 090	7 447
Inventories		250	239
Other	12	1 493	1 137
Total Current Assets		50 664	47 607
NON-CURRENT ASSETS:			
Property, plant and equipment	13	173 813	178 139
Total Non-Current Assets		173 813	178 139
Total Assets		224 477	225 746
CURRENT LIABILITIES:			
Provisions	2(n),17	643	-
Payables	14,16	11 804	11 238
Employee benefits	15,16	25 277	20 768
Workers compensation	2(h)	7 737	5 714
Total Current Liabilities		45 461	37 720
NON-CURRENT LIABILITIES:			
Borrowings		200	-
Payables	14,16	7 824	7 262
Employee benefits	15,16	66 766	64 224
Workers compensation	2(h)	35 142	18 063
Total Non-Current Liabilities		109 932	89 549
Total Liabilities		155 393	127 269
NET ASSETS		69 084	98 477
EQUITY:			
Accumulated surplus		21 360	50 753
Asset revaluation reserve		22 655	22 655
Equity contribution		25 069	25 069
TOTAL EQUITY	20	69 084	98 477
Commitments and Contingent Liabilities	21,22,23		

Statement of Cash Flows for the year ended 30 June 2003

		2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
PAYMENTS:			
Employee benefits		(305 893)	(289 113)
Goods and services		(77 405)	(72 932)
GST payments on purchases		(9 362)	(9 480)
Total Payments		(392 660)	(371 525)
RECEIPTS:			
State Government:			
Grants from State Government - Recurrent		341 534	326 405
Contributions from the Community Emergency Services Fund		16 750	16 605
Contribution from the Highways Fund		14 700	18 375
User charges and fees		15 464	9 895
Interest received		2 032	1 541
GST receipts from taxation authority		6 773	8 930
GST receipts on sales		2 104	1 723
Other		3 379	4 146
Total Receipts		402 736	387 620
Net Cash provided by Operating Activities	26	10 076	16 095
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS:			
Purchase of non-current assets	13	(5 266)	(21 903)
Total Payments		(5 266)	(21 903)
RECEIPTS:			
Disposal of non-current assets	9	237	951
Total Receipts		237	951
Net Cash used in Investing Activities		(5 029)	(20 952)
CASH FLOWS FROM FINANCING ACTIVITIES:			
RECEIPTS:			
Equity contribution		-	9 857
Total Receipts		-	9 857
Net Cash provided by Financing Activities		-	9 857
NET INCREASE IN CASH HELD		5 047	5 000
CASH AT 1 JULY		38 784	33 784
CASH AT 30 JUNE	10	43 831	38 784

**Program Schedule of Department's Expenses and Revenues
for the year ended 30 June 2003**

Programs (refer Note 3)	2003					2003 Total \$'000	2002 Total \$'000
	1	2	3	4	5		
	Public Order	Crime Prevention	Road Safety	Emergency Response & Mngmnt	Criminal Justice Services		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ORDINARY EXPENSES:							
Employee benefits	141 384	97 979	33 134	21 442	43 457	337 396	304 391
Goods and services	30 519	22 441	9 575	8 585	8 456	79 576	80 777
Depreciation	4 192	2 496	1 043	861	954	9 546	8 470
Net expense from disposal and write down of non-current assets	-	-	-	-	-	-	9 272
Total Expenses	176 095	122 916	43 752	30 888	52 867	426 518	402 910
ORDINARY REVENUES:							
Operating Revenues:							
Fees and charges	8 450	957	2 624	-	628	12 659	12 053
Other revenues	6 217	2 905	1 033	-	1 249	11 404	11 247
Net revenue from disposal and write down of non-current assets	81	48	20	17	18	184	-
Total Operating Revenues	14 748	3 910	3 677	17	1 895	24 247	23 300
NET COST OF SERVICES	161 347	119 006	40 075	30 871	50 972	402 271	379 610
REVENUES FROM STATE GOVERNMENT	149 293	110 536	37 084	28 742	47 329	372 984	357 710
DECREASE IN NET ASSETS	(12 054)	(8 470)	(2 991)	(2 129)	(3 643)	(29 287)	(21 900)
TAX EQUIVALENT PAYMENTS	82	-	24	-	-	106	55
DECREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER TAX EQUIVALENT PAYMENTS	(12 136)	(8 470)	(3 015)	(2 129)	(3 643)	(29 393)	(21 955)

A Program Schedule of Police Department Assets and Liabilities has not been produced as that information is not readily available.

The allocation of resources to programs is based upon both work activity surveys from a representative sample of four major Local Service Areas in February 2003 and surveys completed by Service Areas. In prior years, SAPOL's Activity Statement was based on Outputs.

**Schedule of Administered Expenses and Revenues
for the year ended 30 June 2003**

	2003						
	Firearms Buyback Scheme \$'000	Special Acts \$'000	Expiation Fees \$'000	Provision of Helicopter Service \$'000	CIC Levy \$'000	Audio Mngmnt System \$'000	Fire Equipment Services \$'000
ADMINISTERED EXPENSES:							
Employee benefits	-	261	-	-	-	-	-
Goods and services	4	-	-	-	-	-	379
Grants & Subsidies	-	-	-	-	-	-	-
Firearms compensation	-	-	-	-	-	-	-
Payments to Consolidated Account	-	-	46 077	1 695	-	-	-
Provision of helicopter service	-	-	-	4 292	-	-	-
Criminal injury compensation levy	-	-	-	-	2 163	-	-
National Crime Authority secondments/references	-	-	-	-	-	-	-
Total	4	261	46 077	5 987	2 163	-	379
ADMINISTERED REVENUES:							
State Government appropriations	-	261	-	3 920	-	200	379
Expiation fees	-	-	46 077	-	-	-	-
Helicopter service - Recovery of costs and sponsorships	-	-	-	1 694	-	-	-
Criminal injury compensation levy	-	-	-	-	2 163	-	-
Audio Management System	-	-	-	-	-	3 834	-
Ambulance licence renewals	-	-	-	-	-	-	-
Total	-	261	46 077	5 614	2 163	4 034	379
REVENUES LESS EXPENSES	(4)	-	-	(373)	-	4 034	-

**Schedule of Administered Expenses and Revenues
for the year ended 30 June 2003 (continued)**

	Community Development Fund - St John \$'000	Safety House Association \$'000	SA Water Concession for Emery Services \$'000	Crime Prevention Council \$'000	2003 Total \$'000	2002 Total \$'000
ADMINISTERED EXPENSES:						
Employee benefits	-	-	-	-	261	254
Goods and services	-	-	-	-	383	762
Grants & Subsidies	100	71	50	3	224	221
Firearms compensation	-	-	-	-	-	304
Payments to Consolidated Account	-	-	-	-	47 772	51 849
Provision of helicopter service	-	-	-	-	4 292	3 178
Criminal injury compensation levy	-	-	-	-	2 163	2 293
National Crime Authority secondments/references	-	-	-	-	-	6
Total	100	71	50	3	55 095	58 867
ADMINISTERED REVENUES:						
State Government appropriations	100	71	50	3	4 984	5 338
Expiation fees	-	-	-	-	46 077	51 071
Helicopter service - Recovery of costs and sponsorships	-	-	-	-	1 694	1 502
Criminal injury compensation levy	-	-	-	-	2 163	2 136
Audio Management System	-	-	-	-	3 834	-
Ambulance licence renewals	-	-	-	-	-	2
Total	100	71	50	3	58 752	60 049
REVENUES LESS EXPENSES	-	-	-	-	3 657	1 182

**Schedule of Administered Assets and Liabilities
as at 30 June 2003**

	Audio Management System \$'000	Firearms Buyback Scheme \$'000	Provision of Helicopter Service \$'000	CIC Levy \$'000	2003 Total \$'000	2002 Total \$'000
ADMINISTERED ASSETS:						
Cash assets	-	47	204	176	427	761
Receivables	-	-	20	-	20	21
Work in progress	6 114	-	-	-	6 114	2 979
Total	6 114	47	224	176	6 561	3 761
ADMINISTERED LIABILITIES:						
Payables	1 000	-	-	176	1 176	2 033
Total	1 000	-	-	176	1 176	2 033
NET ASSETS	5 114	47	224	-	5 385	1 728

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives

The Police Department (SAPOL) operates within the *Police Act 1998*, the Police Regulations 1999, and the *Public Sector Management Act 1995*.

The mission statement of SAPOL, as set out in the Corporate Business Plan 2002 – 2004, is 'working together to reassure and protect the community from crime and disorder.' This mission statement is reflected in the following core strategies:

- Sustain community support for the delivery of police services.
- Adopt a problem solving approach for the delivery of police services.
- Establish police services which are reasonably accessible to the community.
- Respond efficiently and effectively to emergencies and calls for assistance.
- Deploy personnel for the effective detection and deterrence of public order, road traffic and criminal offences.
- Establish systems and structures for the efficient and effective investigation of public order, road traffic and criminal offences.

2. Significant Accounting Policies**(a) Basis of Accounting**

This financial report is a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group Consensus Views, the Treasurer's Instructions, Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* and other mandatory reporting requirements. The financial report has been prepared on the accrual basis of accounting and is in accordance with the historic cost convention except where detailed in the Notes.

(b) The Reporting Entity

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account titled 'SA Police Operating Account'. SAPOL's principal source of funds consists of monies appropriated by Parliament provided by way of intra-sector grants through the Department of Justice.

Administered Resources

SAPOL administers on behalf of the Government of South Australia certain resources over which it does not have control. Although accountable for the transactions relating to these administered resources, SAPOL does not have the control or discretion to apply these resources to achieve its objectives.

Transactions and balances relating to these administered resources are not recognised as SAPOL's revenues, expenses, assets or liabilities, but are disclosed separately in the Schedule of Administered Expenses and Revenues, and the Schedule of Administered Assets and Liabilities as appropriate.

(c) Property, Plant and Equipment

The Statement of Financial Position includes all property, plant and equipment controlled by SAPOL.

Land and Buildings controlled by SAPOL were revalued, as at 30 June 2002, following an independent valuation prepared by Colliers International Consultancy and Valuation Pty Limited using the deprival value methodology. Other non-current assets have been valued at their written down historic cost.

Heritage assets are not disclosed by a specific heritage type but form part of the aggregate value of property, plant and equipment and are included within their specific category.

SAPOL's current capitalisation policy is to expense items with an individual purchase price of less than \$10 000 at the time they are acquired.

(d) Depreciation and Amortisation of Non-Current Assets

SAPOL recognises plant and equipment as a Non-Current Asset where the purchase cost is greater than \$10 000, all other plant and equipment purchases are expensed in the year of purchase.

Depreciation is calculated on a straight-line basis to write-off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of the remaining useful lives are made on a regular basis for all assets. The estimated useful lives of each asset class are as follows:

	Years
Buildings and improvements	15-60
Vehicles and transport vessels	3-10
Computers and communications	3-7
Office furniture and equipment	10
Weaponry	2
Other plant and equipment	10

Leasehold improvements are amortised over the life of the lease.

(e) Fees and Charges

Fees and charges controlled by SAPOL are recognised as revenues. 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 collected by SAPOL but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Schedule of Administered Expenses and Revenues. Such amounts are required to be paid to the Consolidated Account or other Funds not controlled by SAPOL.

(f) Appropriations

The Government provides appropriations to the Department of Justice. Agencies within the Justice Portfolio receive operating funds via intra-sector grants provided by the Department of Justice. These grants are recognised as revenues when SAPOL obtains the right to receive these contributions.

Appropriations to SAPOL designated as an 'Equity Contribution' are recognised directly in Equity in accordance with Treasurer's Instruction 3 'Appropriation'.

(g) Employee Benefits

(i) Annual Leave

A provision is raised at the end of the reporting period to reflect employee entitlements to annual leave. 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.

(ii) Long Service Leave

A provision is raised at the end of the reporting period to reflect employee entitlements to long service leave. The provision for long service leave represents the amount which SAPOL has a present obligation to pay resulting from employees' services provided up to the reporting date.

The provision has been calculated at nominal amounts based on current salaries and wages rates using an independent actuarial assessment benchmark of 12 years service as a shorthand estimation of long service leave liability. The Department of Treasury and Finance provided the actuarial benchmark in 2003. Related on-costs of payroll tax and superannuation are shown under Payables employment on-costs (refer Note 14). This policy is consistent with the requirements of Australian Accounting Standard AASB 1028 'Employee Benefits'.

(iii) Sick Leave

No provision has been made for sick leave as entitlements are non-vesting and it is considered that sick leave is taken from the current year's entitlement.

(iv) Superannuation

Contributions are made by SAPOL to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they occur. SAPOL is not liable for the payments to beneficiaries as this is the responsibility of the superannuation schemes.

(h) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation liability, which was based on an actuarial assessment, was provided by the Public Sector Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet.

The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Agencies. For the 2003 valuation, the Justice portfolio has been analysed separately. In previous years, the Justice Portfolio was analysed together with all other non-DHS agencies. The new valuation methodology has resulted in the Justice Portfolio's liability being more specifically measured. The (SA Police) liability is an allocation of the Justice Portfolio's total assessment.

It is important to note that the new methodology adopted for this valuation has contributed to the large increase. Applying the new methodology to the previous year's data would have resulted in the SA Police June 2002 liability being approximately 29 percent larger than reported.

(i) Leases

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 Financial Performance in the period in which they are incurred (refer Note 21).

(j) Cash

For the purpose of the Statement of Cash Flows, cash includes cash deposits which are used in the cash management function on a day to day basis. Administered cash is not included in the Statement of Cash Flows.

(k) Tax Equivalent Payments

In accordance with the National Competition Policy principles, it was agreed that State Government Business Enterprises (GBEs) in competition with private industry would be liable for payment of Commonwealth, State and Local Government taxes. Although GBEs cannot legally pay the income tax, an equivalent payment is made to the Department of Treasury and Finance. For the purpose of determining Income Tax Equivalent payments, which are applicable only to the Police Security Services Branch of SAPOL's operations, the Income Tax liability is deemed to be equal to 30 percent of the net profit for the Police Security Services Branch.

(l) Accounting for Goods and Services Tax (GST)

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by SAPOL as a purchaser that is not recoverable from the Australian Taxation Office 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.

(l) Accounting for Goods and Services Tax (GST) (continued)

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of cash flows arising from investing activities, which are recoverable from, or payable to the Australian Taxation Office have however been classified as operating cash flows.

(m) Professional Indemnity and General Public Liability Insurance

The Department is a participant in the State Government's Insurance Program. The Department pays a premium to the SA Government Captive Insurance Corporation (SAICORP) 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.

(n) Provisions

Provisions are recognised when SAPOL has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at 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. This is the first year that SAPOL has recognised a provision (refer Notes 2(o) and 17).

(o) Changes in Accounting Policies

There were two Accounting Standards which were adopted for this reporting period, namely Accounting Standard AASB 1028 'Employee Benefits' and AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'. These Standards were introduced as part of the harmonisation of Australian Accounting Standards to International Accounting Standards.

(p) Rounding

All amounts are rounded to the nearest thousand dollars.

3. SAPOL Programs

SAPOL has identified five programs that it delivers to the community and the Minister for Police. The identity and description of each SAPOL program during the year ended 30 June 2003 are summarised below. Financial information relating to each Program is reported in the Program Schedule of Department's Expenses and Revenues.

Program 1 Public Order

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 safer place to live, visit and conduct business.

Program 2 Crime Prevention

Conducting investigations and management by police of crimes against the person, property offences, drug related offences and other crimes in the community; application of SAPOL's crime reduction strategy to achieve identified crime reduction outcomes; provision of services that support crime prevention, such as Watch programs and Crime Stoppers; and the production and dissemination of information, education and training. The outcome is that the incidence and effects of crime will be reduced, making South Australia a safer place to live, visit and conduct business.

Program 3 Road Safety

Regulation of road use, investigation of vehicle collisions and promotion of road safety. The outcomes are improved road safety and efficient traffic movement, in addition to related economic and personal benefits, making South Australia a safer place to live, visit and conduct business.

Program 4 Emergency Response and Management

Maximising the capacity to receive and manage calls for assistance, and to respond to and manage emergencies. The outcome is that the effects on individuals and the community of emergency and disaster situations are minimised, making South Australia a safer place to live, visit and conduct business.

Program 5 Criminal Justice Services

Enforcement of court orders and execution of warrants, the provision of prosecution services and services to the judicial system, 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 safer place to live, visit and conduct business.

4. Employee Benefits

	2003	2002
	\$'000	\$'000
Employee benefits comprise:		
Salaries and wages	211 675	199 450
Superannuation and payroll expenses	49 325	45 630
Annual, sick, long service leave and leave bank expenses	44 189	45 564
Workers compensation	28 110	8 604
Other employee related expenses	4 097	5 143
	337 396	304 391

5. Goods and Services		2003	2002
Goods and services expenses comprise:		\$'000	\$'000
Computing expenses		12 923	9 679
Motor vehicle expenses		8 929	8 180
Occupancy rent and rates		8 899	7 931
Communication expenses		8 178	5 995
Operating leases		6 217	6 783
Electricity, gas and fuel		3 112	2 787
Minor equipment expenses		2 674	6 461
Repairs and maintenance - Buildings		2 568	3 151
Uniform issues		2 311	1 794
Travel and accommodation		2 000	1 651
Cleaning infrastructure		1 746	1 571
Alarm installations, maintenance and monitoring		1 731	1 633
Stationery		1 508	560
Agency staffing		1 184	1 956
Staff development		1 083	997
Civil actions		796	284
Insurance and risk management		673	502
Consultancies		70	247
Demolition and relocation expenses*		-	5 790
Other administrative expenses		12 974	12 825
		79 576	80 777
		<hr/> <hr/>	
* This relates to one-off costs associated with the demolition and relocation of the Adelaide Police Station and the City Watch House.			
6. Depreciation			
Depreciation expense was charged in respect of:			
Buildings and improvements		3 610	2 361
Leasehold improvements		3 501	2 705
Computers and communications equipment		946	1 472
Weaponry and other		821	1 239
Vehicles and transport vessels		623	541
Office furniture and equipment		45	152
		9 546	8 470
		<hr/> <hr/>	
7. Fees and Charges			
Fees and charges comprise:			
Police Security Services		6 931	6 069
Firearms licence and registration fees		2 635	3 121
Police information requests		1 190	1 081
Escorts - Wide load/other		861	789
Prosecution and other court fees		487	465
Other fees		555	528
		12 659	12 053
		<hr/> <hr/>	
8. Other Revenues			
Other revenues include:			
Employee benefits recoveries		3 748	2 934
Interest revenue		2 050	1 544
Grants		856	1 163
Contributed (donated) asset revenue		-	938
Other		4 750	4 668
		11 404	11 247
		<hr/> <hr/>	
9. Net Revenue (Expense) from Disposal and Write Down of Non-Current Assets			
Proceeds from disposal of non-current assets		237	951
Less: Written down value of non-current assets sold		293	1 365
(Expense) from disposal of non-current assets		(56)	(414)
Assets transferred to DAIS*		-	(1 672)
Write down of non-current assets - Capitalisation policy**		-	(6 156)
Write down of non-current assets - Stocktake		(129)	(231)
Write down of non-current assets - City Watch House***		-	(1 141)
Assets identified as part of stocktake/other		369	342
		184	(9 272)
		<hr/> <hr/>	

* In 2001-02 \$0.452 million worth of buildings and improvements were transferred to the Department for Administrative and Information Services (DAIS) as part of the Government Radio Network. An additional \$1.220 million worth of buildings, improvements and land were transferred to DAIS as part of the Government's commitment to provide property (Glenelg Police Station) to the Holdfast Shore Developer.

** In 2001-02 \$6.156 million worth of assets were expensed as these related to items with an original purchase price of less than \$10 000. This is in accordance with the change in the Non-Current Asset Policy of expensing items with an individual value of less than \$10 000. Refer Note 2(c).

*** In 2001-02 \$1.141 million was expensed in relation to the part demolition of the City Watch House.

10. Cash Assets						2003	2002
						\$'000	\$'000
Cash at bank						43 401	38 380
Cash held in imprest account and petty cash						430	404
						43 831	38 784
11. Receivables						5 096	7 450
Receivables						6	3
Less: Provision for doubtful debts							
						5 090	7 447
12. Other Current Assets						1 282	976
Prepayments						144	126
Accrued interest						65	35
Accrued revenue						2	-
Other							
						1 493	1 137
13. Property, Plant and Equipment						2003	Computer & Communications Equipment
	Land ⁽¹⁾	Buildings & Improvements ⁽¹⁾	Leasehold Improvements ⁽²⁾	Weaponry			
	\$'000	\$'000	\$'000	\$'000			\$'000
Gross value as at 1 July 2002	22 987	177 979	29 821	1 526			7 208
Additions - Purchase of assets	-	525	79	-			1 329
Assets transferred between classes	-	454	497	-			965
Non-current asset transfers	-	-	(1)	-			-
Non-current asset write-offs	-	-	-	(110)			(2 045)
Non-current assets sold	-	-	-	-			-
Assets identified as part of stocktake/other	-	-	-	-			18
Works in progress expensed	-	-	-	-			-
Gross value as at 30 June 2003	22 987	178 958	30 396	1 416			7 475
Accumulated depreciation as at 1 July 2002	-	57 681	9 258	1 345			4 456
Non-current assets sold	-	-	-	-			-
Non-current asset write-offs	-	-	-	(110)			(2 045)
Depreciation expense for the year	-	3 610	3 501	117			946
Non-current asset transfers	-	(1)	-	1			-
Assets identified as part of stocktake	-	-	-	-			8
Accumulated depreciation as at 30 June 2003	-	61 290	12 759	1 353			3 365
Net Book Value as at 30 June 2003	22 987	117 668	17 637	63			4 110
Net Book Value as at 1 July 2002	22 987	120 298	20 563	181			2 752
	Office Furniture & Equipment	Vehicles & Transport Vessels	Other	Work in Progress		2003 Total	
	\$'000	\$'000	\$'000	\$'000		\$'000	
Gross value as at 1 July 2002	562	6 472	8 419	2 835		257 809	
Additions - Purchase of assets	-	432	522	2 379		5 266	
Assets transferred between classes	-	511	-	(2 427)		-	
Non-current asset transfers	-	(2)	12	-		9	
Non-current asset write-offs	(44)	(116)	(274)	-		(2 589)	
Non-current assets sold	-	(470)	-	-		(470)	
Assets identified as part of stocktake/other	-	459	62	-		539	
Works in progress expensed	-	-	-	(2)		(2)	
Gross value as at 30 June 2003	518	7 286	8 741	2 785		260 562	
Accumulated depreciation as at 1 July 2002	470	3 341	3 119	-		79 670	
Non-current assets sold	-	(177)	-	-		(177)	
Non-current asset write-offs	(44)	(83)	(178)	-		(2 460)	
Depreciation expense for the year	45	623	704	-		9 546	
Non-current asset transfers	-	-	-	-		-	
Assets identified as part of stocktake	-	151	11	-		170	
Accumulated depreciation as at 30 June 2003	471	3 855	3 656	-		86 749	
Net Book Value as at 30 June 2003	47	3 431	5 085	2 785		173 813	
Net Book Value as at 1 July 2002	92	3 131	5 300	2 835		178 139	

13. Property, Plant and Equipment (continued)

- (1) Land, buildings and improvements were revalued as at 30 June 2002 by the following officers from Colliers International Consultancy and Valuation Pty Limited:
- Richard Wood, AAPI, Certified Practising Valuer B.App.Sc PRM (Valuation); John Conrick, AAPI, Certified Practising Valuer B.App.Sc PRM (Valuation); Tracy Gornall, AAPI, B.Bus (Prop) Hons.
- (2) Leasehold Improvements were revalued on a deprival basis as at 30 June 2002 by SAPOL Management (Physical Assets Service Branch).
- (3) Refer Note 9.

14. Payables

	2003	2002
	\$'000	\$'000
Current:		
Creditors	7 806	8 016
Payables employment on-costs	3 145	2 576
Accrued employment on-costs	853	646
	<u>11 804</u>	<u>11 238</u>
Non-Current:		
Payables employment on-costs	<u>7 824</u>	<u>7 262</u>

15. Employee Benefits

Current:		
Annual leave	13 928	10 722
Accrued employee benefits	4 668	3 675
Long service leave	6 681	6 371
	<u>25 277</u>	<u>20 768</u>
Non-Current:		
Long service leave	<u>66 766</u>	<u>64 224</u>

16. Employee Benefits and Related On-Costs Liabilities

Accrued Salary and Wages:		
On-costs included in Payables - Current (Note 14)	853	646
Employee Benefits - Current (Note 15)	4 668	3 675
	<u>5 521</u>	<u>4 321</u>
Annual Leave:		
On-costs included in Payables - Current (Note 14)	2 374	1 841
Employee Benefits - Current (Note 15)	13 928	10 722
	<u>16 302</u>	<u>13 298</u>
Long Service Leave:		
On-costs included in Payables - Current (Note 14)	771	735
Employee Benefits - Current (Note 15)	6 681	6 371
	<u>7 452</u>	<u>6 371</u>
On-costs included in Payables - Non-Current (Note 14)	7 824	7 262
Employee Benefits - Non-Current (Note 15)	66 766	64 224
	<u>74 590</u>	<u>71 486</u>
Aggregate employee benefit and related oncost liabilities	<u>103 865</u>	<u>95 476</u>

17. Provisions

Current:		
Provisions for Civil actions against Police	643	-

18. Targeted Voluntary Separation Packages (TVSPs)

Transactions on account of TVSPs for the reporting period were:		
TVSP payments	-	449
Recoveries from the Department of the Premier and Cabinet in respect of TVSPs	-	603
Annual and long service leave accrued over the period of employment paid to employees who received TVSPs.	-	245

The number of employees who were paid TVSPs during 2002-03 totalled nil (3).

19. Remuneration of Employees

	2003	2002
	Number of Employees	Number of Employees
The number of employees whose total normal remuneration paid or payable fell within the following bands was:		
\$100 000 - \$109 999	16	10
\$110 000 - \$119 999	6	3
\$120 000 - \$129 999	1	1
\$130 000 - \$139 999	2	-
\$140 000 - \$149 999	-	4
\$150 000 - \$159 999	3	-
\$160 000 - \$169 999	1	-
\$190 000 - \$199 999	-	1
\$210 000 - \$219 999	1	-
\$240 000 - \$249 999	-	1
\$250 000 - \$259 999	1	-
	<u>31</u>	<u>20</u>

19. Remuneration of Employees (continued)

The total normal remuneration paid or payable to these employees, was \$3.8 million (\$2.5 million) which includes 9 current executive positions, 21 senior management positions and 1 secondment to the East Timor Peacekeeping Force.

20. Equity and Changes in Equity

Accumulated Surplus represents the residual interest in SAPOL's equity (net assets). The South Australian Government holds the accumulated surplus interest in SAPOL on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

	2003	2002
	\$'000	\$'000
Balance at 1 July	98 477	87 920
Decrease in net assets resulting from ordinary activities after tax equivalent payments*	(29 393)	(21 955)
Increase in equity resulting from the revaluation of non-current assets	-	22 655
Appropriations in the form of an Equity contribution	-	9 857
Balance at 30 June	69 084	98 477

* The decrease in net assets resulting from ordinary activities after tax equivalent payments of \$29.393 million for 2003 is mainly attributable to increased workers compensation liabilities and employee benefits and on-costs. Workers compensation expenses increased by \$19.5 million due mainly to actuarial assessments provided in 2002-03.

The decrease in net assets resulting from ordinary activities after tax equivalent payments of \$21.955 million for 2002 is mainly attributable to increased long service leave and on-costs, an adjustment to non-current assets and increased staffing. Long service leave and on-costs increased mainly due to the revision of the shorthand estimation of liability benchmark to 12 years (15 years in 2001). The adjustment to non-current assets of \$9.3 million is mainly the result of items with a purchase price of under \$10 000 being expensed by SAPOL in accordance with its revised Non-Current Asset Policy (previous capitalisation threshold \$2 000).

21. Commitments for Operating Leases

At the reporting date, SAPOL had the following obligations under non-cancellable operating leases related to property and motor vehicles:

Payable no later than one year	12 576	13 310
Payable later than one year and not later than five years	33 412	38 245
Payable later than five years	7 547	9 470
Total Operating Lease Commitments (including GST)	53 535	61 025
GST included in Operating Lease Commitments	4 867	5 548

Operating lease commitments are not recorded as a liability in the financial statements.

The property leases are non-cancellable leases 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 the leases at the end of the term of the leases.

22. Commitments for Capital and Recurrent Expenditure

At the end of the reporting period SAPOL had commitments for capital and recurrent expenditure which is not taken up in the Statement of Financial Position. This expenditure will be due for payment:

	2003	2002
	\$'000	\$'000
Not later than one year	5 201	4 003
Later than one year and not later than five years	444	-
Later than five years	96	-
Total (including GST)	5 741	4 003
GST included in Capital and Recurrent Commitments	522	364

23. Contingent Liabilities**Rewards**

As at 30 June 2003 the value of outstanding rewards for unsolved murders was \$4.3 million (\$2.9 million). No provision has been made in the financial report for this amount as there exists considerable doubt as to the amount and timing of rewards that will actually be paid.

Handgun Buy Back

In November 2002 the Australian Police Ministers' Council agreed on a broad range of measures to restrict the availability and use of handguns. At its meeting on 6 December 2002 the Council of Australian Governments agreed on a national approach to restrict the availability and use of handguns, particularly concealable weapons. South Australia will implement a handgun buyback, commencing on 1 October 2003, running until 31 March 2004.

24. Auditors' Remuneration

The amount paid or payable by SAPOL for audit services (inclusive of GST) during the reporting period was \$156 000 (\$135 000). The auditors provided no other services.

25. **Financial Instruments**
(a) Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash at bank	10	Cash at bank comprises cash held in the Department of Treasury and Finance Special Deposit Account and cash held in the Department of Treasury and Finance Accrual Appropriation Excess Funds Deposit Account. Interest revenue is recorded on an accrual basis.	Interest on cash at bank within the Special Deposit Account is calculated quarterly by the Department of Treasury and Finance and is based on the average daily balance of the account. The interest rate is the Treasurer's Approved Rate of Interest on Special Deposit Accounts, which is 4.60 percent as at 30 June 2003 (4.17 percent). Interest on cash at bank within the Accrual Appropriation Excess Funds Deposit Account is calculated annually by the Department of Treasury and Finance and is based on the average daily balance of the account. The interest rate is the Treasurer's Approved Rate of Interest on Accrual Appropriation Excess Funds Deposit Accounts, which is 4.87 percent for the 2002-03 financial year (4.52 percent).
Receivables	11	Receivables are recorded at the amounts due to SAPOL, less a provision for doubtful debts. They are recorded when goods and services have been provided.	Receivables are due within 30 days of an invoice being raised.

Financial Liabilities

Creditors	14	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided to SAPOL.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
Borrowings		SAPOL maintains an imprest amount of \$200 000 representing monies advanced by the Department of Treasury and Finance.	The advance from the Department of Treasury and Finance was interest free.

(b) Interest Rate Risk

<i>Financial Instrument</i>	Effective Interest Rate at 30.6.03 Percent	Interest Bearing \$'000	Non-Bearing Interest \$'000	2003 Total \$'000
Financial Assets:				
Cash at bank	4.60	43 401	-	43 401
Cash held in imprest account and petty cash		-	430	430
Receivables		-	5 090	5 090
		43 401	5 520	48 921
Financial Liabilities:				
Creditors		-	7 806	7 806
Borrowings:				
Advance from Department of Treasury and Finance		-	200	200
		-	8 006	8 006
2002 Data:				
<i>Financial Instrument</i>	Effective Interest Rate at 30.6.02 Percent	Interest Bearing \$'000	Non-Bearing Interest \$'000	2002 Total \$'000
Cash at bank	4.17	38 380	-	38 380
Cash held in imprest account and petty cash		-	404	404
Receivables		-	7 447	7 447
		38 380	7 851	46 231
Financial Liabilities:				
Creditors		-	8 016	8 016
		-	8 016	8 016

(c) Net Fair Values of Financial Assets and Liabilities

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximate the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

(d) Credit Risk Exposure

SAPOL's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. SAPOL has no significant exposures to any concentrations of credit risk.

	2003	2002
	\$'000	\$'000
26. Reconciliation of Net Cash provided by Operating Activities to		
Net Cost of Services		
Net cash provided by operating activities	10 076	16 095
Intra Sector Grants - Recurrent	(341 534)	(326 405)
Contributions from the Community Emergency Services Fund	(16 750)	(16 605)
Contribution from Highways Fund	(14 700)	(14 700)
Depreciation	(9 546)	(8 470)
Net revenue (expense) from disposal and write-down of non-current assets	184	(9 272)
Tax equivalent payments	106	55
Work in progress expensed	(2)	(5 790)
Contributed (donated) assets	-	938
Asset transfers	9	2
Change in assets and liabilities:		
(Decrease) in receivables	(2 357)	(2 480)
Increase in other current assets	356	524
Increase (Decrease) in inventories	11	(115)
(Increase) in payables and borrowings	(1 328)	(2 781)
(Increase) in provisions for employee benefits and workers compensation	(26 796)	(10 606)
Net Cost of Services	(402 271)	(379 610)

SA ST JOHN AMBULANCE SERVICE INC

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

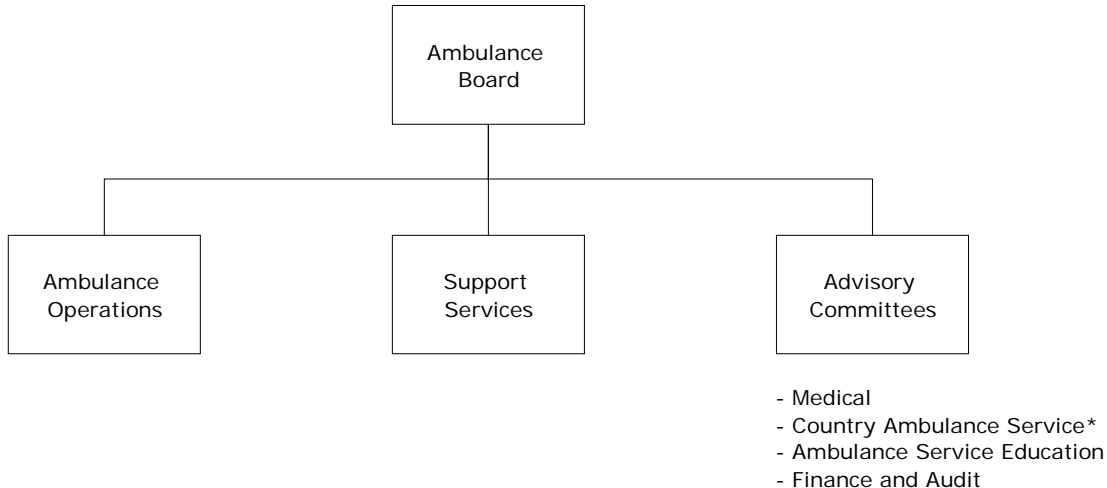
SA St John Ambulance Service Inc (the Ambulance Service), is an incorporated association established pursuant to section 11 of the *Ambulance Services Act 1992* (the Act) as a result of a joint venture agreement between the Priory in Australia of the Order of St John and the Minister for Health for the Government of South Australia. In January 1999 the Priory's authority to nominate and appoint directors to the Ambulance Board was delegated to the Minister for Emergency Services.

Functions

The functions of the Ambulance Service are to provide pre-hospital patient care and ambulance transport as part of the State's health and emergency services.

Structure

The structure of the Ambulance Service is illustrated in the following organisation chart.



* A requirement under the *Ambulance Services Act 1992*.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 14(2) of the *Ambulance Services Act 1992* specifically provides for the Auditor-General to audit the accounts of the Ambulance Service in respect of each financial year. Furthermore, subsection 14(3) of the Act provides for the application of Part III of the *Public Finance and Audit Act 1987* (ie Audit Provisions) to the Ambulance Service, as if it were a public authority within the meaning of the Act. Subsection 14(4) of the Act provides that Division II (Accounts and Audit of Certain Incorporated Associations) of Part IV of the *Associations Incorporation Act 1985* does not apply to the Ambulance Service.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Ambulance Service 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- budgetary control and management reporting
- ambulance transport revenue
- Ambulance Cover Scheme
- accounts payable
- payroll
- property, plant and equipment.

The work done by the internal auditor was considered in designing the audit programs.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive Officer. Responses to the management letters were considered to be satisfactory. Major matters raised with the Ambulance Service and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the SA St John Ambulance Service Inc as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the SA St John Ambulance Service Inc in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient, except for the matter relating to Ambulance Transport Fees outlined under 'Significant Matters Raised with Agencies', to provide reasonable assurance that the financial transactions of the SA St John Ambulance Service Inc have been conducted properly and in accordance with law.

Significant Matters Raised with Agencies

Ambulance Transport Fees

Subsection 17(1) of the *Ambulance Services Act 1992* specifies that fees for ambulance services be fixed by the Minister by notice in the Gazette.

Audit noted that fees for ambulance services for 2002-03 were increased by the Ambulance Service with the approval of the Minister but before the required notice was given in the Gazette, which occurred on 27 June 2003.

Legal Advice

Note 22 of the financial report of the Ambulance Service indicates that the cost of legal services provided by a firm which the Chairperson is a partner was \$134 000 (\$76 000 in 2001-02).

Audit noted that quotes were not obtained from legal practitioners for the provision of a legal service and that a formal agreement had not been established for the provision of a legal service detailing, among other things, hourly fee rates.

The Ambulance Service responded that:

- the Chairperson had no involvement in the selection of legal services;
- the Crown Solicitor had advised the Ambulance Service that it was not in a position to act for the Ambulance Service on certain matters due to a conflict of interest with the Crown;
- it was not cost efficient or practical to conduct market value tests and change providers while the legal matters being considered were in progress;
- it will confirm any requirements to comply with Treasurer's Instructions and work with the Crown Solicitor to ensure compliance with Treasurer's Instruction 10 'Engagement of Legal Practitioners'.

Withdrawal of St John

On 13 September 2001 by way of notice in the Government Gazette the Attorney-General approved a scheme pursuant to the *St John (Discharge of Trusts) Act 1997*, to allow St John (who act as the Priory) to withdraw from the provision of ambulance services in South Australia. Under clause 6 of the scheme, the joint venture agreement and all ancillary agreements and arrangements were terminated. Clause 6 also required that St John withdraw from any involvement in the Ambulance Service in accordance with an agreement to be entered into between the Minister and St John for that purpose, and that St John and the Ambulance Service take the necessary action to give effect to the withdrawal including amending the Ambulance Service's Rules of Association under the *Associations Incorporations Act 1985*.

Audit noted that the Rules of Association cannot be amended to give effect to the withdrawal until the sections of the *Ambulance Service Act 1992* relating to the creation of the Ambulance Service are amended. Consequently, the Priory is still a Member of the Ambulance Service.

The Ambulance Service responded that all legislative changes have been put on hold pending the outcome of a review of the efficiency and effectiveness of the Ambulance Service. The position status with respect to the review is provided in 'Further Commentary on Operations' at the end of this section of this Report.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2003 \$'million	2002 \$'million	Percentage Change
OPERATING REVENUE			
Revenue from Government	36.9	40.2	(8)
Ambulance transport fees	27.7	25.5	9
Ambulance cover	13.6	12.9	5
Other	2.5	8.1	(69)
Total Operating Revenue	80.7	86.7	(7)
OPERATING EXPENDITURE			
Employment expenses	52.9	46.6	14
Goods and services	23.5	20.1	17
Depreciation	6.2	5.2	19
Total Operating Expenses	82.6	71.9	15
Surplus (Deficit) *	(1.9)	14.8	(113)
Net Cash Flows from Operations	6.4	13.6	(53)
ASSETS			
Current assets	23.1	25.1	(8)
Non-current assets	32.4	30.9	5
Total Assets	55.5	56.0	(1)
LIABILITIES			
Current liabilities	8.6	8.1	6
Non-current liabilities	8.6	7.6	13
Total Liabilities	17.2	15.7	10
EQUITY	38.3	40.3	(5)

* The surplus/deficit includes some non-operating items.

Statement of Financial Performance

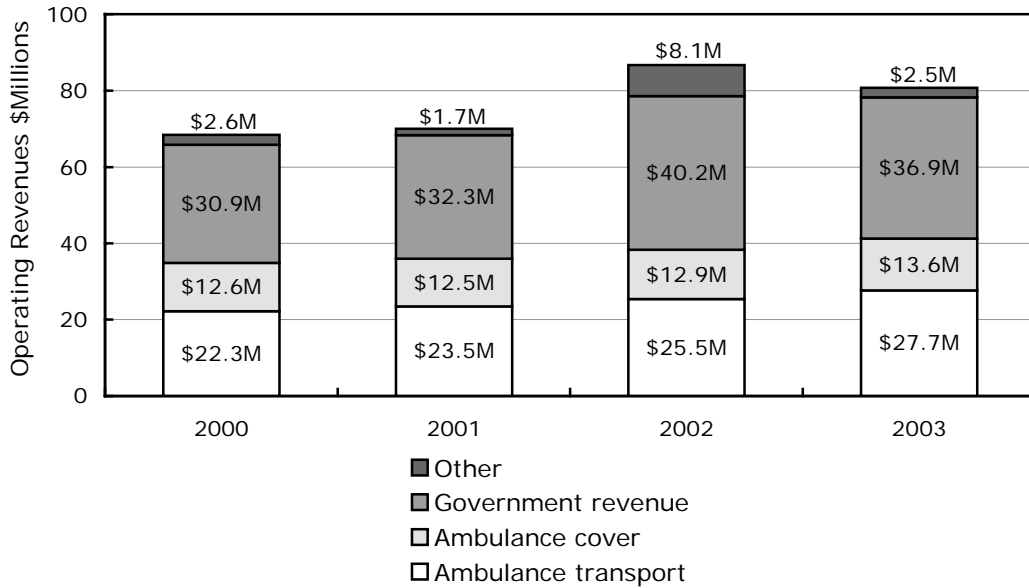
Operating Revenues

Government revenue has comprised approximately 46 percent of operating revenues each year for the last four years and demonstrates the dependency of the Ambulance Service on Government funding.

Government revenue decreased by \$3.3 million in 2002-03 due mainly to a one-off increase of \$4.2 million in last year’s funding for the South Australian Government Radio Network.

Other revenues decreased by \$5.6 million in 2002-03 due mainly to a one-off transfer last year of \$5.9 million in properties from St John to the Ambulance Service.

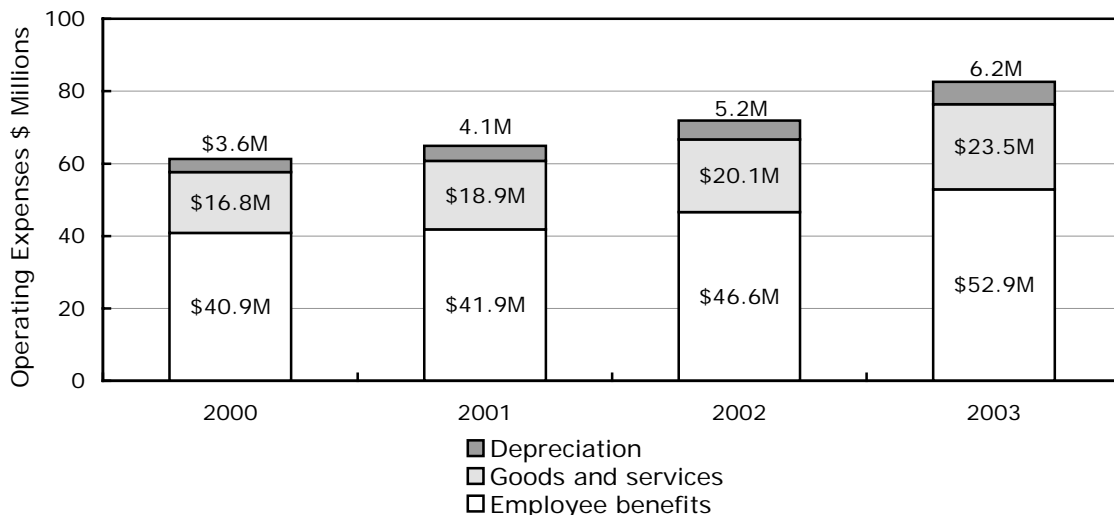
For the four years to 2003 a structural analysis of operating revenues for the Ambulance Service is presented in the following chart.



Operating Expenses

Employee benefits expense has ranged between 64 to 67 percent of operating expenses each year for the last four years. Employee benefits expense has increased by 14 percent since last year due mainly to pay rises and employment of an additional 42.9 full time equivalent employees (FTE). In 2002-03 there were 776.9 FTE’s. Goods and services expense also increased by 17 percent due mainly to expenditure on the South Australian Government Radio Network.

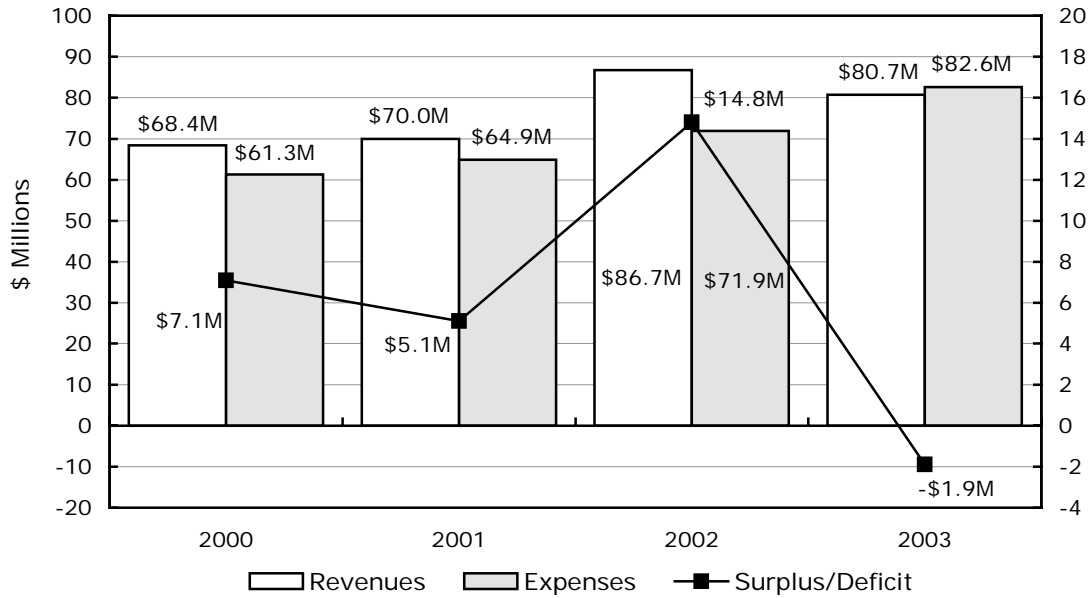
For the four years to 2003 a structural analysis of the main operating expense items for the Department is shown in the following chart.



Operating Result

The Service's operating result is significantly influenced by the level of funding provided by the South Australian Government. The surplus for 2001-02 largely reflected the receipt of grants to fund the Government Radio Network while the deficit in 2002-03 principally reflects cost increases which include increased employee benefit expenses.

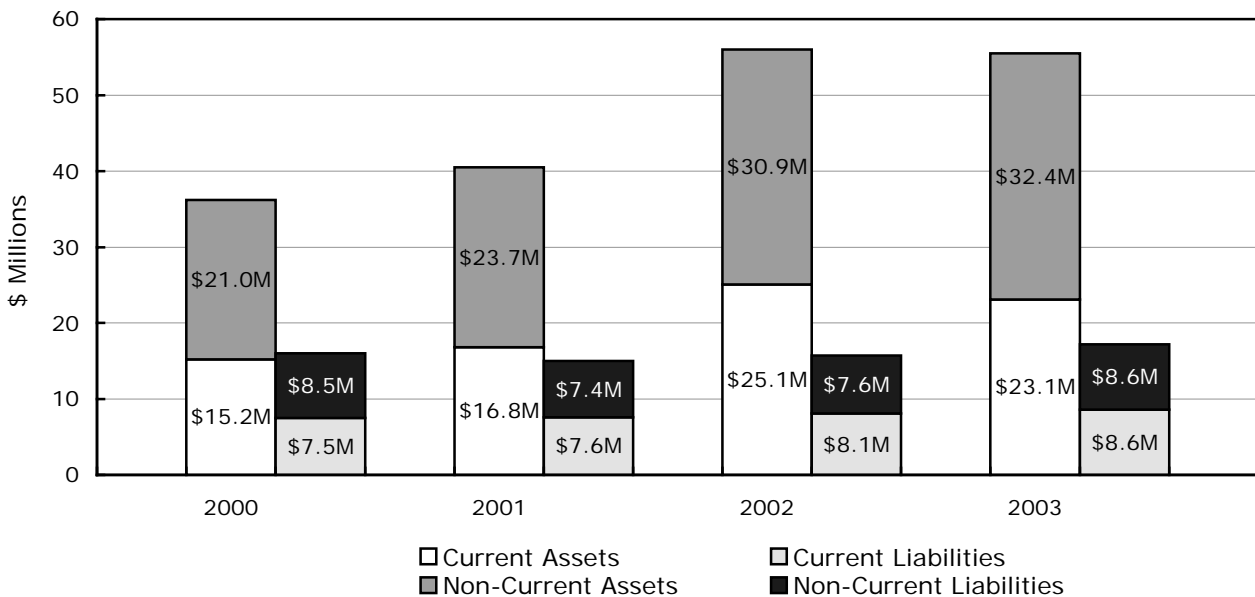
For the four years to 2003 the following chart shows the operating revenues, operating expenses and surpluses/deficits.



Statement of Financial Position

The Ambulance Service's liabilities have increased marginally over the last four years while assets increased significantly in 2001-02 due to a one-off transfer of properties from St John of \$5.9 million and a one-off increase of \$4.2 million in cash funding for the purchase of communications equipment for the South Australian Government Radio Network.

For the four years to 2003 a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	6.4	13.5	8.8	12.6
Investing	(8.3)	(6.6)	(7.9)	(4.4)
Change in Cash	(1.9)	6.9	0.9	8.2
Cash at 30 June	17.3	19.2	12.3	11.4

The analysis of cash flows shows that cash increased each year from 1999-2000 to 2001-02 whereas it decreased by \$1.9 million in 2002-03.

The decrease in cash in 2002-03 reflects an increase of \$1.6 million in expenditure on communications being mainly related to the Government Radio Network, an increase of \$4.9 million in payments to employees and an increase of \$2 million in payments for property, plant and equipment being mainly purchases of ambulances. These decreases in cash were partly offset by increases in receipts from ambulance transport fees and Ambulance Cover premiums.

FURTHER COMMENTARY ON OPERATIONS

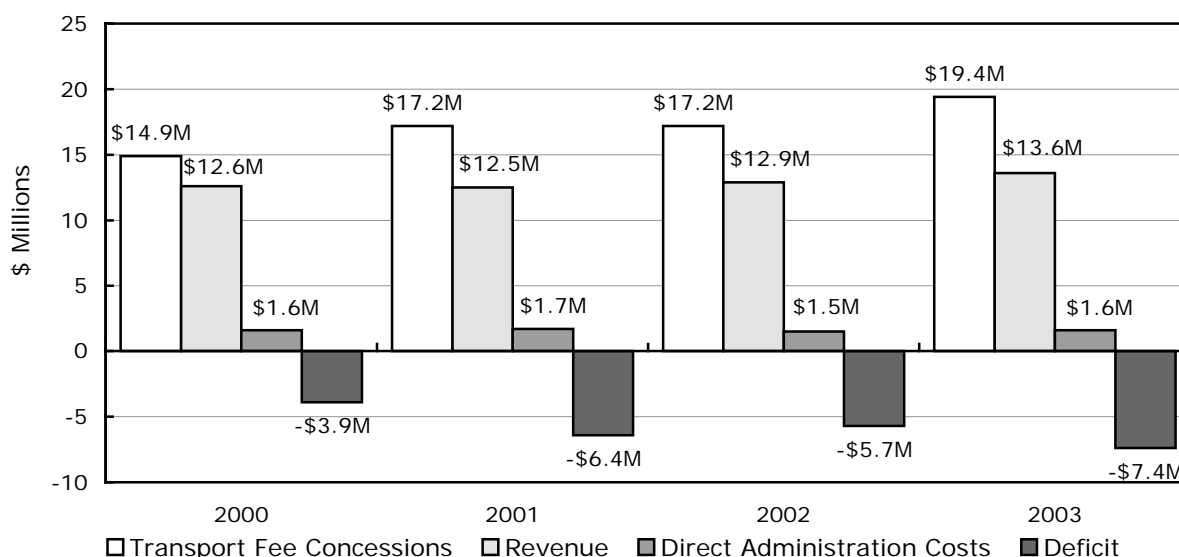
Ambulance Cover Scheme

The Ambulance Cover Scheme has significantly impacted on the operating result since its inception as a result of the premiums charged to subscribers being substantially less than the cost of the scheme (ie benefits provided to subscribers). The cumulative deficit from operating the Scheme is \$36.5 million.

There has been an increase in the operating deficit for 2002-03 of \$1.7 million, with an average annual operating deficit of \$5.4 million, over the last five years. As detailed in Note 3 to the Financial Statements, it is also important to note the deficit on the Ambulance Cover Scheme for 2001-02 was decreased by the amount of those transport fees unable to be charged against the Scheme during the period of the temporary case information bans imposed by the Ambulance Employees Association. The Ambulance Service estimates the amount of the understatement to be \$360 000.

Transport fee concessions increased by \$2.2 million reflecting an increase in the number of members of the scheme transported in 2002-03 and an increase in transport fee rates.

The following chart reflects the movement in revenues, expenses and deficit of the Ambulance Cover Scheme over the past four years and underlines the increasing trend in Transport Fee Concessions.



Review of Ambulance Service

In 2002-03 the Government commissioned a review of the efficiency and effectiveness of the Ambulance Service, including the appropriateness of its governance systems. The recommendations from the review are detailed in a report that is publicly available. The recommendations include, among other things:

- reconfiguration of the current governance arrangements for the Ambulance Service, with a preference for the Ambulance Service to be established as an administrative unit pursuant to the *Public Sector Management Act 1995*;
- the Ambulance Service place priority on improving its core planning, business and financial processes;
- the Government devise an alternative approach to funding the Ambulance Service;
- administrative responsibility for the Ambulance Service be transferred from the Department of Justice to the Department of Human Services to allow a more integrated planning and delivery of Primary and Emergency Care Services.

At the time of preparing this Report the Government had not formally considered and responded to the recommendations.

**Statement of Financial Performance
for the year ended 30 June 2003**

		2003	2002
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Operating Revenues:			
Sales of goods and services:			
Ambulance transport	2	27 747	25 535
Ambulance Cover	3	13 627	12 909
Call Direct		1 242	965
Other operating revenues	4	1 023	976
Total Operating Revenues		43 639	40 385
Revenues from Government	1(k), 5	36 898	40 184
Non-operating revenues	6	157	6 134
Total Revenues		80 694	86 703
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits expense	7	52 893	46 554
Goods and services	8	23 560	20 131
Depreciation	10	6 179	5 237
Total Expenses		82 632	71 922
(DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES		(1 938)	14 781
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	16(c)	(1 938)	14 781

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	1(j), 19(a)	9 340	14 237
Investments	1(j), 19(a)	8 000	5 000
Receivables	11	4 776	4 907
Inventories		341	236
Other	12	624	660
Total Current Assets		23 081	25 040
NON-CURRENT ASSETS:			
Property, plant and equipment	13	32 463	30 938
Total Non-Current Assets		32 463	30 938
Total Assets		55 544	55 978
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	14(a)	2 820	2 949
Provision for employee benefits	15(a)	5 825	5 191
Total Current Liabilities		8 645	8 140
NON-CURRENT LIABILITIES:			
Payables	14(b)	374	323
Provision for employee benefits	15(b)	8 206	7 258
Total Non-Current Liabilities		8 580	7 581
Total Liabilities		17 225	15 721
NET ASSETS		38 319	40 257
EQUITY:			
Capital		6 298	6 298
Reserves	16(a)	8 459	7 623
Accumulated surplus	16(b)	23 562	26 336
TOTAL EQUITY	16(c)	38 319	40 257
Commitments and Contingent Liabilities	18		

**Statement of Cash Flows
for the year ended 30 June 2003**

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
Receipts from customers		39 520	35 455
Receipts from Australian Taxation Office		1 706	1 851
Receipts from government		36 898	40 184
Interest received		896	725
Payments to suppliers		(25 600)	(22 420)
Payments to employees		(47 067)	(42 217)
Net Cash provided by Operating Activities	19(b)	6 353	13 578
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		1 471	1 082
Payments for property, plant and equipment		(9 721)	(7 721)
Net Cash used in Investing Activities		(8 250)	(6 639)
NET (DECREASE) INCREASE IN CASH HELD		(1 897)	6 939
CASH AT 1 JULY		19 237	12 298
CASH AT 30 JUNE	19(a)	17 340	19 237

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Statement of Significant Accounting Policies**

The significant accounting policies adopted in the preparation of this financial report are detailed below:

(a) Entity Definition

SA St John Ambulance Service Inc. (trading as SA Ambulance Service) is an incorporated association formed by the Minister for Health for the Government of South Australia and the Priory in Australia of the Order of St John (Priory) under the *Associations Incorporation Act 1985 (SA)*. SA Ambulance Service operates in accordance with the *Ambulance Services Act 1992* and under a licence issued on 1 March 1993 by the Minister for Health, Family and Community Services.

In January 1999 Priory's authority to nominate and appoint directors to the Ambulance Board was delegated to the Minister for Police, Correctional Services and Emergency Services.

The registered office is located at 216 Greenhill Road, Eastwood, South Australia.

The principle activities of SA Ambulance Service are the provision of high-quality pre-hospital care and patient transport.

(b) Basis of Preparation

The financial report is a general-purpose financial report that has been drawn up in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, other mandatory professional reporting requirements, Department of Treasury and Finance Accounting Policy Statements, Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*, and the *Associations Incorporation Act 1985 (SA)*. The financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention except for certain assets that have been revalued.

(c) Revenue Recognition*Ambulance Transport Revenue*

Ambulance transport revenue comprises revenue earned, net of discounts and allowances from the provision of patient transport, and is recognised when the service is provided or when the fee in respect of services provided is receivable.

Ambulance Cover Revenue

SA Ambulance Service operates an Ambulance Cover scheme whereby members pay a premium to cover themselves against the cost of ambulance transport. Ambulance Cover revenue is recognised upon receipt of the premium.

Call Direct Revenue

Call Direct revenue comprises the sale of alarm monitoring units and accessories, and monitoring income. Units and accessories revenue are recognised at point of sale. Monitoring income is brought to account when accrued.

Other Operating Revenues

Other operating revenues comprise interest received and donations. Donations are recognised when received, and interest when accrued.

Revenues from Government

Revenues from the state government comprise contributions to meet the costs of government's community service obligations, for which services are provided by SA Ambulance Service, and funds for a motor vehicle replacement program. Government revenues are recognised on receipt.

Non-Operating Revenues

Non-operating revenues represent assets received at nil consideration, asset sales, rental, commissions and discounts received, and sundry revenue. The net revenue (expense) from asset sales is included as revenue upon sale.

(d) Taxation

SA Ambulance Service is a public benevolent institution and is exempt from income tax pursuant to the *Income Tax Assessment Act 1936 (Cwlth)*. The Australian Taxation Office advised that it intends to revoke the status of SA Ambulance Service as a public benevolent institution.

(e) Inventories

Inventories are carried at the lower of cost and net realisable value.

(f) Non-Current Assets

All items of non-current assets, with the exception of land, have a limited useful life, which is reviewed annually. These are systematically depreciated in a manner that reflects the consumption of service potential.

The major asset categories are subject to straight-line depreciation over the following estimated useful lives:

	Years
Buildings and leasehold improvements	40
Motor vehicles	1 to 8
Medical equipment	4 to 5
Plant and equipment*	1 to 25
Communication equipment	3 to 32

* Comprises information technology, office furniture and equipment, fixtures and fittings and training equipment.

Refer to Note 13 for the basis of valuation for each major asset category.

(g) Operating Leases

Operating lease assets are not capitalised, and lease payments are charged as operating expenses in the period in which they are incurred.

(h) Employee Benefits

Provision has been made in the financial report for SA Ambulance Service's liability for employee benefits for services rendered to balance date.

In determining the liability for employee benefits, consideration has been given to possible future increases in wage and salary rates and SA Ambulance Service's experience with staff attrition.

Annual Leave

The provision for employee benefits for annual leave is based on legal contractual benefits at balance date. The rates of pay expected to be paid when the leave is taken have been used in calculating the provision.

Sick Leave

No provision has been made for sick leave because entitlements are non-vesting and it is considered that sick leave is taken from the current year's entitlements.

Accrued Days Off

The provision for employee benefits for accrued days off is based on legal contractual benefits at balance date. The rates of pay expected to be paid when the leave is taken have been used in calculating the provision.

Long Service Leave

The liability for employee benefits for long service leave represents the amount SA Ambulance Service has a present obligation to pay resulting from employees' services provided up to the balance date.

The provision has been calculated at nominal amounts based on current salaries and wages rates using an assessed benchmark of seven years service. The benchmark is based upon an actuarial assessment conducted by Brett & Watson Pty Ltd (members of the Institute of Actuaries of Australia) at 30 June 2002, in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits'.

Workers Compensation

SA Ambulance Service is recognised as an exempt employer under section 61 of the *Workers Rehabilitation and Compensation Act 1986* (SA). The liability for employee benefits for workers compensation is based upon an actuarial assessment conducted by Brett & Watson Pty Ltd at 30 June 2003.

Superannuation Funds

SA Ambulance Service contributes to two superannuation funds for the benefit of its employees. Contributions are charged as expenditure as they are made. There is no liability for payments to beneficiaries, as this is the responsibility of the superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes. Further information is set out in Note 17.

(i) Reserves

The amounts recorded as reserves, excluding asset revaluation, are represented by actual funds set aside for express purposes as follows:

Country Branch Reserves

These reserves are under the control of country branch committees in accordance with the provisions of SA Ambulance Service Country Branch Regulations and are applied to meet branch requirements.

Country Capital Reserve Fund

This fund is specifically applied for the purchase of capital items deemed necessary for the effective operation of country branches. Allocations from this fund are controlled by the Country Ambulance Services Advisory Committee (CASAC). Revenues are received from transfers from the Country Operating Reserve Fund, interest earnings, and transfers from Country Branch Reserves towards capital projects.

Country Operating Reserve Fund

The Country Operating Reserve Fund (CORF) was established to meet operating costs that relate to the operations of country branches. Allocations from the fund are controlled by CASAC. Revenues are received from volunteer branch operating surpluses as defined in the SA Ambulance Service Country Branch Regulations.

(j) Financial Instruments

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value.

SA Ambulance Service's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2003, are as follows:

Financial Assets

Cash assets are comprised mainly of deposits at call with the Commonwealth Bank of Australia (CBA). The interest rate prevailing on deposits totalling \$9.34 million (\$14.2 million) with the CBA at 30 June 2003 varied from 4 percent to 4.5 percent (4 percent to 4.5 percent).

Investments totalling \$8 million (\$5 million) constitute term deposits with the CBA. As at 30 June 2003 the prevailing interest rate was 4.62 percent (4.72 percent).

Receivables are recognised when the service is provided and are reported at amounts due that are net of discounts and doubtful debts.

Financial Liabilities

Payables are raised for amounts billed or billable but unpaid and are normally paid within trading terms.

(k) Economic Dependency

A significant proportion of revenue is derived from government, without which SA Ambulance Service would not be able to provide community service obligations. Revenue from government was \$36.9 million in 2003 (\$40.2 million).

(l) Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by SA Ambulance Service as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of cash flows arising from investing activities, which are recoverable from or payable to the Australian Taxation Office, have been classified as operating cash flows.

2. Ambulance Transport	2003	2002
	\$'000	\$'000
Fees raised	60 471	54 852
Less: Concessions- Ambulance Cover	19 427	17 184
- Pensioners	13 297	12 133
	27 747	25 535
3. Ambulance Cover		
Ambulance Cover revenue	13 627	12 909
Less: Transport fee concessions	19 427	17 184
Direct administration costs	1 564	1 471
Ambulance Cover Deficit *	(7 364)	(5 746)
4. Other Operating Revenues	2003	2002
	\$'000	\$'000
Interest	890	731
Donations	133	245
	1 023	976
5. Revenues from Government		
Funding was received from the State Government for:		
Operations *	33 791	33 014
South Australian Government Radio Network **	209	4 443
Vehicle purchases	2 898	2 727
	36 898	40 184
6. Non-Operating Revenues	2003	2002
Asset Disposals:	\$'000	\$'000
Revenue from disposal of assets	1 378	1 193
Less: Written down value of disposed assets	1 693	1 280
Net Expense from Disposal of Assets	(315)	(87)
Other Non-Operating Revenue Items:		
Non-current asset transfers at nil consideration*	-	5 935
Rental revenue	(22)	149
Sundry revenue	469	113
Commission and discount revenue	25	24
	157	6 134

* Includes \$802 000 in 2002-03 from the Community Emergency Services Fund towards operations (\$782 000).

** Comprises, in 2002-03, \$209 000 from the Community Emergency Services Fund (\$209 000) and, in 2001-02, \$4.234 million from the Department for Administrative and Information Services towards the South Australian Government Radio Network.

* Freehold and leasehold properties under the care, control and management of St John Ambulance Australia South Australia Inc. were transferred to SA Ambulance Service on 25 August 2001. These properties were initially recognised at fair value based upon a valuation at 30 June 2001 by Knight Frank (SA) Pty Ltd (Certified Practising Valuers). The transferred properties were subsequently revalued using the deprival value methodology and, as reflected in Note 13, the gross amount and accumulated depreciation have been brought to account.

7. Employee Benefits Expense	2003	2002
	\$'000	\$'000
Salaries and wages, annual and sick leave	46 077	40 317
Superannuation	3 224	2 869
Workers compensation	2 628	2 679
Long service leave	964	689
	52 893	46 554
8. Goods and Services		
Bad and doubtful debts	4 113	3 737
Communication	3 678	2 109
Training, travel, uniforms and other staff expenses	3 277	2 859
Professional and administrative expenses	3 212	2 850
Medical	2 639	2 236
Vehicle operating	1 935	2 087
Occupancy	1 608	1 420
Information technology	1 341	1 324
Marketing	668	688
Discounts on ambulance transports	439	353
Consultancies	236	114
Other	414	354
	23 560	20 131
9. Auditors' Remuneration		
Amounts paid and payable to the auditors for auditing the financial report.	45	51
The auditors provided no other services.		
10. Depreciation		
Buildings	417	349
Leasehold improvements	204	178
Motor vehicles	3 854	3 006
Medical equipment	562	617
Plant and equipment	853	789
Communication equipment	289	298
	6 179	5 237
11. Receivables		
Debtors	6 677	6 546
Less: Provision for doubtful debts	1 901	1 639
	4 776	4 907
12. Other Current Assets		
Prepayments	559	496
Accrued revenue	65	164
	624	660
13. Property, Plant and Equipment		
Land:		
Opening balance	2 804	1 337
Additions	-	108
Other movements	(11)	-
Transfers (at fair value) at nil consideration*	-	1 359
Closing Balance	2 793	2 804
Net Book Value **	2 793	2 804
Buildings:		
Opening balance	17 060	8 637
Additions	1 225	848
Transfers (at fair value) at nil consideration*	-	2 959
Other movements	-	433
Revaluation write-up	-	4 183
Closing Balance	18 285	17 060
Accumulated Depreciation:		
Opening balance	10 595	5 955
Depreciation for the year	417	349
Other movements	-	108
Revaluation write-up	-	4 183
Closing Balance	11 012	10 595
Net Book Value **	7 273	6 465

13. Property, Plant and Equipment (continued)	2003	2002
Leasehold Improvements:	\$'000	\$'000
Opening balance	5 889	2 258
Additions	117	799
Transfers (at fair value) at nil consideration*	-	1 617
Other movements	-	(269)
Revaluation write-up	-	1 484
Closing Balance	6 006	5 889
Accumulated Depreciation:		
Opening balance	2 067	390
Depreciation for the year	204	178
Other movements	-	15
Revaluation write-up	-	1 484
Closing Balance	2 271	2 067
Net Book Value **	3 735	3 822
Motor Vehicles:		
Opening balance	23 260	21 330
Additions	7 040	4 807
Disposals	(4 438)	(2 877)
Closing Balance	25 862	23 260
Accumulated Depreciation:		
Opening balance	9 786	8 387
Depreciation for the year	3 854	3 006
Disposals	(2 768)	(1 607)
Closing Balance	10 872	9 786
Net Book Value ***	14 990	13 474
Medical Equipment:		
Opening balance	5 070	4 784
Additions	300	286
Closing Balance	5 370	5 070
Accumulated Depreciation:		
Opening balance	3 388	2 771
Depreciation for the year	562	617
Closing Balance	3 950	3 388
Net Book Value ***	1 420	1 682
Plant and Equipment:		
Opening balance	4 357	3 749
Additions	710	943
Disposals	(442)	(171)
Other movements	-	(164)
Closing Balance	4 625	4 357
Accumulated Depreciation:		
Opening balance	2 537	2 031
Depreciation for the year	853	789
Disposals	(419)	(160)
Other movements	-	(123)
Closing Balance	2 971	2 537
Net Book Value ***	1 654	1 820
Communication Equipment:		
Opening balance	3 797	3 756
Additions	16	41
Closing Balance	3 813	3 797
Accumulated Depreciation:		
Opening balance	2 926	2 628
Depreciation for the year	289	298
Closing Balance	3 215	2 926
Net Book Value ****	598	871
Total Net Book Value	32 463	30 938

* Refer to Note 6 for details of properties transfers.

** Land, buildings and leasehold improvements were independently revalued on a deprival basis at 30 June 2001 by Knight Frank (SA) Pty Ltd (Certified Practising Valuers).

*** Motor vehicles, medical equipment, and plant and equipment are recorded at cost.

**** Communication equipment was revalued on a deprival basis at 30 June 2001 by Ambulance Service Management.

14. Payables	2003	2002
(a) Current:	\$'000	\$'000
Trade creditors	2 305	2 499
Employment on-costs	344	297
Other creditors	171	153
	2 820	2 949

14.	Payables (continued)	2003	2002
	(b) Non-Current:	\$'000	\$'000
	Employment on-costs	374	323
	Total Payables	3 194	3 272
15.	Provision for Employee Benefits		
	(a) Current:		
	Annual leave	3 148	2 576
	Accrued days off	1 110	1 047
	Workers compensation	730	730
	Accrued salaries and wages	526	543
	Long service leave	311	295
		5 825	5 191
	(b) Non-Current:		
	Long service leave	3 452	2 903
	Workers compensation	2 200	2 200
	Annual leave	2 063	1 733
	Accrued days off	491	422
		8 206	7 258
	Total Provision for Employee Benefits	14 031	12 449
	(c) Employee Benefits and Related On-Cost Liabilities:		
	<i>Annual Leave:</i>		
	Included in current payables (Note 14(a))	244	208
	Provision for employee benefits - Current (Note 15(a))	3 148	2 576
	Total liability for current annual leave benefit	3 392	2 784
	Included in non-current payables (Note 14(b))	160	142
	Provision for employee benefits - Non-current (Note 15(b))	2 063	1 733
	Total liability for non-current annual leave benefit	2 223	1 875
	<i>Accrued days off:</i>		
	Included in current payables (Note 14(a))	83	75
	Provision for employee benefits - Current (Note 15(a))	1 110	1 047
	Total liability for current accrued days off benefit	1 193	1 122
	Included in non-current payables (Note 14(b))	37	30
	Provision for employee benefits - Non-current (Note 15(b))	491	422
	Total liability for non-current accrued days off benefit	528	452
	<i>Long service leave:</i>		
	Included in current payables (Note 14(a))	17	14
	Provision for employee benefits - Current (Note 15(a))	311	295
	Total liability for current long service leave benefit	328	309
	Included in non-current payables (Note 14(b))	177	151
	Provision for employee benefits - Non-current (Note 15(b))	3 452	2 903
	Total liability for non-current long service leave benefit	3 629	3 054
16.	Movement in Equity		
	(a) Reserves		
	Asset Revaluation Reserve:		
	Balance at 1 July	3 275	3 275
	Balance at 30 June	3 275	3 275
	Country Branch Reserves:		
	Balance at 1 July	725	668
	Transfers to accumulated surplus	(35)	57
	Balance at 30 June	690	725
	Country Capital Reserve Fund:		
	Balance at 1 July	3 623	2 863
	Transfers to accumulated surplus	(790)	(1 308)
	Transfer from Country Operating Reserve Fund	1 661	2 068
	Balance at 30 June	4 494	3 623
	Country Operating Reserve Fund:		
	Balance at 1 July	-	-
	Transfers from accumulated surplus	1 661	2 068
	Transfer to Country Capital Reserve Fund	(1 661)	(2 068)
	Balance at 30 June	-	-
	Total Reserves	8 459	7 623

(b) Accumulated Surplus	2003	2002
	\$'000	\$'000
Balance at 1 July	26 336	12 372
(Deficit) surplus from ordinary activities	(1 938)	14 781
Transfers from reserves to accumulated surplus	825	1 308
Transfers to reserves from accumulated surplus	(1 661)	(2 125)
Balance at 30 June	23 562	26 336
(c) Total Equity		
Balance at 1 July	40 257	25 476
(Deficit) surplus from ordinary activities	(1 938)	14 781
Balance at 30 June	38 319	40 257

17. Superannuation Funds**(a) SA Ambulance Service Superannuation Fund**

All but a few of the SA Ambulance Service's employees are members of the SA Ambulance Service Superannuation Fund (the 'Fund'). These employees are eligible to receive a benefit from the Fund. A benefit is payable on retirement, death, disablement or leaving SA Ambulance Service, in accordance with the Fund's trust deed and rules. The Fund is a resident regulated superannuation fund that complies with superannuation laws.

The Fund provides lump-sum benefits. The retirement, death and disablement benefits are calculated either on a defined-benefit basis or on an accumulation-style basis, if higher. In contrast, the resignation benefit is calculated on an accumulation-style basis. Defined benefits reflect a member's period of Fund membership and final average salary. Contributory members of the Fund make mandatory contributions at a rate of 5 percent of salary. If it has agreed to do so, SA Ambulance Service may make additional contributions at the rate of 5.9 percent of salary in lieu of these contributions. Non-contributory members are not required to make contributions.

SA Ambulance Service contributes towards the Fund's defined benefits in accordance with the recommendation of the actuary. In respect of all but a small proportion of the membership, it also contributes to the Fund in accordance with the relevant employee award. By contributing, SA Ambulance Service avoids incurring a charge in respect of the members, in accordance with superannuation guarantee legislation. Contributions are charged as expenditure as they are made.

Mr Christos Papanicolas, a principal of Mercer Human Resource Consulting Pty Ltd, carried out the most recent actuarial investigation of the Fund as at 30 June 2002. The investigation confirmed that the Fund's assets were sufficient for it to meet the benefits that would have been vested under it in the event of its termination or on the voluntary or compulsory termination of the employment of each member.

Net market value of Fund's assets as at 30 June 2002	\$'000
Value of accrued benefits as at 30 June 2002	55 559
Excess of net market value of Fund assets over value of accrued benefits as at 30 June 2002	54 451
Total of vested benefits as at 30 June 2002	1 108
Net market value of Fund's assets as at 30 June 2002	51 591
	55 559

(b) Statewide Superannuation Trust

In respect of a small proportion of the workforce, SA Ambulance Service pays its contributions in accordance with the relevant employee award to the Statewide Superannuation Trust. By making these contributions, SA Ambulance Service avoids incurring a charge for members in accordance with superannuation guarantee legislation. Contributions are charged as expenditure as they are made.

The Statewide Superannuation Trust provides lump-sum benefits on leaving employment for any reason, calculated on an accumulated basis. Members are not required to make contributions to the trust.

18. Commitments and Contingent Liabilities**(a) Lease Commitments (excludes GST)**

Operating lease expenditure contracted for is payable as follows:

Not later than one year	2003	2002
	\$'000	\$'000
Later than one year but not later than five years	121	191
Later than five years	167	120
	260	236
	548	547

SA Ambulance Service has operating lease arrangements for the use of properties at Ashford Hospital, Camden Park, Dulwich, and Port Adelaide. Total rental expenditure for 2002-03 was \$208 000 (\$164 000). Future operating lease commitments represent the present value of future cash outflows to be made as per the lease agreements. Terms of renewal are as mutually agreed by SA Ambulance Service and the lessor.

SA Ambulance Service has a number of other operating leases for the use of property. The value of these leases is immaterial.

(b) Capital Commitments (excludes GST)	2003	2002
Agreements outstanding as at 30 June 2003:	\$'000	\$'000
Purchase of ambulances at estimated cost less payments made:		
Not later than one year	215	2 287
Construction and fitout of buildings at estimated cost less payments made:		
Not later than one year	170	637
	385	2 924

(c) Contingent Liabilities
The nature of operations is such that potential exposures to litigation and other incidents giving rise to financial liability is considered by SA Ambulance Service to be less than likely. Following a consideration of all relevant factors, the Ambulance Board is of the opinion that no liability is required to be disclosed as being contingent.

19. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

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

	2003	2002
	\$'000	\$'000
Cash assets	9 340	14 237
Investments	8 000	5 000
	17 340	19 237

(b) Reconciliation of (Deficit) Surplus from Ordinary Activities to Net Cash provided by Operating Activities

(Deficit) surplus from Ordinary Activities	(1 938)	14 781
Less: Items classified as investing activities:		
Net expense on the sale of non-current assets	315	87
Add (Less): Non-cash items:		
Depreciation	6 179	5 237
Acquisition of non-current assets for nil consideration	-	(5 935)
Net Cash provided by Operating Activities before change in Assets and Liabilities	4 556	14 170

Change in assets and liabilities affecting the Statement of Financial Performance during the financial year:

Decrease (Increase) in receivables	131	(1 232)
(Increase) in inventory	(105)	(74)
Decrease (Increase) in other current assets	36	(36)
(Decrease) increase in accrued revenue for non-current assets disposals	(93)	111
(Decrease) increase in payables	(78)	141
Decrease (increase) in payables for non-current asset purchases	324	(110)
Increase in provision for employee benefits	1 582	608

Net Cash provided by Operating Activities

6 353	13 578
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20. Remuneration of Employees

The number of employees whose remuneration, inclusive of superannuation and other benefits, from SA Ambulance Service fell within the following bands was:

	2003	2003*	2002*
	Number of	Number of	Number of
	Employees	Employees	Employees
\$100 001 - \$110 000	24	22	10
\$110 001 - \$120 000	1	1	2
\$120 001 - \$130 000	1	1	-
\$130 001 - \$140 000	1	1	1
\$140 001 - \$150 000	1	1	1
\$150 001 - \$160 000	-	-	1
\$160 001 - \$170 000	-	-	-
\$170 001 - \$180 000	1	1	-

The total remuneration received, or due and receivable, from the SA Ambulance Service by the employees whose remuneration exceeded \$100 000 was:

	2003	2003*	2002
	\$'000	\$'000	\$'000
	3 184	2 971	1 699

* Excludes payments made to employees in lieu of taking long service leave

21. Remuneration of Directors of the Board

The directors of the Ambulance Board during the period were:

Ms R M Pak-Poy (Chairman)	Mr F A Butler (Deputy Chairman - term expired 30.06.2003)
Mr D R Hawking	Mr W G Newman (term expired 30.06.2003)
Mr P L Palmer	Prof G D Phillips (term expired 30.06.2003)
Mr M Scott	Ms L Reed (from 5.08.2002)
Mr L Gregurke (from 5.08.2002)	
Mr G Hockley (from 5.08.2002)	

All persons served for the entire period unless otherwise indicated. During the year, a total of \$107 000 (\$90 000) in directors' fees and other benefits, and \$9 000 (\$7 000) in superannuation benefits were payable.

The number of Directors whose remuneration was due or receivable from the SA Ambulance Service within the following bands was:	2003	2002
	Number of	Number of
	Directors	Directors
\$1 - \$10 000	4	5
\$10 001 - \$20 000	6	4

22. Related Party Disclosures

Directors of the board, or their director-related entities, conduct transactions with SA Ambulance Service within a normal supplier relationship, on terms no more favourable than those with which it is reasonable to expect SA Ambulance Service would have adopted with the director or director-related entity at arms-length in similar circumstances.

Related party disclosures comprise the provision of legal advice and services by Minter Ellison (a firm in which Ms R M Pak-Poy is a partner): \$134 000 (\$76 000).

SOUTH AUSTRALIAN METROPOLITAN FIRE SERVICE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Metropolitan Fire Service (SAMFS), a Corporation constituted of the Minister, was established under the *South Australian Metropolitan Fire Service Act 1936*. SAMFS is responsible to the Minister for Emergency Services.

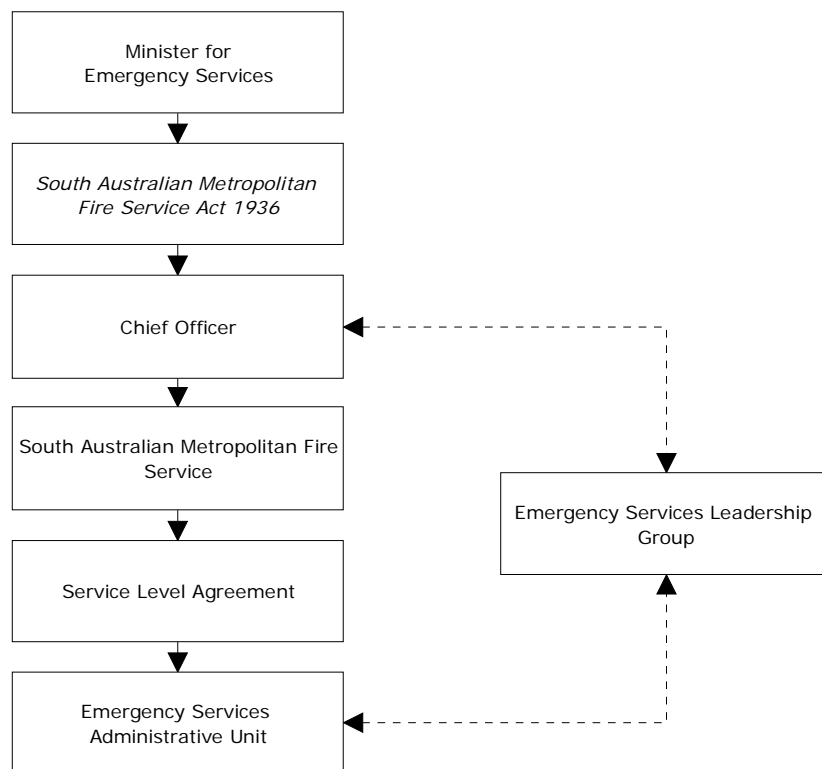
Functions

SAMFS is primarily responsible for the provision of:

- efficient fire fighting services;
- services to prevent the outbreak of fires in fire districts;
- services to deal with other emergencies.

Structure

The structure of SAMFS is illustrated in the following organisation chart.



The Emergency Services Administrative Unit (ESAU) provides various services to SAMFS in support of its primary functions, including strategic risk management, financial management and accounting services. These were subject to corporate service level agreements.

SAMFS' financial management is heavily reliant on information and reporting provided by ESAU. An Emergency Services Leadership Group (ESLG) which comprises the chief executive officers of the SAMFS, ESAU, the Country Fire Service and the Director, State Emergency Services (a division of ESAU) has been established to ensure that emergency services operate in an integrated manner and that appropriate strategic and business plans consistent with the Government's priorities are established, maintained and implemented.

The ESLG, through the Chief Executive Officer of ESAU, reports to a (Department of) Justice Leadership Team. There is in turn a lineage of reporting responsibilities from the Justice Leadership Team to the Minister for Emergency Services.

The operations of SAMFS are financed by the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

Changes to Functions and Structure

In October 2002 a review was commissioned to examine and identify improvements to the management, administration and governance arrangements of emergency services in relation to:

- Country Fire Service
- State Emergency Service
- South Australian Metropolitan Fire Service
- Emergency Services Administrative Unit.

The Emergency Services Review was released on 13 May 2003 and recommended the creation of a Fire and Emergency Services Commission. The Government supports this recommendation, believing that there is much to be gained from sharing resources, minimising duplication and improving the use of resources. The implementation process for the establishment of the Fire and Emergency Services Commission is expected to take up to twelve months and is expected to impact on the operation of SAMFS.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 11(2) of the *South Australian Metropolitan Fire Service Act 1936* provides for the Auditor-General to audit the accounts of SAMFS for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the SAMFS 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

The audit of SAMFS during 2002-03 required Audit to direct much of its focus to the audit of the 'centralised accounting' structure maintained by ESAU and to test transactions at this level.

During 2002-03, specific areas of audit attention included:

- payroll
- revenue
- general ledger
- accounts payable
- asset register
- budgetary control

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chief Officer. The response to the management letter was considered to be satisfactory. Major matters raised with SAMFS and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the South Australian Metropolitan Fire Service as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the South Australian Metropolitan Fire Service in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the South Australian Metropolitan Fire Service have been conducted properly and in accordance with law.

Significant Matters Raised with SAMFS

Corporate Governance

The audit revealed that strategic business and risk plans had not been completed on a timely basis for the 2003 financial year. Audit also observed that the Service Level Agreements with ESAU were signed off late in the financial year.

SAMFS indicated that the plans will be completed and processes established to ensure they are regularly updated and endorsed. SAMFS plans to work with the Justice Portfolio Risk Manager to develop the Risk Management Plan. In relation to Service Level Agreements, SAMFS noted that the formation of the South Australian Fire and Emergency Services Commission is likely to change many relationships presently covered by Service Level Agreements.

Credit Cards

The audit of the use of credit cards revealed the need to ensure that appropriate management approval is obtained for purchases made via the credit card and that purchases are appropriately costed on the monthly statement.

In response SAMFS advised that it will remind staff of the need to ensure their statements are authorised and include appropriate supporting documentation. Revised procedures will also be promulgated to strengthen controls.

Accounts Payable and Purchasing

The audit of accounts payable revealed room for improvement in relation to compliance with delegated authorities, and policies and procedures.

SAMFS indicated it will ensure officers are reminded of the need to comply with approved policies and procedures and that new delegations of authority have been issued to address the issues raised.

Assets

Audit noted that asset policies and procedures were not reviewed on a regular basis and did not reflect current operating practice. Audit further observed that all capital expenditure is processed through the work in progress account resulting in assets not being accounted for in accordance with Accounting Standards.

SAMFS acknowledged the need for clear procedures to be developed and advised that procedures will be developed to assist in the understanding of the capitalisation process.

As part of the year end audit process Audit reviewed the accounting for assets and found that the requirements of the Accounting Standards were being met.

Payroll

The audit of payroll revealed that the transfer of information from SAMFS to ESAU for processing into the payroll system could be improved, particularly in relation to changes affecting the payroll such as employee terminations.

SAMFS advised that it will give consideration to how the process could be improved and that it will develop a specific termination advice form to prevent potential overpayment to terminated employees.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS**Highlights of Financial Statements**

	2003 \$'million	2002 \$'million	Percentage Change
OPERATING REVENUE			
Contributions from government	69	58	19
Other revenue	4	4	-
Total Operating Revenue	73	62	18
OPERATING EXPENDITURE			
Employee benefits	59	52	14
Other	17	16	6
Total Operating Expenses	76	68	12
Deficit from Ordinary Activities	(3)	(1)	-
Net Cash Flows from Operations	6	1	-
ASSETS			
Current assets	31	32	(3)
Non-current assets	77	63	22
Total Assets	108	95	14
LIABILITIES			
Current liabilities	11	11	-
Non-current liabilities	21	16	31
Total Liabilities	32	27	19
EQUITY	76	68	12

Statement of Financial Performance**Operating Revenues**

SAMFS is essentially funded from the contribution from the Community Emergency Services Fund established on 1 July 1999. Other revenue has typically represented only a small percentage of revenue since that time.

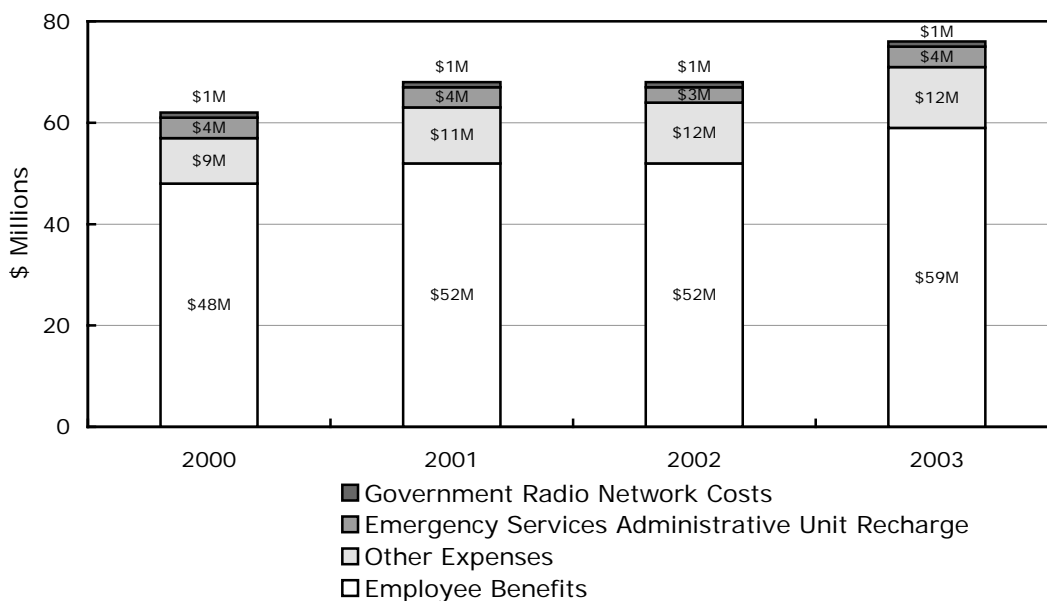
The Contribution from the Community Emergency Services Fund for the current year increased by \$10.8 million (19 percent) to \$68.5 million which represents 94 percent of SAMFS' total revenue.

Operating Expenses

Total operating expenses rose in 2003 by \$7.8 million (12 percent) to \$76 million. Employee benefit expenses have increased by \$7.1 million (14 percent) to \$58.7 million. The primary reason for this increase was a change in valuation methodology being adopted to measure workers compensation liability which resulted in an increase in expense of \$3.3 million.

Employee benefits account for over 77 percent of the operating expenses of SAMFS. Other expense categories have remained relatively constant over the period under review.

For the four years to 2003 a structural analysis of the main operating expense items for SAMFS is shown in the following chart.



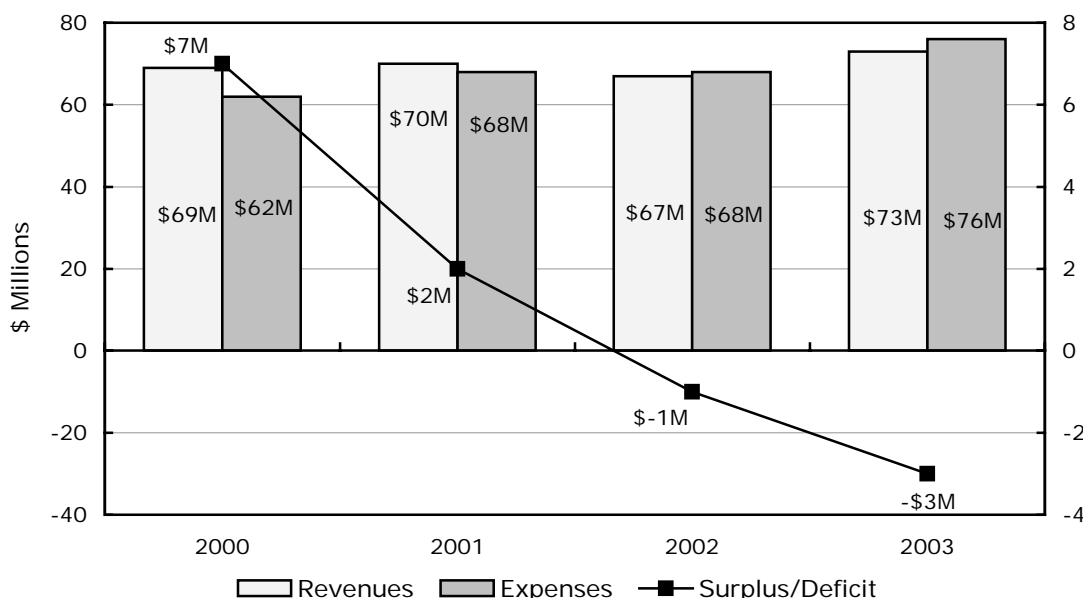
Operating Result

After recording a surplus in 2000 and 2001 SAMFS has incurred deficits in both 2002 and 2003.

The deficit in 2003 primarily resulted from the increase in workers compensation expense which was a year end adjustment and as such was not considered when determining the appropriate level of funding from the Community Emergency Services Fund.

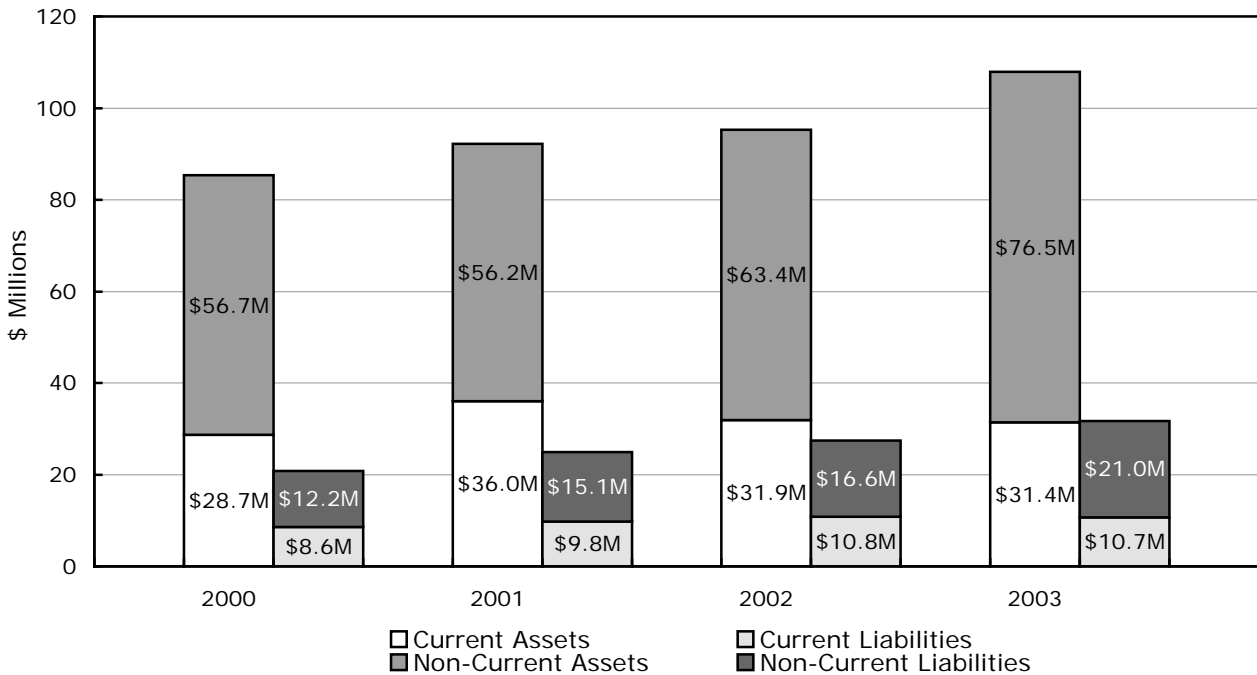
The result in 2002 reflected the budgetary decision to reduce contributions from the Community Emergency Services Fund by \$6 million offset by net revenue from restructuring of \$5 million arising from the transfer of the former ETSA Skills Centre.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2003.



Statement of Financial Position

For the four years to 2003 a structural analysis of assets and liabilities is shown in the following chart.



SAMFS' financial position is dominated by non-current property, plant and equipment assets which have grown by 35 percent over the four year period primarily as a result of revaluation of assets. Non-current liabilities have also increased significantly over the period due mainly to increases in provisions for long service leave and workers compensation.

The chart also demonstrates that SAMFS has had a strong position in relation to its coverage of current assets to current liabilities over the four year period.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	5.5	0.5	10.1	9.4
Investing	(6.7)	(5.0)	(2.7)	(3.8)
Change in Cash	(1.2)	(4.5)	7.4	5.6
Cash at 30 June	29.4	30.6	35.0	27.6

Cash received from the Community Emergency Services Fund, which is accounted for in cash flows from operations, includes funding for capital expenditure which is accounted for in investing activities. Therefore a portion of the cash generated by operations is used to fund investing activities. Over the period under review the cash holdings have fluctuated which reflects the timing differences between the receipt and use of funds for capital purposes. The decrease in cash in 2002 also reflects the decrease in funding from the Community Emergency Services Fund in that year.

Overall SAMFS' cash reserves are strong in comparison to annual net cash flows.

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges for services	3	2 116	2 198
Interest		1 298	1 176
Other revenue	4	1 202	903
Total Revenues		4 616	4 277
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	5	58 691	51 633
Depreciation	6	4 842	4 456
Emergency Services Administrative Unit recharge		3 550	3 438
Government Radio Network costs	7	1 413	1 392
Supplies and services	8	6 824	6 606
Interest		672	623
Total Expenses		75 992	68 148
NET COST OF SERVICES		71 376	63 871
REVENUES FROM STATE GOVERNMENT:			
Contributions from the Community Emergency Services Fund		68 517	57 751
Total Revenues from Government		68 517	57 751
Net loss from disposal of non-current assets	9	(9)	(121)
Net revenues from restructuring	10	-	5 000
DEFICIT FROM ORDINARY ACTIVITIES		(2 868)	(1 241)
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net credit to an asset revaluation reserve on revaluation of non-current assets	16	11 196	1 799
Total revenues, expenses and valuation adjustments recognised directly in equity		11 196	1 799
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		8 328	558

Statement of Financial Position as at 30 June 2003

		2003	2002
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets	11	29 388	30 550
Receivables	12	2 000	1 341
Prepayments		56	5
Total Current Assets		31 444	31 896
NON-CURRENT ASSETS:			
Property, plant and equipment	13	76 499	63 416
Total Non-Current Assets		76 499	63 416
Total Assets		107 943	95 312
CURRENT LIABILITIES:			
Payables	14	4 703	5 365
Provision for employee benefits	15	6 033	5 474
Total Current Liabilities		10 736	10 839
NON-CURRENT LIABILITIES:			
Payables	14	1 001	867
Provision for employee benefits	15	14 767	10 495
Interest bearing liabilities		5 226	5 226
Total Non-Current Liabilities		20 994	16 588
Total Liabilities		31 730	27 427
NET ASSETS		76 213	67 885
EQUITY:			
Asset revaluation reserve	16	51 323	40 127
Accumulated surplus	17	24 890	27 758
TOTAL EQUITY		76 213	67 885
Commitments and Contingent Liabilities	18		

Statement of Cash Flows for the year ended 30 June 2003

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
	Note		
Employee benefits		(53 546)	(50 495)
Supplies and services		(7 686)	(5 162)
Government Radio Network costs		(1 488)	(1 392)
Emergency Services Administrative Unit recharge		(3 550)	(3 438)
Interest		(672)	(623)
		(66 942)	(61 110)
RECEIPTS:			
Fees and charges for services		2 117	2 383
Interest		1 273	1 201
Other revenue		575	286
		3 965	3 870
CASH FLOWS FROM GOVERNMENT:			
Contributions from the Community Emergency Services Fund		68 517	57 751
Net Cash provided by Operating Activities	19	5 540	511
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of non-current assets		4	136
Payments for non-current assets		(6 706)	(5 125)
Net Cash used in Investing Activities		(6 702)	(4 989)
NET DECREASE IN CASH HELD		(1 162)	(4 478)
CASH AT 1 JULY		30 550	35 028
CASH AT 30 JUNE	11	29 388	30 550

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The SA Metropolitan Fire Service (the Corporation) is a statutory authority established under the *South Australian Metropolitan Fire Service Act 1936* (the Act).

(a) Objectives

The Corporation's objectives are to provide for the fighting and prevention of fires in its fire districts, and to provide for the protection of life, property and the environment threatened by other emergencies.

(b) Funding and Administrative Arrangements

The Corporation is funded from the Community Emergency Services Fund (the Fund), which was established by the *Emergency Services Funding Act 1998*, for the cost of its operational services in the protection of South Australian citizens and their property, and the cost of strategic and administrative services delivered to it by the Emergency Services Administrative Unit (ESAU).

2. Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report prepared in accordance with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, and mandatory professional reporting requirements (Urgent Issues Group Consensus Views). It has been prepared on the accrual basis of accounting using the historical cost accounting method, with the exception of certain major non-current assets which have been revalued to their fair value.

(b) Accounting for Non-Current Assets

Property, plant and equipment are brought to account at fair value. On an ongoing basis, revaluations are made in accordance with a regular policy whereby independent valuations are obtained every three years and carrying amounts adjusted accordingly. By the end of June 2004 all land, buildings and vehicles will have been revalued to fair value.

(i) Plant and equipment is at historical cost.

(ii) Independent valuations for land and buildings were obtained in 2002-03 from Andrew J Lucas, MBA, B.App.Sc (Val), AVLE (Val), ASA, Certified Practising Valuer of Valcorp Australia Pty Ltd for one-third of metropolitan fire stations and was determined on the basis of open market values for existing use. Independent valuations for country fire stations were obtained in 2001-02.

(iii) An independent valuation of vehicles was obtained in 2002-03 for current operational response vehicles acquired prior to 2002-03, from Stephen Sinclair, B.App.Sc (Val), AVLE (Val), ASA, Certified Practising Valuer of Valcorp Australia Pty Ltd and represents the written down current cost of vehicles.

(iv) Capital works in progress represent costs accumulated during the construction or development of an asset and is valued at cost.

Depreciation on property, plant and equipment, excluding freehold land, is calculated on a straight-line basis, based on the expected useful lives of the assets which are reviewed annually.

Major depreciation periods are:

	Years
Vehicles	15
Computer equipment	5
Communications equipment	10
Plant and equipment	10
Buildings	1-30

(c) Employee Benefits

(i) Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages, salaries and annual leave expected to be settled within twelve months of the year-end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Corporation expects to pay at the time the liability is settled. Relevant employment on-costs are shown under 'Payables'. Sick leave is not provided for as it is non-vesting.

(ii) Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by employees to balance date. The liability has been calculated at nominal amounts based on current salaries and wages rates using a short hand bench-mark of twelve years as advised by the Department of Treasury and Finance. Relevant employment on-costs are shown under the item 'Payables'.

(iii) Superannuation

Contributions are made by the Corporation to several Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. The Corporation has no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

(iv) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. For the 2003 valuation, the Justice, Human Services and all other portfolios have been analysed separately. In previous years, the Justice Portfolio was analysed together with all other non-Human Service agencies. The new valuation methodology has resulted in the Justice Portfolio's liability being more specifically measured. The Corporation's liability is an allocation of the Justice Portfolio's total assessment.

It is important to note that the new methodology adopted for this valuation has significantly contributed to the large increase in liability in 2003. Applying the new methodology to the previous year's data would have resulted in the Corporation's June 2002 liability being 25 percent larger than reported.

The Corporation fully funds this provision.

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (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 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 a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis.

(e) Revenue Recognition**Interest**

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of Non-Current Assets

The gross proceeds of non-current asset sales are included as revenue at the date control of assets passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Fees and Charges for Services

Revenues are recognised when services are provided, at fair value of the consideration received.

Charges for a number of services, including Fire Safety, Brigade Attendance and Private Fire Alarms, are made on a fee-for-service basis. These charges are reviewed and approved by the State Government annually. (Refer Note 3)

Grants

The Commonwealth Government provides reimbursement to the State for the provision of emergency services to protect Commonwealth properties. Under a South Australian Department of Treasury and Finance formula, this grant is apportioned between the Country Fire Service Board and the Corporation. The grant reported as revenue is the portion received by the Corporation. (Refer Note 4)

(f) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(g) State Government Funding

The financial report is prepared under the assumption of ongoing financial support being provided to the Corporation by the State Government.

(h) Change in Accounting Policy

In accordance with Accounting Standard AASB 1028 'Employee Benefits' on 1 July 2002 the entity changed its policy for recognising its liability for salaries and wages and annual leave. Under the new policy the amount of the liability is calculated using the remuneration rate that is expected to apply at the time of settlement rather than the remuneration rate that applies at reporting date.

This change in accounting policy had no material impact on the results for the period.

(i) Change in Accounting Estimate

The Long Service Leave Liability short hand benchmark, as advised by the Department of Treasury and Finance has been revised upwards from 8 years to 12 years. The change in the accounting estimate has resulted in the liability being reduced by \$533 000, from \$9 871 000 to \$9 338 000.

3. Fees and Charges for Services		2003	2002
Fees and charges for the reporting period comprised:		\$'000	\$'000
Fire alarm monitoring fees		1 026	980
Fire attendance fees		762	809
Fire safety fees		226	197
Other recoveries		102	212
		2 116	2 198
4. Other Revenue			
Other revenue comprised:			
Grants from Commonwealth Government		686	617
Fuel rebate		65	55
Other		451	231
		1 202	903
5. Employee Benefits			
Employee benefit expenses for the reporting period comprised:			
Salaries and wages		43 994	41 987
Payroll tax and superannuation		7 404	6 698
Long service leave		2 397	1 304
Workers compensation		4 669	1 417
Other employee related expenses		227	227
		58 691	51 633
6. Depreciation			
Depreciation expenses for the reporting period were charged in respect of:			
Buildings		2 394	2 197
Computer equipment		308	213
Plant and equipment		414	397
Communications equipment		269	295
Vehicles		1 457	1 354
		4 842	4 456
7. Government Radio Network (GRN) Costs			
The Corporation has been charged by the Department for Administrative and Information Services for costs associated with the provision of emergency communication services, including voice, paging and data transmission using the GRN.			
		2003	2002
		\$'000	\$'000
Contribution towards GRN - Voice		931	672
Contribution towards GRN - Paging		45	19
Contribution towards GRN - Data		-	424
Other GRN costs		437	277
		1 413	1 392
8. Supplies and Services			
Supplies and services for the period were charged in respect of:			
Consumables and minor purchases		1 365	1 432
Repairs and maintenance		1 415	1 476
Rates, taxes and rent		159	290
Uniforms		451	411
Communication expenses		575	519
Energy		379	346
Lease expenses		480	423
Travel and training		921	535
Other expenses		1 079	1 174
		6 824	6 606
9. Net Loss from Disposal of Non-Current Assets			
Proceeds from disposal of non-current assets		4	136
Less: Written down value of non-current assets		13	257
Net Loss from Disposal of Non-Current Assets		(9)	(121)
10. Net Revenues from Restructuring			
On 5 June 2002, assets comprising the former ETSA Skills Centre at Angle Park were transferred from the Distribution Lessor Corporation to the Corporation. The values of the assets as assessed by the Valuer-General in 1999 are included in the accounts of the Corporation as at balance date.			
There were no restructuring activities for the reporting period ended 30 June 2003.			
		2003	2002
Assets from Distribution Lessor Corporation:		\$'000	\$'000
Land at valuation		-	3 407
Building at valuation		-	1 593
Net Revenues from Restructuring		-	5 000

(b) Asset Movement Schedule (continued)

	2002							
	Land and Buildings \$'000	Vehicles \$'000	Communi- cations Equipment \$'000	Computer Equipment \$'000	Plant and Equipment \$'000	Work in Progress \$'000	Total \$'000	
<i>Gross Carrying Amount</i>								
Balance at 1 July 2001	41 876	26 994	3 444	2 225	5 810	929	81 278	
Transfer work in progress	445	2 086	1	311	136	(2 979)	-	
Transfer from Distribution Lessor Corporation	5 000	-	-	-	-	-	5 000	
Additions	116	1	42	37	149	4 780	5 125	
Disposals	(265)	(97)	(125)	-	(54)	-	(541)	
Net revaluation increments	1 052	-	-	-	-	-	1 052	
Balance at 30 June 2002	48 224	28 984	3 362	2 573	6 041	2 730	91 914	
<i>Accumulated Depreciation</i>								
Balance at 1 July 2001	(2 854)	(15 457)	(1 747)	(1 765)	(3 250)	-	(25 073)	
Disposals	12	97	124	-	51	-	284	
Net adjustment on revaluation	747	-	-	-	-	-	747	
Depreciation expense	(2 197)	(1 354)	(295)	(213)	(397)	-	(4 456)	
Balance at 30 June 2002	(4 292)	(16 714)	(1 918)	(1 978)	(3 596)	-	(28 498)	
Net Book Value at 30 June 2002	43 932	12 270	1 444	595	2 445	2 730	63 416	

14. Payables		2003	2002
Current Liabilities:		\$'000	\$'000
Accrued salaries and wages		1 747	1 625
On-costs re employee benefits provisions		899	856
Creditors		2 057	2 884
		4 703	5 365
Non-Current Liabilities:			
On-costs re employee benefits provisions		1 001	867
15. Provision for Employee Benefits			
Current Liabilities:			
Annual leave		3 783	3 534
Long service leave		800	800
Workers compensation		1 450	1 140
		6 033	5 474
Accrued salaries and wages (included in payables)		1 747	1 625
On-costs re employee benefits provision (included in payables)		899	856
Total Current Liabilities for Employee Benefits		8 679	7 955
Non-Current Liabilities:			
Long service leave		8 538	6 949
Workers compensation		6 229	3 546
		14 767	10 495
On-costs re employee benefits provision (included in payables)		1 001	867
Total Non-Current Liabilities for Employee Benefits		15 768	11 362
16. Asset Revaluation Reserve			
The asset revaluation reserve is the cumulative balance of asset revaluation increments and decrements.			
Balance at 1 July		40 127	38 328
Revaluation of land and buildings		9 258	1 799
Revaluation of vehicles		1 938	-
Balance at 30 June		51 323	40 127
17. Accumulated Surplus			
Balance at 1 July		27 758	28 999
Deficit from Ordinary Activities		(2 868)	(1 241)
Balance at 30 June		24 890	27 758

18. Commitments and Contingent Liabilities**(a) Commitments for Capital Expenditure**

As at the reporting date the Corporation had entered into contracts for the following capital expenditure which are not included in the financial statements.

	2003	2002
	\$'000	\$'000
These projects are due for completion within one year:		
Fire appliances	941	1 227
Fire stations and other equipment	805	1 524
	1 746	2 751

(b) Contractual Commitments

At the end of the reporting period the Corporation had the following commitments on contracts.

Payable not later than one year	229	36
Payable later than one year and not later than five years	175	4
	404	40

(c) Operating Lease Commitments

Commitments under non-cancellable operating leases at the reporting date are payable as follows:

Payable not later than one year	240	282
Payable later than one year and not later than five years	85	94
	325	376

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

The non-cancellable leases are vehicle leases, with rental payable monthly in arrears. Options exist to renew the leases at the end of the term of the leases.

19. Reconciliation of Deficit from Ordinary Activities to Net Cash provided by Operating Activities

Deficit from Ordinary Activities	(2 868)	(1 241)
Depreciation	4 842	4 456
Net revenues from restructuring	-	(5 000)
Net loss from disposal of non-current assets	9	121
Increase in employee benefits	4 830	784
(Decrease) Increase in payables	(563)	1 790
Increase in prepayments	(51)	-
Decrease in inventories	-	8
Increase in receivables	(659)	(407)
Net Cash provided by Operating Activities	5 540	511

20. Remuneration of Auditors

The amount due and payable for audit services provided by the Auditor-General's Department:

18	18
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The auditors provided no other services.

21. Consultancies

Total expenditure (excluding GST) on five (five) consultancies in 2002-03 amounted to \$21 000 (\$57 000).

	2003	2002
	Number of	Number of
	Consultants	Consultants
Less than \$10 000	4	3
\$10 000 - \$50 000	1	2

22. Remuneration of Employees

The number of employees whose remuneration received or receivable fell within the following bands were:

	2003	2002
	Number of	Number of
	Employees	Employees
\$100 001 - \$110 000	3	-
\$120 001 - \$130 000	1	-
\$130 001 - \$140 000	-	1
\$180 001 - \$190 000	1	-

The aggregate remuneration for all employees referred to above was \$620 000 (\$131 000).

23. Financial Instruments**(a) Terms and Conditions**

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
<i>Financial Assets:</i>			
Cash at bank	11	Cash at bank comprises cash held in a Department of Treasury and Finance Deposit Account. Interest revenue is recorded on an accrual basis.	Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance and is based on the average daily balance of the Deposit Account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts, which varied between 4.59 percent and 4.60 percent during 2002-03 (4.06 percent and 4.8 percent in 2001-02).
Receivables	12	Receivables are recorded at the amounts due to the Corporation, less an allowance for doubtful debts. They are recorded when goods have been supplied and services completed.	Receivables are due within 30 days of the rendering of an account.
<i>Financial Liabilities:</i>			
Payables	14	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided to the Corporation.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
Interest bearing liabilities		Borrowings are recorded at the amounts equal to proceeds received, less repayments of principal made. Interest expense is recognised on an accrual basis.	Interest is calculated as 6.25 percent of the 1986 base 'net capital cost' adjusted by movements in the Adelaide Consumer Price Index since 1986. The Corporation may exercise an option to repay the borrowing on 1 July 2005.

(b) Interest Rate Risk

Financial Instrument	Effective Interest Rate Percent	2003			2002			
		Interest Bearing \$'000	Non-Bearing \$'000	Total \$'000	Effective Interest Rate Percent	Interest Bearing \$'000	Non-Bearing \$'000	Total \$'000
Financial Assets:	4.60							
Cash assets		29 384	4	29 388	4.12	30 546	4	30 550
Receivables		-	2 000	2 000		-	1 341	1 341
		29 384	2 004	31 388		30 546	1 345	31 891
Financial Liabilities:								
Payables		-	5 704	5 704		-	6 232	6 232
Interest bearing liabilities	12.86	5 226	-	5 226	10.91	5 226	-	5 226
		5 226	5 704	10 930		5 226	6 232	11 458

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument	Note	2003		2002	
		Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:					
Cash assets	11	29 388	29 388	30 550	30 550
Receivables	12	2 000	2 000	1 341	1 341
		31 388	31 388	31 891	31 891
Financial Liabilities:					
Payables	14	5 704	5 704	6 232	6 232
Interest bearing liabilities		5 226	5 226	5 226	5 226
		10 930	10 930	11 458	11 458

(d) Credit Risk Exposure

The Corporation's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Corporation has no significant exposures to any concentrations of credit risk.

24. Related Party Transactions

Members of the management, or their member-related entities, conduct transactions with the Corporation within a normal supplier relationship on terms no more favourable than those with which it is reasonable to expect the Corporation would have adopted with the member or member-related entity at arms-length in similar circumstances.

25. Event Occurring After Reporting Date

In October 2002, the Minister for Emergency Services (the Minister) commissioned a review into the management, administration and governance arrangements of emergency services in South Australia. This included the structure and activities of the Corporation.

The Report of the Emergency Services Review Taskforce, subsequently released by the Minister in May 2003, foreshadowed a number of major recommendations. Some of these may directly impact the structure and operations of the Corporation.

In July 2003 the Government provided a formal response to that report and signalled its intention to implement many of the Report's recommendations. While it is not possible to determine what financial effect(s) will flow from this, it is anticipated that the Corporation will continue in operation, albeit likely within a framework of revised administrative and governance arrangements.

STATE ELECTORAL OFFICE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Electoral Commissioner is appointed by the Governor under the provisions of the *Electoral Act 1985*. The State Electoral Office (the Office) is the administrative unit which has been established to assist the Electoral Commissioner to discharge his/her statutory duties.

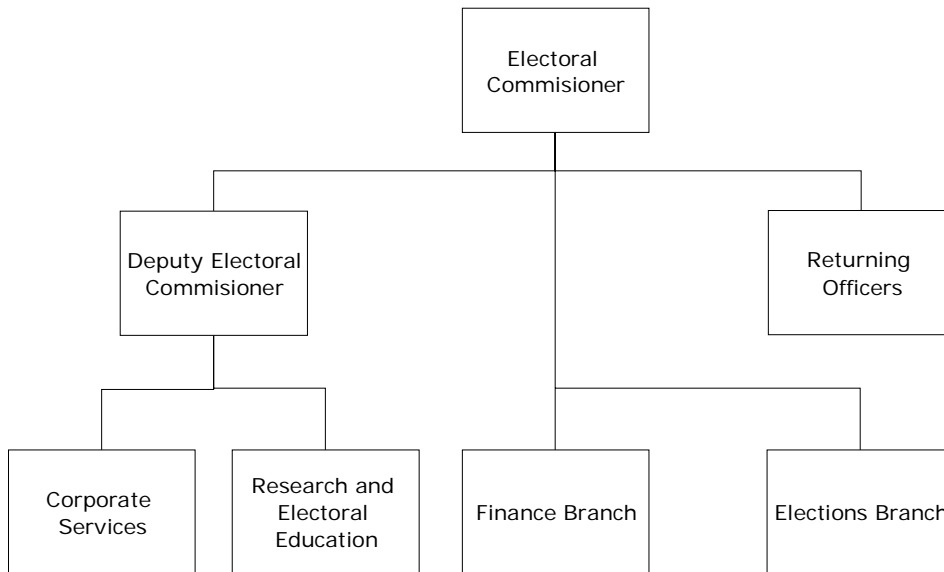
Functions

The functions of the State Electoral Office are as follows:

- To administer all South Australian parliamentary electoral events.
- To conduct elections for all Local Government Authorities and other organisations.
- To provide assistance in the formulation of appropriate election rules and procedures.
- To provide electoral rolls for local government elections and industrial ballots.
- To encourage community participation and promote an awareness of electoral matters.
- To provide support for parliamentary and council boundary reviews.

Structure

The structure of the State Electoral Office is illustrated in the following organisation chart.



The operations of the State Electoral Office are funded by appropriation from Treasury for conducting any Parliamentary elections. Costs for local government and non-government elections are recouped from councils or the organisation for which electoral services are provided.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the State Electoral Office for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the State Electoral Office 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- Financial Management Framework
- salaries and wages
- accounts payable
- revenue, receipting and banking
- receipting of expiation fees
- accounts receivable
- general ledger maintenance
- budgetary control
- new banking arrangements.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Electoral Commissioner. The response to the management letter was considered to be satisfactory. Major matters raised with the Office and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instruction promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the State Electoral Office as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the State Electoral Office in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the State Electoral Office have been conducted properly and in accordance with law.

Significant Matters Raised with the State Electoral Office

Risk Management Framework

Audit noted that a 'Risk Management Plan Local Government Elections 2003' had been prepared. However, a risk management plan for State Elections and a risk management plan in relation to all other business conducted by the Office were still to be developed. Audit does however, recognise that the Office does prepare detailed documentation for the conduct of State Elections that cover areas of risk.

The Office indicated that a risk management plan for the 2006 State Elections will be developed along similar lines to the Local Government Elections risk management plan. The 'Local Government Elections 2003' risk management plan adopts project management reporting and forms a fundamental part in the operational conduct of the Local Government elections.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2003 \$'million	2002 \$'million	Percentage Change
<i>OPERATING REVENUE</i>			
Government revenues	2.1	7.2	(71)
Other	3.5	1.2	-
Total Operating Revenue	5.6	8.4	(33)
<i>OPERATING EXPENDITURE</i>			
Employment expenses	1.7	4.3	(60)
Other	3.8	4.5	(16)
Total Operating Expenses	5.5	8.8	(38)
Change in Net Assets	0.1	(0.4)	-
Net Cash Flows from Operations	(0.03)	(0.6)	(95)
<i>ASSETS</i>			
Current assets	1.7	1.4	21
Non-current assets	0.4	0.4	-
Total Assets	2.1	1.8	17
<i>LIABILITIES</i>			
Current liabilities	0.7	0.5	40
Non-current liabilities	0.2	0.2	-
Total Liabilities	0.9	0.7	29
<i>EQUITY</i>	1.2	1.1	9

Statement of Financial Performance

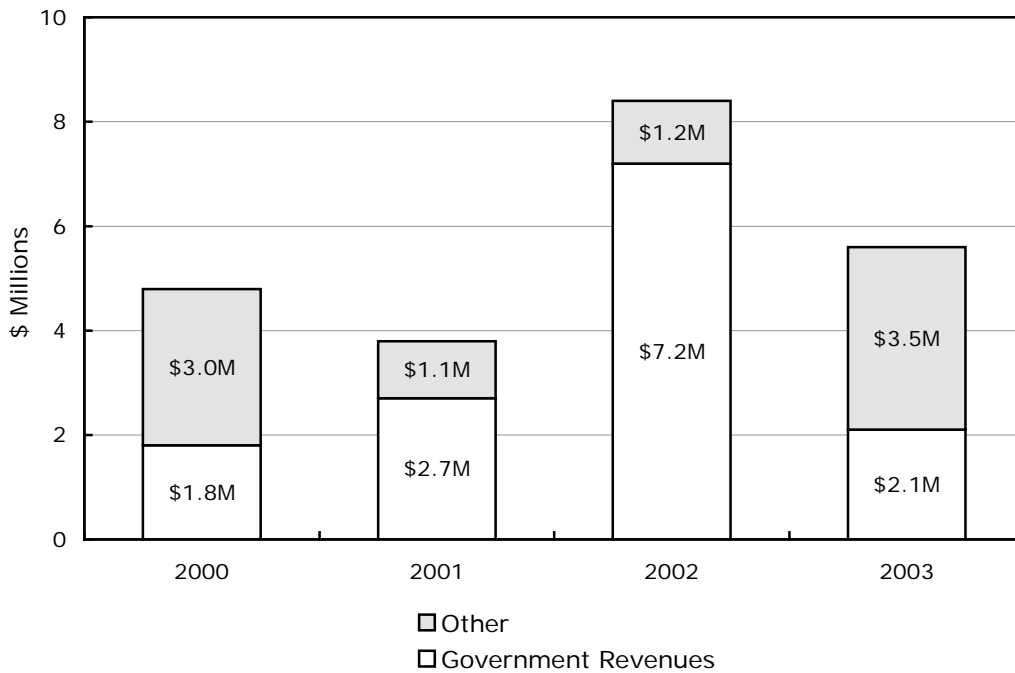
Operating Revenues

Total revenues for the Office fluctuate significantly from year to year in line with the timing of State and Local Government elections.

The total revenue for the current year decreased by 33 percent to \$5.6 million. The decrease reflects the additional appropriation received in 2001-02 to conduct the State Election. This decrease was partly offset by an increase (\$2.3 million) in revenue from fees for services. The increase in fees for services is attributable to the conduct of the Local Government elections held in May 2003.

The costs of Local Government elections are fully recovered by the Office from local government councils based upon a per elector charge. The additional revenue received during 2000 was also attributable to the conduct of Local Government elections.

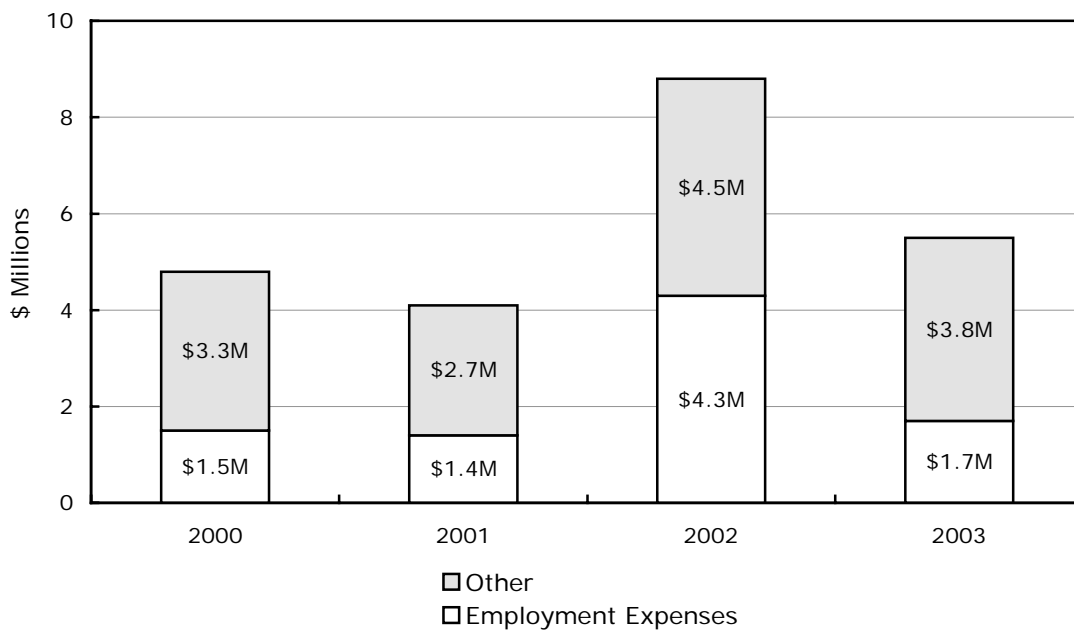
For the four years to 2003 a structural analysis of operating revenues for the Office is presented in the following chart.



Operating Expenses

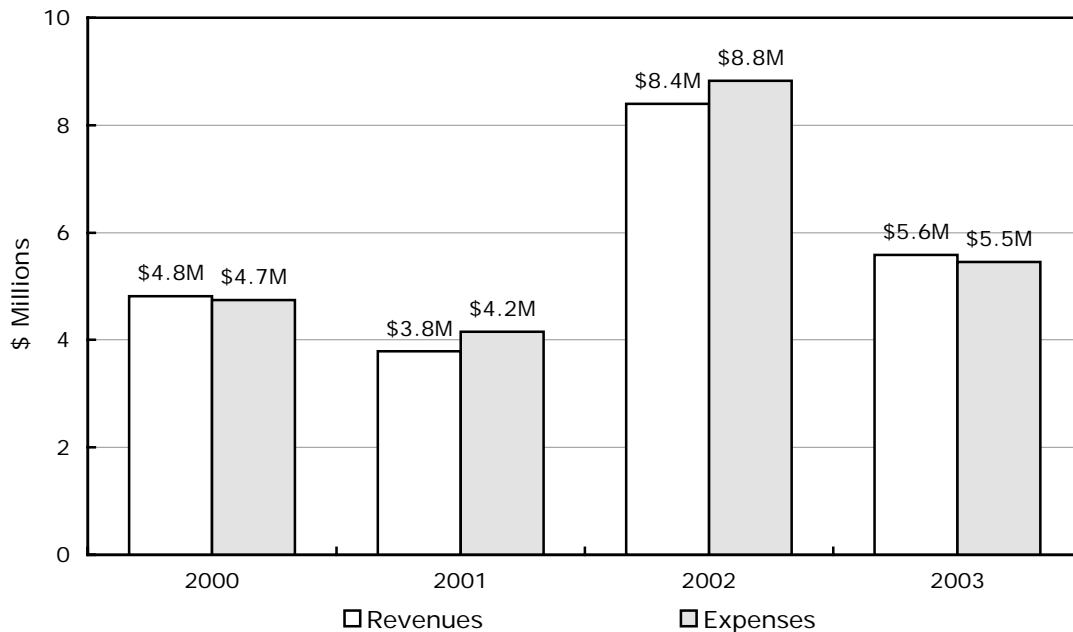
As with revenues, operating expenses for the Office reflect the timing of State and Local Government elections.

The total expenses for the current year decreased by 38 percent to \$5.5 million. The decrease in expenses were due primarily to the higher employee expenses in 2001-02 as a result of hiring returning officers for the State Election held last year. The fluctuations in expenditure are in line with elections held and is evident in the structural analysis of operating expenses for the Office for the four years to 2003 as presented in the following chart.



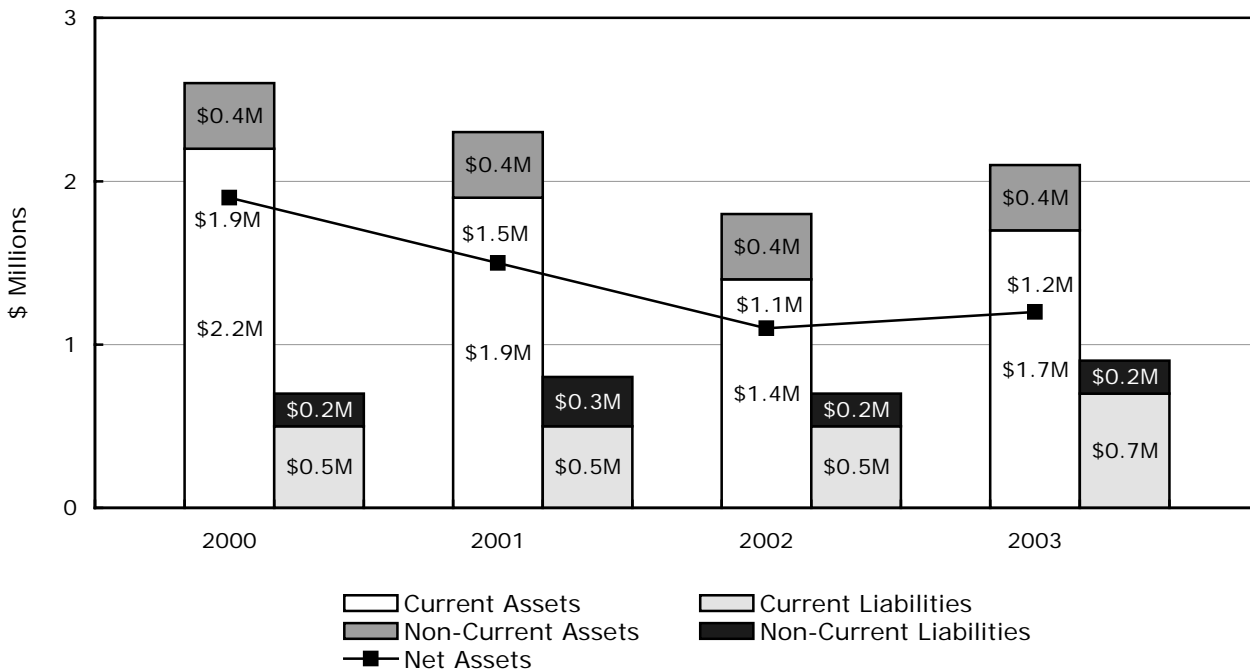
Operating Result

After being in deficit for the last two years, the Office recorded a small surplus (\$134 000) in the year ending 30 June 2003. The following chart shows the operating revenues and expenses for the four years to 2003.



Statement of Financial Position

For the four years to 2003 a structural analysis of assets and liabilities is shown in the following chart.



Over the period under review, net assets decreased by 36 percent to \$1.2 million. This decrease in assets relates to the overall decrease in cash and receivables and an increase in accumulated depreciation. The increase in current assets during 2002-03 is due to an increase in receivables as a result of outstanding amounts to be received for services provided in relation to the conduct of Local Government elections.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	(0.03)	(0.61)	0.24	(0.16)
Investing	(0.07)	(0.06)	(0.15)	(0.24)
Change in Cash	(0.10)	(0.67)	0.09	(0.40)
Cash at 30 June	0.87	0.98	1.65	1.56

The analysis of cash flows shows that the Office has run down its cash balance from a peak in 2001. The main change from 2001 to 2002 reflects the increase in cash used to conduct the 2002 State Election. The reduction in cash in 2003 reflects the funds expended to conduct the May 2003 Local Government elections for which reimbursement is yet to be received.

Administered Items

Transactions and balances relating to administered resources are not recognised as revenues, expenses, assets or liabilities of the Office but are disclosed in the appropriate schedules. Administered items relate to the following activities.

Electoral Districts Boundaries Commission

Following a general election, the Electoral Districts Boundaries Commission (the Commission) comprising a Judge of the Supreme Court, the Electoral Commissioner and the Surveyor-General, convenes pursuant to the *Constitution Act 1934*. The Commission is responsible for reviewing the electoral boundaries for the purpose of dividing the State into electoral districts that are fair to prospective candidates and groups of candidates. The Commission is required to commence proceedings for the purpose of making an electoral distribution within three months of polling day.

Proceedings of the Commission established following the 2002 State Election will be wound up in 2003.

Special Acts

The Electoral Commissioner and Deputy Electoral Commissioner are appointed as Statutory Officers pursuant to the provisions of the *Electoral Act 1985*. The Office receives a separate appropriation for the payment of salaries and allowances for Statutory Officers which is an administered item.

Other

Other includes administered revenue which is collected on behalf of other government agencies (Department of Treasury and Finance and the Attorney-General's Department) and forwarded to them when received. Administered revenue comprises of forfeited parliamentary candidate deposits and non-voter expiation fees as provided in the *Electoral Act 1985*.

**Statement of Financial Performance
for the year ended 30 June 2003**

	Note	2003	2002
		\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES	4	3 534	1 231
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	5	1 644	4 274
Supplies and consumables	6	3 174	2 665
Advertising		186	1 143
Depreciation	7	96	98
Other expenses		353	644
Total Expenses		5 453	8 824
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		1 919	7 593
REVENUES FROM GOVERNMENT:			
Appropriations		2 053	7 166
CHANGE IN NET ASSETS		134	(427)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		134	(427)

**Statement of Financial Position
as at 30 June 2003**

	Note	2003	2002
		\$'000	\$'000
CURRENT ASSETS:			
Cash assets	14(a)	874	978
Receivables	8	778	287
Inventories		73	104
Other		17	22
Total Current Assets		1 742	1 391
NON-CURRENT ASSETS:			
Property, plant and equipment	9	368	390
Total Non-Current Assets		368	390
Total Assets		2 110	1 781
CURRENT LIABILITIES:			
Payables	10	574	448
Provision for employee benefits	11	105	82
Total Current Liabilities		679	530
NON-CURRENT LIABILITIES:			
Payables	10	32	25
Provision for employee benefits	11	217	178
Total Non-Current Liabilities		249	203
Total Liabilities		928	733
NET ASSETS		1 182	1 048
EQUITY:			
Accumulated surplus	12	1 182	1 048
TOTAL EQUITY		1 182	1 048
Commitments	13		

Statement of Cash Flows
for the year ended 30 June 2003

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Fees for services		3 036	1 017
Interest		54	97
CASH FLOWS FROM GOVERNMENT:			
Receipts from appropriations		2 053	7 166
PAYMENTS:			
Employee expenses		(1 594)	(4 394)
Supplies and consumables		(3 579)	(4 499)
Net Cash used in Operating Activities	14(b)	(30)	(613)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchase of non-current assets		(74)	(61)
Net Cash used in Investing Activities		(74)	(61)
NET DECREASE IN CASH HELD		(104)	(674)
CASH AT 1 JULY		978	1 652
CASH AT 30 JUNE		874	978

Schedule of Revenues and Expenses for the year ended 30 June 2003

	Outputs (Refer Note 3)		2003	2002
	1	2	Total	Total
	\$'000	\$'000	\$'000	\$'000
REVENUES:				
Government revenues	2 053	-	2 053	7 166
Fees for services	284	3 197	3 481	1 137
Interest	53	-	53	94
Total Revenues	2 390	3 197	5 587	8 397
EXPENSES:				
Employee expenses	778	866	1 644	4 274
Supplies and consumables	1 375	2 338	3 713	4 452
Depreciation	53	43	96	98
Total Expenses	2 206	3 247	5 453	8 824
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	184	(50)	134	(427)

Schedule of Administered Revenues and Expenses for the year ended 30 June 2003

	2003			2003	2002
(Refer Note 2(b))	Electoral Districts	Special	Other	Total	Total
	Boundaries	Acts		Total	Total
	Commission			Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED REVENUES:					
Government revenues	325	254	-	579	374
User charges, fees and fines	1	-	44	45	80
Total Administered Revenues	326	254	44	624	454
ADMINISTERED EXPENSES:					
Employee expenses	34	278	-	312	261
Supplies and consumables	312	-	-	312	109
User charges, fees and fines	-	-	44	44	80
Total Administered Expenses	346	278	44	668	450
NET COST OF SERVICES	(20)	(24)	-	(44)	4

**Schedule of Administered Assets and Liabilities
for the year ended 30 June 2003**

	(Refer Note 2(b))	2003			2003 Total \$'000	2002 Total \$'000
		Electoral Districts Boundaries Commission \$'000	Special Acts \$'000	Other \$'000		
ADMINISTERED ASSETS:						
Current Assets:						
Cash at bank		34	-	-	34	21
Other debtors		-	128	-	128	3
Total Administered Assets		34	128	-	162	24
ADMINISTERED LIABILITIES:						
Current Liabilities:						
Treasurer's advance		-	-	-	-	21
Payables		32	-	-	32	3
Employee related		-	10	-	10	8
Provision for employee benefits		-	45	-	45	38
Total Current Liabilities		32	55	-	87	70
Non-Current Liabilities:						
Employee related		-	12	-	12	10
Provision for employee benefits		-	85	-	85	72
Total Non-Current Liabilities		-	97	-	97	82
Total Administered Liabilities		32	152	-	184	152

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the State Electoral Office

The State Electoral Office (the Office) is an Administrative Unit which has been established to assist the Electoral Commissioner to discharge his statutory duties in accordance with the provisions of the *Electoral Act 1985*.

The objectives of the Office are to engender in the community an understanding of electoral matters including the rights and responsibilities of electors and to provide the opportunity to vote at properly conducted State Parliamentary and non-Parliamentary elections and polls.

2. Significant Accounting Policies**(a) Basis of Accounting**

The financial report is a general purpose financial report which has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards and other mandatory reporting requirements (Urgent Issues Group Consensus Views).

This financial report has been prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) The Reporting Entity

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account entitled 'Electoral Office Operating Account' through which the Office controls resources to carry out its functions.

This Office is predominantly funded by monies appropriated by Parliament. In addition the Office receives fees for providing the following services:

- conducting elections and providing electoral products for Local Government Authorities;
- providing a facility to cater for the electoral needs of statutory, industrial and other organisations on a cost effective and efficient basis;
- providing information to other organisations seeking advice on electoral matters.

Administered Resources

The Office administers, but does not control, certain resources on behalf of the South Australian Government. The Office is accountable for the transactions involving these administered resources, but does not have the discretion to deploy the resources for achievement of its objectives. For these resources, the Office acts only on behalf of the South Australian Government.

Transactions and balances relating to these administered resources are not recognised as revenues, expenses, assets or liabilities of the Office but are disclosed in the appropriate schedules.

There are three administered items namely:

(i) Electoral Districts Boundaries Commission

The Office administers the receipts and payments of the Electoral Districts Boundaries Commission.

(ii) Special Acts

The Electoral Commissioner and Deputy Electoral Commissioner are appointed as Statutory Officers pursuant to the provisions of the Act. The Office receives a separate appropriation for the payment of salaries and allowances for Statutory Officers which is an administered item.

(iii) Other

Other includes administered revenue which is collected on behalf of other government agencies and forwarded to them when received. Administered revenue comprises of forfeited parliamentary candidate deposits and non-voter expiation fees as provided in the Act.

(c) Change in Accounting Policy

In accordance with Accounting Standard AASB 1028 'Employee Benefits' on 1 July 2002 the Office changed its policy for recognising its liability for salaries and wages and annual leave. Under the new policy the amount of the liability is calculated using the remuneration rate that is expected to apply at the time of settlement rather than the remuneration rate that applies at reporting date.

This change in accounting policy had no material impact on the results for the period.

(d) Revenue

Appropriations and grants are recognised as revenue when the Office obtains control over the funds. Control is generally obtained upon receipt.

Fees and charges are recognised as revenues upon the completion of services to customers. Fees charged to Local Government and other third parties are in relation to the conduct of elections and industrial ballots.

(e) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Office. Cost is determined as the fair value of the assets which is represented by the purchase consideration together with the costs incidental to the acquisition.

(f) Depreciation

The non-current assets are depreciated over their useful lives using the straight line method. The expected useful lives are as follows:

	Years
Office equipment and furniture and fittings	10
Computer equipment and software	3
Leasehold improvements	6

(g) Employee Benefits

Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at the reporting date at the rate expected to be paid in respect of employees' service up to that date.

Sick Leave

No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

Long Service Leave

A liability for long service leave has been recognised as the amount the Office has a present obligation to pay, resulting from employees' services provided up to the reporting date. The liability has been calculated at present value of future cash outflows using a benchmark of seven years as advised by the Department of Treasury and Finance.

Superannuation

The Office makes contributions to three superannuation schemes operated by the State Government. 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 Superannuation Funds. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

Employment On-Costs

The liability for employment on-costs includes superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave. These amounts are classified under payables.

(h) Operating Leases

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to expenses over the period of expected benefit.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value.

(j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (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 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.

3. Output Class and Outputs of the Office

The Output Class of the Office is to provide electoral services and this is achieved through two Outputs and their broad terms are as follows:

Output 1: Parliamentary Electoral Services

- ensure that eligible electors can register their votes effectively and conveniently and have confidence in the management of the electoral process;
- maintain an accurate register of voters;
- ensure 'disadvantaged' electors are not denied the ability to exercise their franchise;
- develop appropriate publicity and education programs to ensure that the public is informed of its democratic rights and obligations;
- provide comprehensive and efficient administrative, human resources, research and education, financial management and computing services.

Output 2: Non-Parliamentary Electoral Services

- provide statutory, industrial and other organisations with a facility capable of meeting their electoral needs economically and effectively;
- provide information to organisations seeking advice on electoral matters;
- conduct elections for and provide electoral service to Local Government Authorities.

4. Revenues from Ordinary Activities

	2003	2002
Revenues from ordinary activities comprised:	\$'000	\$'000
Local Government elections	2 629	176
Other Local Government services	310	297
Industrial elections	79	69
Reimbursement of TVSPs paid	-	242
User charges	463	353
Interest	53	94
	3 534	1 231

5. Employee Expenses		2003	2002
Employee expenses comprised:		\$'000	\$'000
Salaries and wages		1 306	3 888
Annual leave		81	48
Long service leave		56	(47)
Payroll tax		83	216
Superannuation		118	169
		1 644	4 274
6. Supplies and Consumables			
Supplies and consumables comprised:			
Printing, stationery and polling booth consumables		980	544
Production and maintenance of electoral rolls		703	664
Postage		536	338
Electoral contracting services		390	-
Accommodation and services		263	222
Communications and information technology		162	328
Hire and rental and distribution and storage		140	569
		3 174	2 665
7. Depreciation			
Depreciation was charged in respect of:			
Office equipment and furniture and fittings		40	44
Computer equipment and software		38	46
Leasehold improvements		18	8
		96	98
8. Receivables			
Receivables comprised:			
Receivables		727	265
GST refunds		51	22
		778	287
9. (a) Property, Plant and Equipment			
Office equipment and furniture and fittings - At cost		433	430
Less: Accumulated depreciation		171	131
		262	299
Leasehold improvements - At cost		108	46
Less: Accumulated depreciation		43	25
		65	21
Computer equipment and software - At cost		402	393
Less: Accumulated depreciation		361	323
		41	70
Total Written Down Value of Property, Plant and Equipment		368	390
(b) Reconciliation of Property, Plant and Equipment			
		2003	
		Office Equipment & Furniture & Fittings	Computer Equipment & Software
		\$'000	\$'000
Gross Carrying Amount:			Leasehold Improvements
Balance at 1 July:		430	393
Additions		3	9
Balance at 30 June		433	402
Accumulated Depreciation:			\$'000
Balance at 1 July:		(131)	(323)
Depreciation		(40)	(38)
Balance at 30 June		(171)	(361)
Net Book Value:			\$'000
As at 30 June 2003		262	41
As at 30 June 2002		299	70
		65	368
		21	390
10. Payables			
Current:			
Creditors	Note	2003	2002
Employee related		\$'000	\$'000
Prepaid revenue		492	390
		82	38
		-	20
		574	448
Non-Current:			
Employee related		32	25
Total Payables		606	473

11. Employee benefits and related on-cost liabilities		2003	2002
Wages and Salaries:	Note	\$'000	\$'000
Accrued wages and salaries - Included in employee related	10	<u>4</u>	<u>2</u>
		4	2
Annual Leave			
Included in employee related - Current	10	<u>11</u>	<u>8</u>
Provision for employee benefits - Current		<u>67</u>	<u>50</u>
		78	58
Long Service Leave:			
Included in employee related - Current	10	<u>5</u>	<u>5</u>
Provision for employee benefits - Current		<u>38</u>	<u>32</u>
		43	37
Included in employee related - Non-current	10	<u>32</u>	<u>25</u>
Provision for employee benefits - Non-current		<u>217</u>	<u>178</u>
		249	203
Total Employee benefits and related on-cost liabilities		<u>374</u>	<u>300</u>
12. Equity			
Accumulated surplus:			
Balance at 1 July		1 048	1 475
Change in net assets		<u>134</u>	<u>(427)</u>
Balance at 30 June		<u>1 182</u>	<u>1 048</u>
13. Commitments			
Non-cancellable operating lease commitments:			
Payable no later than one year		222	209
Payable later than one year and not later than five years		<u>149</u>	<u>350</u>
		371	559

Non-cancellable operating lease commitments are not recorded as a liability in the financial report.

The operating lease is a non-cancellable property lease, with rental payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased every two years based on CPI movement. Options exist to renew the lease for a further two years at the end of the term of the lease.

14. Notes to the Statement of Cash Flows

(a) **Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, the Office considers cash to be represented by Cash at bank and on hand. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position as follows:

	2003	2002
	\$'000	\$'000
Cash at bank and on hand	<u>874</u>	<u>978</u>

(b) **Reconciliation of Change in Net Assets to Net Cash used in Operating Activities**

Change in net assets	134	(427)
Items not involving cash:		
Depreciation	96	98
Change in assets and liabilities:		
(Increase) in receivables	(486)	(161)
Decrease (Increase) in inventory	31	(30)
Increase in payables	133	22
Increase (Decrease) in provision for employee benefits	62	(115)
Net Cash used in Operating Activities	<u>(30)</u>	<u>(613)</u>

15. Remuneration of Employees

The number of employees whose total normal remuneration paid or payable fell within the following bands was:

	2003	2002
	Number of	Number of
	Employees	Employees
\$100 000 - \$109 999	-	1
\$110 000 - \$119 999	1	-
\$150 000 - \$159 999	<u>1</u>	<u>1</u>
	2	2

Total remuneration paid or payable to these employees for the financial year was \$271 000 (\$253 000).

16. Payments to Consultants

During the reporting period the Office engaged the service of one consultant to assist in its operations.

	2003	2002
	Number of	Number of
	Consultancies	Consultancies
The number of consultancies whose payments fall within the followings bands:		
\$0 - \$9 999	1	-

17. Targeted Voluntary Separation Packages (TVSPs)

There were nil TVSPs paid during the year. During 2002, two employees of the Office were paid TVSPs. TVSP payments amounted to \$242 000 and payments were recorded in employee expenses. In addition, accrued annual leave and long service leave entitlements amounting to \$68 000 were paid to those employees who received a TVSP.

18. Financial Instruments**(a) Terms and Conditions**

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash at bank	14(a)	Cash at bank comprises of cash held in a Department of Treasury and Finance Special Deposit Account. Interest revenue is recorded on an accrual basis.	Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance and is based on the average end of month balance of the Special Deposit Account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts which is 4.60 percent as at 30 June 2003.
Receivables	8	Receivables are recorded at the amounts due to the Office. They are recorded when goods and services have been provided.	Receivables are due within 30 days of an invoice being raised.
Financial Liabilities			
Creditors	10	Creditors are recorded at the agreed amounts which the liabilities are to be settled. They are recorded when the goods and services have been provided to the Office.	Terms of payment are 30 days unless otherwise agreed in terms and conditions of individual contracts.

(b) Interest Rate Risk

<i>Financial Instrument</i>	Weighted Average Effective Interest Rate	2003		Total \$'000
		Interest Bearing \$'000	Non-Interest Bearing \$'000	
Financial Assets:				
Cash at bank and on hand	4.60	873	1	874
Receivables		-	778	778
		873	779	1 652
Financial Liabilities:				
Creditors		-	492	492
	Weighted Average Effective Interest Rate	2002		
<i>Financial Instrument</i>	Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets:				
Cash at bank and on hand	4.17	977	1	978
Receivables		-	287	287
		977	288	1 265
Financial Liabilities:				
Creditors		-	390	390

(c) Net Fair Values of Financial Assets and Liabilities

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximates the net fair value. The carrying amount of financial assets approximates net fair value to their short term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

(d) Credit Risk Exposure

The Office's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Office has no significant exposures to any concentrations of credit risk.

19. Remuneration of Auditors

Amounts received or due and receivable by the Auditor-General's Department for auditing the accounts for the reporting period were \$21 000 (\$18 000), these amounts are net of GST. The auditors received no other benefits.

**PREMIER; MINISTER FOR THE ARTS; MINISTER FOR VOLUNTEERS;
MINISTER FOR ECONOMIC DEVELOPMENT;
MINISTER ASSISTING THE PREMIER IN THE ARTS;
MINISTER ASSISTING THE PREMIER IN ECONOMIC DEVELOPMENT**

PORTFOLIO – PREMIER AND CABINET

INTRODUCTION

This section of this Part of the Report contains the financial statements of, and comments concerning, the operations of those agencies under the direction and control of the Ministers, namely:

- Premier
- Minister for the Arts
- Minister for Volunteers
- Minister for Economic Development
- Minister Assisting the Premier in the Arts
- Minister Assisting the Premier in Economic Development

The agencies included herein relating to the portfolio of the Premier and Cabinet are:

- Adelaide Festival Centre Trust
- Adelaide Festival Corporation
- Art Gallery Board
- History Trust of South Australia
- Libraries Board of South Australia
- Museum Board
- Premier and Cabinet – Department of the
 - Government Workers Rehabilitation and Compensation Fund
 - Targeted Voluntary Separation Scheme (TVSP) Scheme
- South Australian Film Corporation
- State Opera of South Australia - The
- State Theatre Company of South Australia

ADELAIDE FESTIVAL CENTRE TRUST

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Trust is a body corporate established pursuant to the *Adelaide Festival Centre Trust Act 1971* (the Act).

In November 1998 regulations were enacted under the *Public Corporations Act 1993* requiring that certain provisions of that Act be applied to the Trust. The applied provisions relate mainly to the governance and performance aspects of the Trust's operations.

Functions

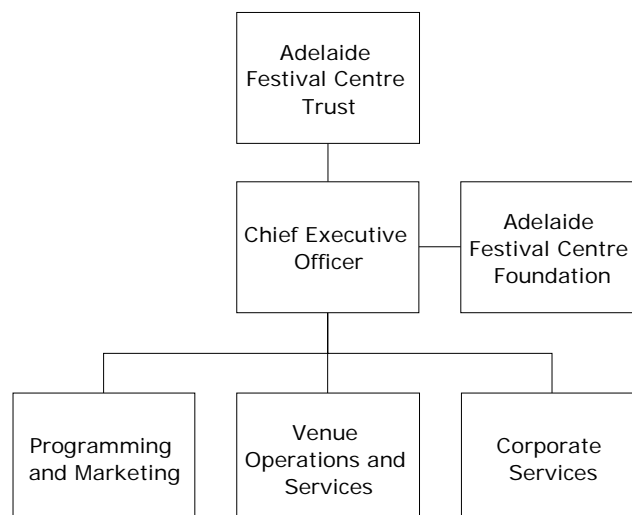
The Trust is charged with the responsibility of encouraging and facilitating artistic, cultural and performing arts activities throughout the State; and controlling, managing and maintaining the Adelaide Festival Centre and Her Majesty's Theatre.

In essence, the Trust is a presenter of arts programs and it aims to provide a balance of art forms for a variety of tastes and age levels. The major components of the Trust's operations include:

- management of various theatre facilities including the Adelaide Festival Centre complex comprising the Festival Theatre, the Space Theatre, the Amphitheatre and the Playhouse in addition to Her Majesty's Theatre;
- programming activities relating to the staging of various theatrical productions in Adelaide either as a producer or presenter;
- operation of the BASS ticketing system pursuant to a license agreement;
- operating the car park located within the Adelaide Festival Centre complex;
- utilising the services of a contractor to operate the catering function on its behalf;
- operating a scenery building and a stage engineering workshop.

Structure

The structure of the Trust is illustrated in the following organisation chart.



The Trust has eight trustees and is subject to the general control and direction of the Minister for the Arts. To assist in its deliberations the Trust has established certain committees. One of these committees is the Finance and Audit Committee which focuses on matters of a financial and audit nature.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 25(2) of the *Adelaide Festival Centre Trust Act 1971* specifically provides for the Auditor-General to audit the accounts of the Trust for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Trust 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls.

During 2002-03, specific areas of audit attention included:

- expenditure
- revenue
- payroll
- BASS operations
- contract management
- fixed assets
- general ledger.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive Officer. The response to the management letter was considered to be satisfactory. Major matters raised with the Trust and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Adelaide Festival Centre Trust and of the economic entity as at 30 June 2003, their financial performance and their cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Adelaide Festival Centre Trust 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 outlined under 'Significant Matters Raised with the Agency', is sufficient to provide reasonable assurance that the financial transactions of the Adelaide Festival Centre Trust have been conducted properly and in accordance with law.

Significant Matters Raised with the Agency

Asset Register

For a number of years Audit has raised with the Trust the need to establish and implement a fixed asset register to account for and manage the Trust's fixed asset holding. Audit's review revealed that further delays were experienced in the implementation of a fixed asset register during 2002-03.

Audit's review of this matter as part of the year end financial statement verification processes indicated that a register was implemented in July 2003.

Systems Access

Audit review of the controls surrounding the regulation of user access to the ticketing system revealed a number of areas where control could be improved. It was also noted that system administrators had a high level of access to the system including access to live databases.

Audit emphasised the importance of strict access controls and appropriate segregation of duties in ensuring the integrity of the data maintained within the system. Audit recommended that a review be conducted into the access arrangements within the computer processing environment. It was further recommended that access to the system and database be restricted in line with personnel job responsibilities detailed within a policy document.

In response the Trust indicated improvements to access controls would be implemented where practicable including documentation of appropriate policies and procedures, regular monitoring, review and management testing of controls.

Update of Standard Fees

The audit highlighted an instance where fee rates had not been updated to the Trust systems resulting in incorrect fees being charged.

The Trust indicated in response that action had been taken to prevent the recurrence of the matter and that it estimated that as unrecovered fees were relatively minor they were unlikely to be economically recovered.

Bank Reconciliations

Audit's review of the controls surrounding bank accounts noted that improvements could be made in the regularity and monitoring of bank reconciliations. The timely performance of reconciliations of all bank accounts is considered critical as it provides for verification of the general ledger cash balances and facilitates assurance as to the accuracy and completeness of revenue and expenditure transactions.

The Trust indicated that it had instigated a checklist of accounts for reconciliation each month.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Consolidated Financial Statements

	2003 \$'million	2002 \$'million	Percentage Change
REVENUE			
Government grants	9.0	18.5	(51)
Operating revenue	23.4	21.0	11
Total Revenue	32.4	39.5	(18)
OPERATING EXPENDITURE			
Employment expenses	13.4	13.4	-
Other expenses	21.5	18.7	15
Total Operating Expenses	34.9	32.1	9
(Deficit) Surplus*	(2.5)	7.4	
Net Cash Flows from Operations	2.1	12.3	(83)
ASSETS			
Current assets	9.5	15.9	(40)
Non-current assets	82.8	82.2	1
Total Assets	92.3	98.1	(6)
LIABILITIES			
Current liabilities	9.4	8.7	8
Non-current liabilities	28.9	29.2	(1)
Total Liabilities	38.3	37.9	1
EQUITY	54.0	60.2	(10)

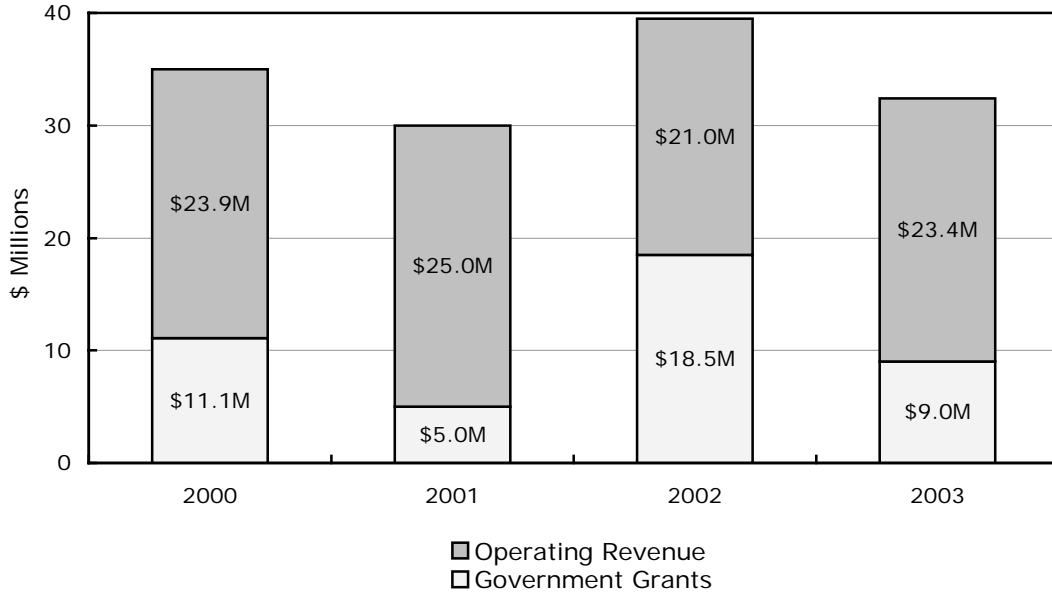
* The deficit/surplus includes some non-operating items.

Statement of Financial Performance

Revenues

Revenues decreased by \$7.1 million due primarily to a \$9.6 million reduction in capital grants reflecting the practical completion of works on the Adelaide Festival Centre Plaza redevelopment. This decrease was offset by an increase in revenues from operations of \$2.4 million (11 percent) due mainly to increases in workshop set building revenue and box office sales.

For the four years to 2003 a structural analysis of revenues for the Trust is presented in the following chart.



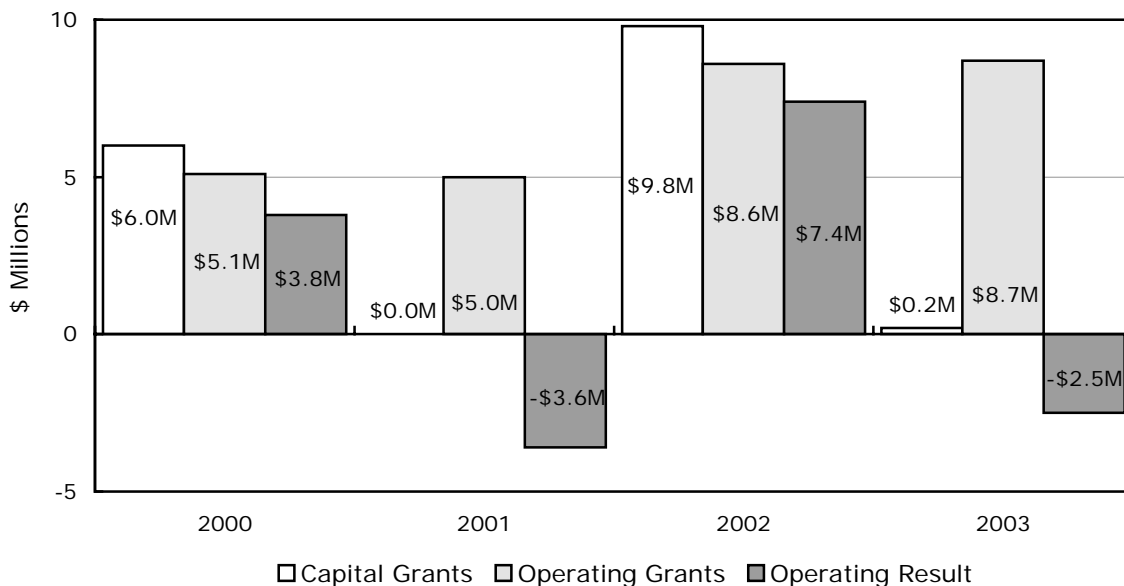
Expenses

Expenses increased by \$2.8 million due mainly to an increase in artistic production expenses and material costs resulting from increases in activity within the programming and workshop functions.

Operating Result

The operating result was a deficit of \$2.5 million. When compared to the result for 2001-02, excluding capital grants, the 2002-03 deficit of \$2.7 million (adjusted) is comparable with the 2001-02 deficit of \$2.4 million (adjusted).

The following chart shows the relationship of the Trust’s operating result with government operating and capital grants for the four years to 2003. The chart highlights that the Trust’s surpluses coincide with the receipt of large capital grants. In the absence of these capital grants the Trust has, in recent years, reported operating deficits. Nevertheless, the accumulated surplus at 30 June 2003 amounts to \$7.2 million.

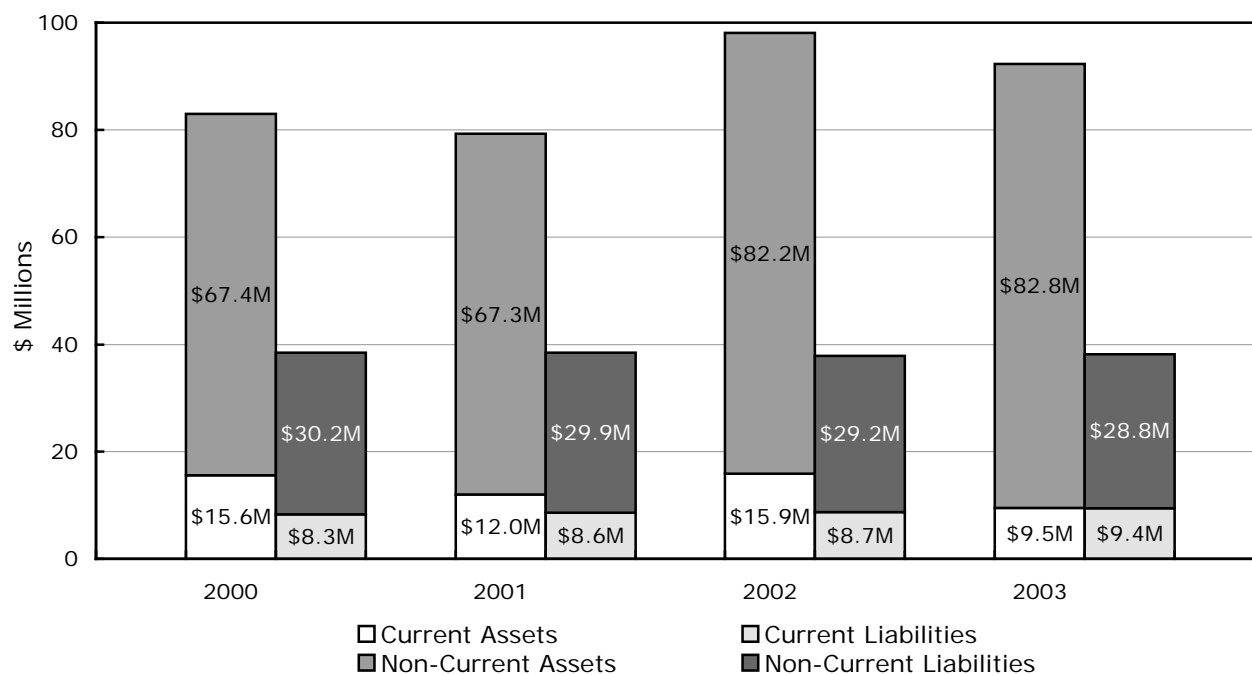


Statement of Financial Position

Non-current assets, \$82.8 million, dominate the Trust's asset balances. Land and buildings amount to \$70.1 million, 85 percent, of non-current assets. Major movements in non-current asset balances during 2002-03 relate to additional capital works on the Adelaide Festival Centre Plaza of \$8.2 million offset by revaluation decrements of \$3.7 million and depreciation of \$4.2 million.

As at 30 June 2003 current assets, \$9.5 million, slightly exceeded current liabilities, \$9.4 million.

For the four years to 2003 a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	2.1	12.3	(0.1)	9.0
Investing	(8.5)	(7.5)	(3.0)	(3.6)
Financing	(0.8)	(0.5)	(0.2)	(1.4)
Change in Cash	(7.2)	4.3	(3.3)	4.0
Cash at 30 June	7.0	14.2	9.9	13.2

The analysis of cash flows shows that large cash balances in relation to the redevelopment of the Adelaide Festival Centre Plaza remained unspent as at 30 June 2002. A majority of these cash balances were utilised in 2002-03 and are reflected in the cash flow statement as cash flows for investing activities.

Statement of Financial Performance for the year ended 30 June 2003

	Note	Consolidated		AFCT	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:					
Government grants	3	8 966	18 452	8 916	18 402
Operating revenue		22 749	20 534	22 520	20 322
Interest revenue		702	507	679	507
Total Revenues		32 417	39 493	32 115	39 231
EXPENSES FROM ORDINARY ACTIVITIES:					
Operating expenses	4	32 926	30 300	32 703	30 214
Borrowing costs		1 973	1 803	1 973	1 803
Total Expenses		34 899	32 103	34 676	32 017
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES	5	(2 482)	7 390	(2 561)	7 214
NON-OWNER TRANSACTION CHANGES IN EQUITY:					
Net credit to accumulated surplus (deficit) to recognise revision of accounting estimate	17	-	5 247	-	5 247
Increase (Decrease) in asset revaluation reserve on revaluation of non-current assets	11	(3 674)	6 668	(3 674)	6 668
Total revenues, expenses and valuation adjustments recognised directly in equity		(3 674)	11 915	(3 674)	11 915
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(6 156)	19 305	(6 235)	19 129

Statement of Financial Position as at 30 June 2003

	Note	Consolidated		AFCT	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
CURRENT ASSETS:					
Cash	6	6 985	14 174	6 441	13 729
Receivables	7	2 195	1 583	2 195	1 579
Inventories	8	180	98	180	98
Other	9	172	41	172	41
Total Current Assets		9 532	15 896	8 988	15 447
NON-CURRENT ASSETS:					
Land and buildings		70 083	66 853	70 083	66 853
Plant and equipment		6 026	8 691	6 026	8 691
Leasehold improvements		1 137	1 223	1 137	1 223
Works of art		5 508	5 428	5 508	5 428
Total Non-Current Assets	10,11	82 754	82 195	82 754	82 195
Total Assets		92 286	98 091	91 742	97 642
CURRENT LIABILITIES:					
Payables	12	7 090	6 472	7 037	6 385
Borrowings	13	410	810	410	810
Provisions	14	1 318	891	1 318	891
Other	15	620	568	570	568
Total Current Liabilities		9 438	8 741	9 335	8 654
NON-CURRENT LIABILITIES:					
Payables	12	102	115	102	115
Borrowings	13	27 938	28 348	27 938	28 348
Provisions	14	803	728	803	728
Total Non-Current Liabilities		28 843	29 191	28 843	29 191
Total Liabilities		38 281	37 932	38 178	37 845
NET ASSETS		54 005	60 159	53 564	59 797
EQUITY:					
Reserves	16	46 804	50 476	46 804	50 476
Accumulated surplus (deficit)	17	7 201	9 683	6 760	9 321
TOTAL EQUITY		54 005	60 159	53 564	59 797
Commitments	18				
Contingent Liabilities and Contingent Assets	19				

Statement of Cash Flows for the year ended 30 June 2003

		Consolidated		AFCT	
		2003	2002	2003	2002
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:					
RECEIPTS:	Note	\$'000	\$'000	\$'000	\$'000
Receipts from patrons/customers		22 103	20 792	21 826	20 593
Interest received		702	517	679	507
GST receipts on sales		1 910	1 664	1 910	1 664
GST received from ATO		200	224	200	224
PAYMENTS:					
Interest paid on borrowings		(1 973)	(1 803)	(1 973)	(1 803)
Payments to suppliers		(14 780)	(13 447)	(14 780)	(13 447)
Wages and related payments		(12 862)	(12 373)	(12 610)	(12 373)
GST paid to suppliers		(2 170)	(1 768)	(2 170)	(1 768)
		(6 870)	(6 194)	(6 918)	(6 403)
CASH FLOWS FROM GOVERNMENT:					
Operating grant		7 147	7 001	7 097	6 951
Debt servicing grant		1 592	1 651	1 592	1 651
Other grants		8	-	8	-
Capital replacement grant		220	9 800	220	9 800
		8 967	18 452	8 917	18 402
Net Cash provided by Operating Activities	20	2 097	12 258	1 999	11 999
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment and works of art		(8 476)	(7 466)	(8 476)	(7 466)
Net Cash used in Investing Activities		(8 476)	(7 466)	(8 476)	(7 466)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of borrowings		(810)	(510)	(810)	(510)
Net Cash used in Financing Activities		(810)	(510)	(810)	(510)
NET (DECREASE) INCREASE IN CASH HELD		(7 189)	4 282	(7 288)	4 023
CASH AT 1 JULY		14 174	9 892	13 729	9 706
CASH AT 30 JUNE	6	6 985	14 174	6 441	13 729

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Adelaide Festival Centre Trust Objectives

The objectives of the Adelaide Festival Centre Trust (the Trust) are to:

- (a) encourage and facilitate artistic, cultural and performing arts activities throughout the State;
- (b) be responsible for the care, control, management, maintenance and improvement of the Adelaide Festival Centre and its facilities;
- (c) provide expert advisory, consultative, managerial or support services to persons associated with artistic, cultural or performing arts activities;
- (d) promote the involvement of young people and their families and extend activities into the school sector; and
- (e) provide professional development opportunities for emerging talent.

2. Summary of Significant Accounting Policies**(a) Basis of Accounting**

The financial report is a general purpose financial report which has been prepared on an accrual basis of accounting in accordance with Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views, the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, and other mandatory reporting requirements. The financial report has been prepared on the basis of historical costs and does not take into account changing money values except where it is specifically stated.

(b) Changes in Accounting Policy

In accordance with AASB 1028 'Employee Benefits', on 1 July 2002 the Trust changed its policy for recognising provisions for annual leave and current long service leave. Under the new policy the amount of the provision is calculated using the remuneration rate expected to apply at the time of settlement, rather than the remuneration rate that applies at reporting date. The effect of this change in accounting policy has increased salaries and wages expense by \$32 000.

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Trust as at 30 June 2003, and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. Refer to Note 26 for details of consolidated entities.

(d) Revaluation of Non-Current Assets

The Trust has adopted fair value as the method for measuring the value of all non-current assets in the Statement of Financial Position revalued since 30 June 2002. In accordance with Accounting Policy Statements and AASB 1041 'Revaluation of Non-Current Assets' non-current assets are independently revalued at intervals not exceeding three years.

Works of Art were last valued at 30 June 2002 with reference to the current market buying price of a similar asset. Land and buildings, plant and equipment and leasehold improvements were revalued at 30 June 2003 (refer to Note 10) at fair value. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Trust has undertaken an assessment of all assets carried at cost and considers that the carrying amount of these assets reflects their fair value.

(e) Comparative Amounts

To further comply with the presentation and disclosure requirements of AASB 1018 'Statement of Financial Performance', AASB 1040 'Statement of Financial Position' and AASB 1034 'Financial Report Presentation and Disclosures'; where necessary comparative figures have been adjusted in 2002-03.

(f) Depreciation

All depreciable plant and equipment, buildings and leasehold improvements are depreciated to estimated residual value over their estimated useful lives using the straight line method of allocation. Land and Works of Art are not depreciated.

Work in Progress is not depreciated until assets are completed and have been commissioned for operation. Depreciation rates are reviewed annually.

Useful Lives of Assets:	Current Estimate
Asset class:	Years
Buildings (substructure)	60
Buildings (finishes)	10
Buildings (fittings and services)	25
Leasehold improvements	10
Plant and equipment	10-25

(g) Employee Benefits

Provision has been made in the financial report for the Trust's liability for employee benefits arising from services rendered by employees as at the reporting date. These benefits include accrued salaries and wages, annual leave and long service leave. Related on-costs consequential to the employment of the employees have been included in payables in accordance with Accounting Policy Statement (APS 9) 'Employee Benefits'.

Accrued Salaries and Wages

Accrued salaries and wages represents the amount of salaries and wages for services rendered by employees that are unpaid as at reporting date.

Annual Leave

Employee benefits for annual leave have been calculated by multiplying each employee's benefits by the remuneration rate expected when the leave is taken. The estimated rate of salary inflation is 4 percent. When leave loadings are paid these are included in the calculation.

Sick Leave

Employee sick leave benefits are non-vesting. No sick leave liability has been recorded as it is probable that sick leave taken in future periods will be less than the sick leave benefit accrued in those periods.

Long Service Leave

In calculating long service leave, the Trust has used a benchmark of 7 years, based on an actuarial assessment undertaken by the Department of Treasury and Finance. The long service leave benefit estimated to be paid within the next 12 months of balance date is calculated by multiplying each employee's benefits by the remuneration rate expected when the leave is taken. The estimated rate of salary inflation is 4 percent.

Superannuation

Contributions are made by the Trust to a number of 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 superannuation schemes. The only liability outstanding at balance date relates to contributions due but not yet paid to the superannuation schemes.

(h) Workers Compensation

Contributions are made by the Trust to the WorkCover Corporation to provide insurance coverage in relation to workers compensation. These contributions are treated as an expense when they occur. There is no liability for payments to claimants as they have been assumed by WorkCover Corporation.

(i) Provision for Doubtful Debts

The provision for doubtful debts is based upon a review of outstanding amounts at year end. Bad debts are written off when they are identified.

(j) Inventory

Inventories are maintained for set building and catering activities and are valued at cost.

(k) Recognition of Revenues

Operating Grants

In accordance with the Department of Treasury and Finance Accounting Policy Statement APS 11 'Contributions', all grants are recognised as revenue when received.

Other Revenues

The Trust's policy is to recognise revenue when a good is supplied or service completed.

(l) Income Tax Status

The activities of the entity are exempt from income tax.

(m) Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax' (GST) revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Trust as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and receivables and payables are stated with the amount of GST included.
- the net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have however been classified as operating cash flows.

(n) Segment Information

The Trust has not established any partnership or body corporate to carry out any of its business operations. Business operations are conducted in the one business and geographical segment.

(o) Rounding

Unless otherwise indicated, all amounts have been rounded to the nearest thousand dollars.

3. Government Grants

Included in Revenues from Ordinary Activities were the following Government Grants:

	Consolidated		AFCT	
	2003	2002	2003	2002
Operating grants received:	\$'000	\$'000	\$'000	\$'000
State Government:				
Operating base	7 146	7 001	7 096	6 951
Debt servicing - Interest	1 592	1 651	1 592	1 651
Total State Government Operating Grants	8 738	8 652	8 688	8 602
Other grants	8	-	8	-
Total Operating Grants Received	8 746	8 652	8 696	8 602
Capital grants received:				
State Government:				
Capital replacement*	220	9 800	220	9 800
Total Grants	8 966	18 452	8 916	18 402

The Trust receives funding from the Government of South Australia and is reliant upon this funding for its continued operations.

* Capital replacement grant revenue of \$0.220 million (\$9.800 million) is restricted to use on capital works programs and cannot be used to fund the operations of the Trust.

4. Operating Expenses

	Consolidated		AFCT	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Employee related expenses	13 445	13 447	13 437	13 447
Contractors	999	1 086	998	1 082
Artistic production expenses	3 983	2 308	3 983	2 308
Materials	2 984	1 869	2 983	1 868
Utilities	1 797	1 640	1 794	1 639
Financial transactions	872	821	872	821
Travel & accommodation	356	425	354	424
Premises rental	743	722	743	722
Insurance	174	303	174	303
Doubtful debts	94	-	94	-
Equipment	899	939	782	899
Depreciation	4 243	4 507	4 243	4 507
Other	2 337	2 233	2 246	2 194
	32 926	30 300	32 703	30 214

5. Net Cost of Services

Revenues from Operating Activities:				
Operating revenue	23 450	21 041	23 198	20 829
Total Revenues from Operating Activities	23 450	21 041	23 198	20 829
Expenses from Ordinary Activities:				
Operations and services	28 683	25 793	28 460	25 707
Depreciation	4 243	4 507	4 243	4 507
Borrowing costs	1 973	1 803	1 973	1 803
Total Expenses from Ordinary Activities	34 899	32 103	34 676	32 017
Total Cost of Services	(11 449)	(11 062)	(11 478)	(11 188)
Revenues from Government:				
Operating grant	7 147	7 001	7 097	6 951
Capital replacement grant	220	9 800	220	9 800
Debt servicing grant	1 592	1 651	1 592	1 651
Other grants	8	-	8	-
Total Revenues from Government	8 967	18 452	8 917	18 402
Surplus (Deficit) from Ordinary Activities	(2 482)	7 390	(2 561)	7 214

6. Cash

Cash at bank and on hand*	6 985	14 174	6 441	13 729
	6 985	14 174	6 441	13 729

* Included in cash at bank is \$0.498 million (\$8.627 million) tied capital grant.

7. Receivables

Trade debtors	2 483	1 810	2 483	1 806
Less: Provision for doubtful debts	321	227	321	227
	2 162	1 583	2 162	1 579
Interest receivable	33	-	33	-
	2 195	1 583	2 195	1 579

8. Inventories	Consolidated		AFCT	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Food and liquor	114	45	114	45
Raw materials	66	53	66	53
	180	98	180	98
9. Other Current Assets				
Prepayments	5	3	5	3
Work in progress	167	38	167	38
	172	41	172	41
10. Property, Plant and Equipment, and Leasehold Improvements and Works of Art				
Land and Buildings:				
Freehold Land:				
At independent valuation 2003	7 670	7 620	7 670	7 620
Buildings:				
At independent valuation 2003	117 701	107 550	117 701	107 550
Less: Accumulated depreciation	(55 307)	(49 490)	(55 307)	(49 490)
	62 394	58 060	62 394	58 060
Work in progress at cost	19	1 173	19	1 173
Total Land and Buildings	70 083	66 853	70 083	66 853
Plant and Equipment:				
At independent valuation 2003	17 220	18 071	17 220	18 071
Less: Accumulated depreciation	(11 194)	(10 040)	(11 194)	(10 040)
	6 026	8 031	6 026	8 031
At cost	-	666	-	666
Less: Accumulated depreciation	-	(6)	-	(6)
	-	660	-	660
Total Plant and Equipment	6 026	8 691	6 026	8 691
Leasehold Improvements:				
At independent valuation 2003	1 287	1 287	1 287	1 287
Less: Accumulated depreciation	(193)	(64)	(193)	(64)
	1 094	1 223	1 094	1 223
At cost	43	-	43	-
Less: Accumulated depreciation	-	-	-	-
	43	-	43	-
Total Leasehold Improvements	1 137	1 223	1 137	1 223
Works of Art:				
At independent valuation	5 428	5 428	5 428	5 428
At cost	80	-	80	-
Total Works of Art	5 508	5 428	5 508	5 428
Total Property, Plant & Equipment, Leasehold Improvements and Works of Art	82 754	82 195	82 754	82 195

The Trust's land, buildings and leasehold improvements valuation was undertaken at 30 June 2003 by Mr Richard R Wood AAPI Certified Practising Valuer B App Sc PRM (Valuation) of Colliers Jardine (SA) Pty Ltd. Plant and Equipment was revalued as at 30 June 2003 by Mr S Kincaid Certified Valuer AAPI MSAA of Dominion Valuers and Auctioneers (SA). Works of Art were valued by James F B Bruce Valuer MSAV of Ian Bruce Pty Ltd as at 30 June 2002.

11. Asset Movement Schedule	Freehold	Buildings	Work in Progress	Plant and Equipment	Leasehold Improvements	Works of Art	2003 Total
	Land						\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Amount:							
Balance at 1 July 2002	7 620	107 550	1 173	18 737	1 287	5 428	141 795
Additions	-	-	8 276	135	-	65	8 476
Assets transferred in (out)	-	9 262	(9 430)	110	43	15	-
Revaluation	50	889	-	(1 762)	-	-	(823)
Balance at 30 June 2003	7 670	117 701	19	17 220	1 330	5 508	149 448
Accumulated Depreciation:							
Balance at 1 July 2002	-	49 490	-	10 046	64	-	59 600
Depreciation expense	-	2 966	-	1 148	129	-	4 243
Revaluation	-	2 851	-	-	-	-	2 851
Balance at 30 June 2003	-	55 307	-	11 194	193	-	66 694
Net Book Value	7 670	62 394	19	6 026	1 137	5 508	82 754

12. Payables	Consolidated		AFCT	
	2003	2002	2003	2002
Current Liabilities:	\$'000	\$'000	\$'000	\$'000
Unsecured creditors and accruals	6 967	6 361	6 914	6 274
Employee related expenses	123	111	123	111
	7 090	6 472	7 037	6 385
Non-Current Liabilities:				
Employee related expenses	102	115	102	115
Total	7 192	6 587	7 139	6 500
13. Borrowings				
Current Liabilities:				
Borrowings from government	410	810	410	810
	410	810	410	810
Non-Current Liabilities:				
Borrowings from government	27 938	28 348	27 938	28 348
Total	28 348	29 158	28 348	29 158
14. Provisions				
(a) Employee Benefits				
Current Liabilities:				
Provision for annual leave	562	553	562	553
Provision for long service leave*	192	177	192	177
Payroll accruals	206	161	206	161
	960	891	960	891
Non-Current Liabilities:				
Provision for long service leave*	803	728	803	728
	803	728	803	728
Total Provision for Employee Benefits	1 763	1 619	1 763	1 619
* The current liability for long service leave has been determined using the average of the past seven years' actual leave taken.				
(b) Provision for Salary/Wages Increase				
Current Liabilities:				
Provision for retrospective adjustment for Enterprise Bargaining	358	-	358	-
Total Provision for Salary/Wages Increase	358	-	358	-
Total Provisions	2 121	1 619	2 121	1 619
At 30 June 2003 the Trust was negotiating Enterprise Bargains with staff. Those negotiations include a retrospective payment for adjusted salaries and wages to November 2002. Progress with negotiations are such that there is certainty about the quantum and date of effect of the adjustment and accordingly a provision has been made for the future sacrifice of economic benefits associated with increased salaries and wages attributable to 2002-03. This disclosure is made in accordance with AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'.				
15. Other Current Liabilities				
	Consolidated		AFCT	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Funds held in Trust	211	195	211	195
Revenue in advance	409	373	359	373
	620	568	570	568
16. Reserves				
Asset Revaluation Reserve:				
Land:				
Opening balance	7 620	5 950	7 620	5 950
Movement	50	1 670	50	1 670
Closing balance	7 670	7 620	7 670	7 620
Buildings:				
Opening balance	30 090	27 049	30 090	27 049
Movement	(1 960)	3 041	(1 960)	3 041
Closing balance	28 130	30 090	28 130	30 090
Plant and Equipment:				
Opening balance	7 735	7 735	7 735	7 735
Movement	(1 762)	-	(1 762)	-
Closing balance	5 973	7 735	5 973	7 735
Works of Art:				
Opening balance	5 031	3 074	5 031	3 074
Movement	-	1 957	-	1 957
Closing balance	5 031	5 031	5 031	5 031
Total:				
Opening balance	50 476	43 808	50 476	43 808
Movement	(3 672)	6 668	(3 672)	6 668
Closing Balance	46 804	50 476	46 804	50 476

17. Accumulated Surplus (Deficit)	Consolidated		AFCT	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Opening balance	9 683	(2 954)	9 321	(3 140)
Surplus (Deficit) from Ordinary Activities	(2 482)	7 390	(2 561)	7 214
Revision of accounting estimate*	-	5 247	-	5 247
Closing Balance	7 201	9 683	6 760	9 321

* Accumulated depreciation was revised in 2001-02 as a result of a valuation undertaken at 30 June 2002 by Mr Richard R Wood AAPI Certified Practising Valuer B App Sc PRM (Valuation) of Colliers Jardine (SA) Pty Ltd.

18. Commitments for Expenditure	Consolidated		AFCT	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(a) Operating Leases				
Commitments under non-cancellable operating leases at reporting date are payable as follows:				
Not later than one year	58	74	58	74
Later than one year but not later than five years	22	29	22	29
Total	80	103	80	103

Equipment leases are for fixed lease periods. There are no contingent rental payments. There are options to extend the leases.

Motor vehicle leases are for lease periods of two to three years. Rental payments are fixed.

(b) Capital Works Contracts

In 2002-03 there were no commitments (\$9.303 million) that existed at reporting date for capital works contracts, that were equally proportionately unperformed, which are not recorded in the Statement of Financial Position.

19. Contingent Liabilities and Contingent Assets

As at balance date there were no known contingent liabilities or contingent assets.

20. Reconciliation of Surplus (Deficit) from Ordinary Activities to Net Cash provided by (used in) Operating Activities	Consolidated		AFCT	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Surplus (deficit) from ordinary activities	(2 482)	7 390	(2 561)	7 214
Adjustment for non-cash items:				
Depreciation	4 243	4 507	4 243	4 507
Provision for doubtful debts	94	(120)	94	(120)
Provision for leave entitlements	663	59	663	59
Changes in Assets and Liabilities:				
(Increase) Decrease in receivables	(706)	509	(711)	513
(Increase) Decrease in current assets	(131)	(2)	(131)	(2)
(Increase) Decrease in inventories	(82)	44	(82)	44
Increase (Decrease) in creditors	446	177	482	90
(Decrease) Increase in other current liabilities	52	(306)	2	(306)
Net Cash provided by (used in) Operating Activities	2 097	12 258	1 999	11 999

21. Remuneration to Auditors and Consultants

Remuneration to auditors:

Auditing the financial report	69	69	65	65
Other auditing services	-	14	-	14
	69	83	65	79

Number of Consultants:	Consolidated		AFCT	
	2003 Number of Consultants	2002 Number of Consultants	2003 Number of Consultants	2002 Number of Consultants
Under \$10 001	-	5	-	5
\$10 001 - \$50 000	-	1	-	1
	-	6	-	6

Payments to Consultants:	Consolidated		AFCT	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Under \$10 001	-	16	-	16
\$10 001 - \$50 000	-	17	-	17
	-	33	-	33

22. Remuneration of Employees

The number of employees whose annual remuneration was over \$100 000 fell within the following bands:

\$100 000 - \$109 999
\$110 000 - \$119 999
\$120 000 - \$129 999
\$130 000 - \$139 999
\$170 000 - \$179 999
\$180 000 - \$189 999
\$190 000 - \$199 999

2003	2002
Number of Employees	Number of Employees
2	1
-	1
2	1
-	1
1	-
-	1
1	-

The aggregate of the remuneration referred to in the table above for all employees is \$829 800 (\$659 000).

23. Trustees' Remuneration and Related Party Disclosures**Trustees' Remuneration**

The number of Trustees with income in the following bands was:

\$0 - \$9 999
\$10 000 - \$19 999

2003	2002
Number of Trustees	Number of Trustees
8	7
1	1

The aggregate of the remuneration referred to in the above table for Trustees is \$80 000 (\$81 000).

Related Party Disclosures

The members of the Trust are appointed by the Government in accordance with the provisions of the *Adelaide Festival Centre Trust Act 1971*.

During the year the following persons occupied the position of Trustee of the Adelaide Festival Centre Trust:

Mr Richard Ryan	Ms Winnie Pelz
Mr Mark Morelli	Mr Pearce Bowman
Mrs Fiona Adler	Ms Robyn Archer (term expired on 31.7.02)
Ms Joanne Staugas	Mr Greg Mackie (term expired on 31.5.03)
Mr Peter Goers (from 15.08.02)	

The Trustees of the Trust, or their director related entities, have transactions with the Trust that occur within a normal employee, 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.

As a part of the duties of office, from time to time, Trustees receive complimentary tickets to shows and events conducted by or through the Trust. These benefits serve to involve the Trustees in the product and business that is being managed and/or involve the execution of office in liaison with external parties.

24. Targeted Voluntary Separation Package Scheme (TVSPs)

There were no TVSPs in 2002-03. In 2001-02 two TVSPs were paid and an additional \$85 000 was paid on account of accrued annual leave and long service leave. In 2001-02 the Trust received reimbursement of \$193 000 from the Department of the Premier and Cabinet for TVSPs.

25. Financial Instruments**(a) Terms and Conditions**

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	6	Deposits are recognised at their nominal amount. Interest is credited to revenue as it accrues.	
Receivables	7	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less than likely.	Credit terms are net 30 days.
Financial Liabilities			
		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors	12	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is made net 30 days.

(a) *Terms and Conditions (continued)*

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Other liabilities	15	Monies held in trust being deposits held for other entities and revenues earned in advance are recognised as liabilities.	The Trust holds monies on behalf of other entities and revenues earned in advance.
Borrowings	13	Borrowings are recognised at their nominal amounts.	The interest rate is determined by the Treasurer on borrowings from the Department of Treasury and Finance. There are two elements to these borrowings, one with no maturity date (interest paid quarterly) and a second borrowing with a maturity date in 2010 (interest paid monthly).

(b) *Interest Rate Risk*

	Consolidated 2003			Weighted Average Interest Rate Percent	AFCT 2003			Weighted Average Interest Rate Percent
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000		Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000	
Financial Assets:								
Cash	6 938	47	6 985		6 394	47	6 441	
Receivables	-	2 195	2 195		-	2 195	2 195	
	<u>6 938</u>	<u>2 242</u>	<u>9 180</u>	5.88	<u>6 394</u>	<u>2 242</u>	<u>8 636</u>	5.88
Financial Liabilities:								
Other liabilities	620	-	620		570	-	570	
Trade creditors	-	7 090	7 090		-	7 037	7 037	
Borrowings	27 938	410	28 348		27 938	410	28 348	
	<u>28 558</u>	<u>7 500</u>	<u>36 058</u>	6.04	<u>28 508</u>	<u>7 447</u>	<u>35 955</u>	6.04
Net Financial Assets (Liabilities)	(21 620)	(5 258)	(26 878)		(22 114)	(5 205)	(27 319)	
	2002				2002			
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000	Weighted Average Interest Rate Percent
Financial Assets:								
Cash	14 132	42	14 174	5.84	13 687	42	13 729	5.84
Receivables	-	1 583	1 583		-	1 579	1 579	
	<u>14 132</u>	<u>1 625</u>	<u>15 757</u>		<u>13 687</u>	<u>1 621</u>	<u>15 308</u>	
Financial Liabilities:								
Other liabilities	568	-	568		568	-	568	
Trade creditors	-	6 472	6 472		-	6 385	6 385	
Borrowings	28 258	900	29 158		28 258	900	29 158	
	<u>28 826</u>	<u>7 372</u>	<u>36 198</u>	5.86	<u>28 826</u>	<u>7 285</u>	<u>36 111</u>	5.86
Net Financial Assets (Liabilities)	(14 694)	(5 747)	(20 441)		(15 139)	(5 664)	(20 803)	

(c) *Net Fair Values*

	Consolidated				AFCT			
	2003		2002		2003		2002	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:								
Cash	6 985	6 985	14 174	14 174	6 441	6 441	13 729	13 729
Receivables	2 195	2 195	1 583	1 583	2 195	2 195	1 579	1 579
Total Financial Assets	9 180	9 180	15 757	15 757	8 636	8 636	15 308	15 308
Financial Liabilities:								
Other liabilities	620	620	568	568	570	570	568	568
Trade creditors	7 090	7 090	6 472	6 472	7 037	7 037	6 385	6 385
Borrowings	27 938	27 938	29 158	29 158	27 938	27 938	29 158	29 158
Total Financial Liabilities	35 648	35 648	36 198	36 198	35 545	35 545	36 111	36 111

(d) *Credit Risk Exposure*

The Trust's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Trust has no significant exposure to any concentrations of credit risk.

26. Employee Benefits and Related On-Costs

	Consolidated		AFCT	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Current Liabilities:				
Provision for annual leave (refer Note 14)	562	553	562	553
Provision for long service leave (refer Note 14)	192	177	192	177
Payroll accruals(refer Note 14)	206	161	206	161
On-costs (accounted for in payables refer Note 12)	123	111	123	111
	1 083	1 002	1 083	1 002
Non-Current Liabilities:				
Provision for long service leave (refer Note 14)	803	728	803	728
On-costs (accounted for in payables refer Note 12)	102	115	102	115
	905	843	905	843
Aggregate Employee Benefits and Related On-Costs Liabilities	1 988	1 845	1 988	1 845

27. Controlled Entity

The consolidated financial statements at 30 June 2003 include the following controlled entity:

<i>Name of Controlled Entity</i>	<i>Place of Incorporation</i>
The Adelaide Festival Centre Foundation Incorporated	Australia

ADELAIDE FESTIVAL CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Adelaide Festival Corporation (the Corporation) is a body corporate established pursuant to the *Adelaide Festival Corporation Act 1998*. The Corporation is an instrumentality of the Crown.

Functions

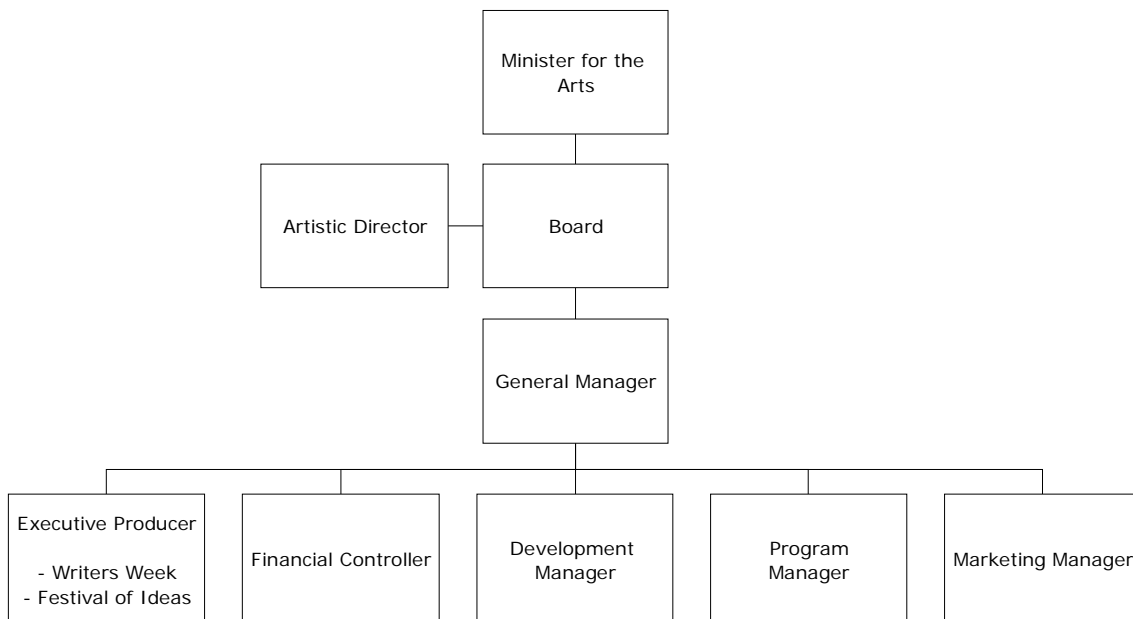
The functions of the Corporation, as set out by section 5 of the Act, are to:

- conduct in Adelaide and other parts of the State the multifaceted arts event that is known as the Adelaide Festival of Arts;
- continue to further develop the Adelaide Festival of Arts as an event of international standing and excellence;
- conduct or promote other events and activities;
- provide advisory, consultative, managerial and support services within areas of the Corporation's expertise;
- undertake other activities that promote the arts or public interest in the arts, or that otherwise involve appropriate use of its resources;
- carry out such other functions assigned to the Corporation by or under this or any other Act, or by the Minister.

The Adelaide Festival of Arts is a biennial event with 2003 being a non Festival year.

Structure

The structure of the Adelaide Festival Corporation is illustrated in the following organisational chart.



The Board of the Corporation consists of eight members appointed by the Governor and includes a representative from each of the Friends of the Adelaide Festival Incorporated and the Corporation of the City of Adelaide. The Board is subject to the control and direction of the Minister except in relation to the artistic content of an event or activity conducted by the Corporation and the manner for dealing with a testamentary or other gift.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

The Auditor-General audits the accounts of the Adelaide Festival Corporation pursuant to subsection 19(3) of the *Adelaide Festival Corporation Act 1998*.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Adelaide Festival Corporation 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 and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by the Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03 specific areas of audit attention included:

- revenue, including cash receipting and debtors
- expenditure, including accounts payable and, salaries and wages
- general ledger
- contracts
- budgetary control.

Audit Communications to Management

Matters arising during the course of the audit were conveyed in a management letter to the General Manager of the Corporation. A satisfactory response was received to the matters raised.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements, the financial position of the Adelaide Festival Corporation as at 30 June 2003 and the results of its financial performance and cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Adelaide Festival Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Adelaide Festival Corporation have been conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS**Highlights of Financial Statements**

	2003 \$'000	2002 \$'000	Percentage Change
OPERATING REVENUE			
Grants from Government	3 056	5 129	
Other income	772	4 785	
Total Operating Revenue	3 828	9 914	(61)
OPERATING EXPENDITURE			
Employment expenses	1 216	2 456	
Other expenses	802	7 705	
Total Operating Expenses	2 018	10 161	(80)
Surplus (Deficit) from Ordinary Activities	1 810	(247)	
Net Cash Flows from Operations	1 202	99	
ASSETS			
Current assets	1 785	605	
Non-current assets	68	107	
Total Assets	1 853	712	160
LIABILITIES			
Current liabilities	217	896	
Non-current liabilities	44	34	
Total Liabilities	261	930	(72)
EQUITY	1 592	(218)	

Statement of Financial Performance**Scope of Functions**

In reviewing the financial performance of the Corporation it should be noted that, although the predominant role of the Corporation is to conduct the Adelaide Festival of Arts, its functions also extend to the promotion and conduct of other festivals and events such as the Festival of Ideas. The Statement of Financial Performance includes the expenses and revenues associated with these events as well as the Adelaide Festival of Arts.

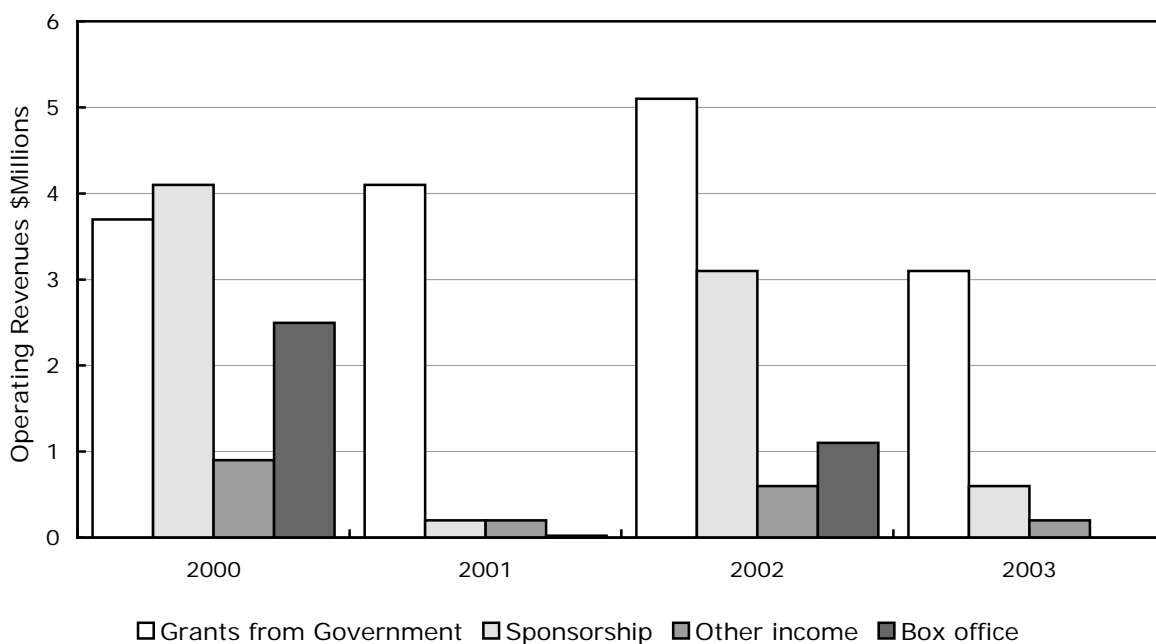
Interpretation and Analysis

Consideration also needs to be given to the unique nature of these events and the effect that they have on the financial operations of the Corporation. In particular, because of the biennial nature of the Adelaide Festival of Arts, the financial results for the event are recorded mainly over a cycle of two financial years. Other festivals may also be active across a number of financial years.

Operating Revenues

Revenues from Ordinary Activities decreased by \$6.1 million to \$3.8 million. This decrease reflects the fact that the Corporation did not, given that 2002-03 was not a Festival year, earn box office revenue in 2002-03 (\$1.1 million in 2001-02). In addition, sponsorship income received in 2002-03 totalled \$600 000 as compared to \$3.1 million in 2001-02. Grants received from Government totalled \$3.1 million (\$5.1 million). The 2002-2003 grants include an amount of \$750 000 which is the first instalment of an additional grant funding allocation of \$1.5 million for the 2004 Adelaide Festival.

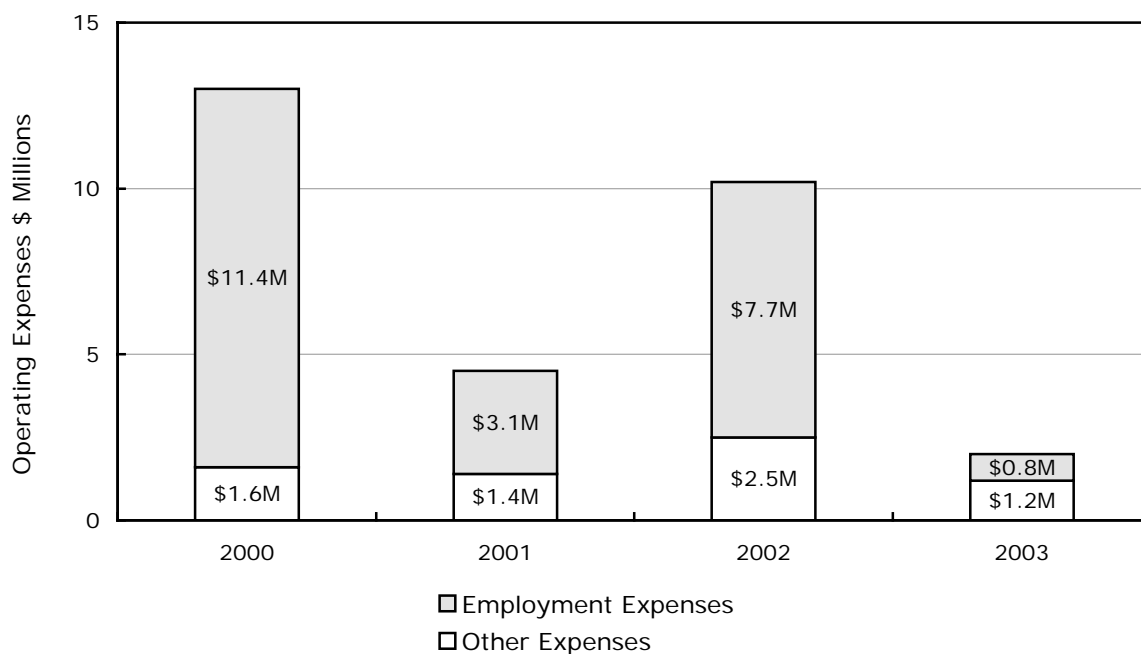
For the four years to 2003 a structural analysis of operating revenues for the Corporation is presented in the following chart. It is important to note that 2000 and 2002 were Festival years.



Operating Expenses

Expenses from Ordinary Activities decreased by \$8.1 million to \$2 million. This decrease is mainly attributable to expenses incurred in 2001-2002 in relation to the 2002 Adelaide Festival.

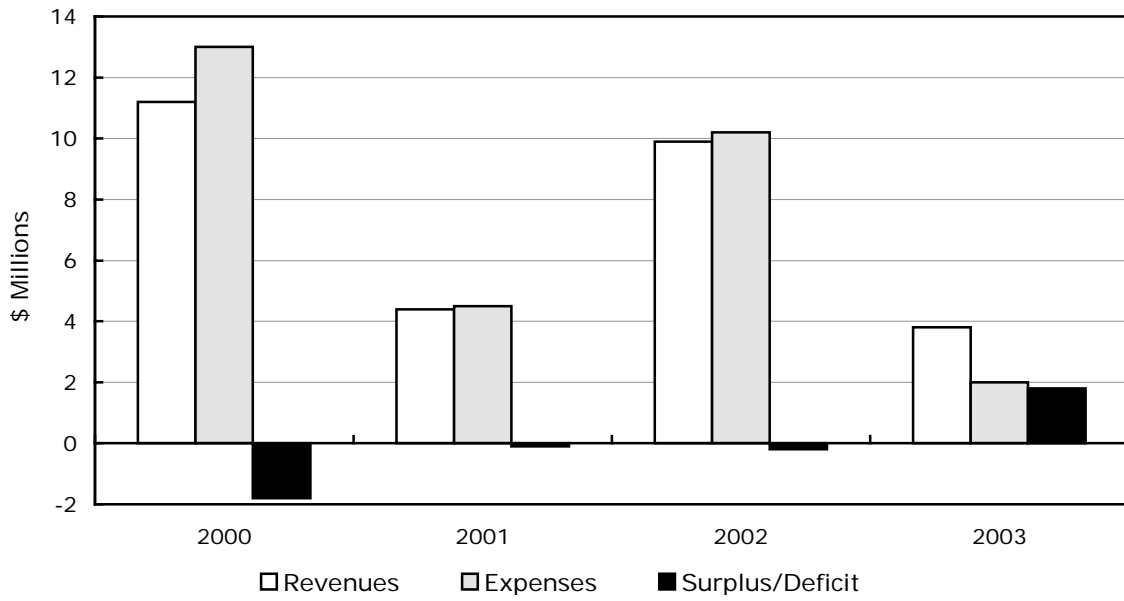
For the four years to 2003 a structural analysis of the main operating expense items for the Corporation is shown in the following chart.



Operating Result

The operating result for the year was a Surplus from Ordinary Activities of \$1.8 million as compared to a deficit of \$247 000 for the previous year. This is mainly attributable to the additional funding received in 2002-2003 for the 2004 Festival.

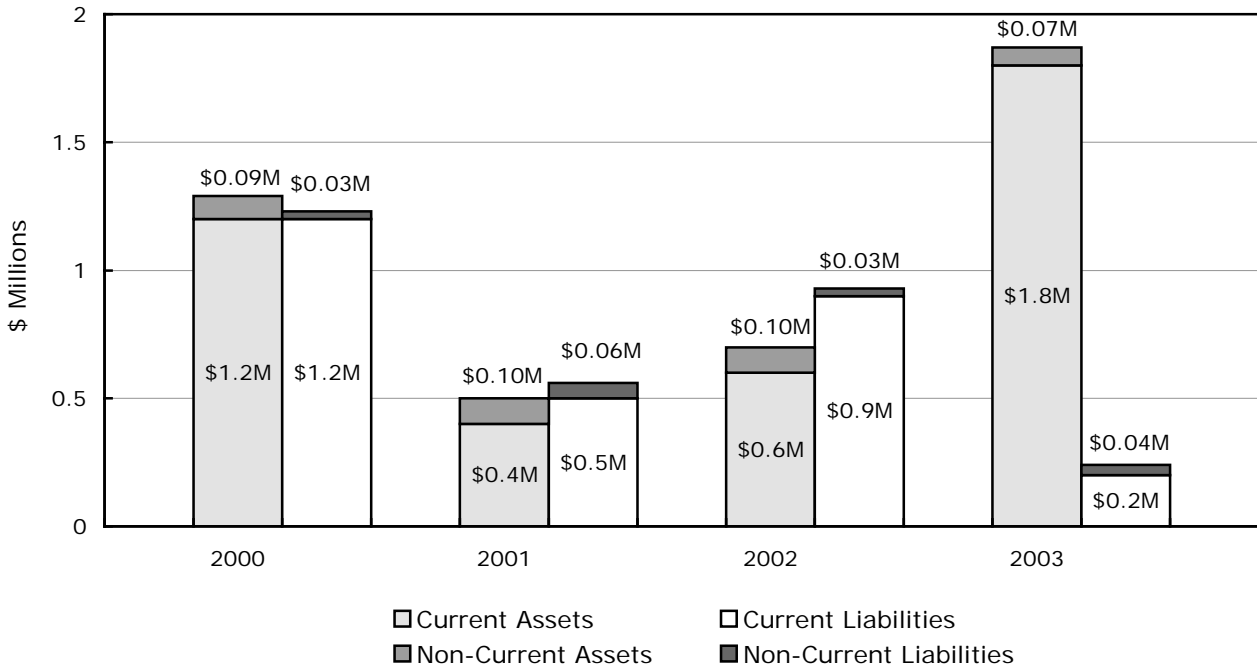
The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2003.



Statement of Financial Position

As at 30 June 2003, the Corporation’s net assets totalled \$1.6 million as compared to a net asset deficiency of \$218 000 at 30 June 2002. This change is mainly attributable to the increase in cash assets held at 30 June 2003.

For the four years to 2003 a structural analysis of assets and liabilities is shown in the following chart.



**Statement of Financial Performance
for the year ended 30 June 2003**

		2003	2002
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants from Government	3	3 056	5 129
Box office		-	1 090
Interest		22	28
Other income	4	750	3 667
Total Revenues		3 828	9 914
EXPENSES FROM ORDINARY ACTIVITIES:			
Administration	5	623	2 517
Programmed events	6	179	5 188
Employee costs		1 216	2 456
Total Expenses		2 018	10 161
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES		1 810	(247)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	12	1 810	(247)

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	7	1 234	46
Receivables	8	551	559
Total Current Assets		1 785	605
NON-CURRENT ASSETS:			
Property, plant and equipment	9	68	107
Total Non-Current Assets		68	107
Total Assets		1 853	712
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	10	189	858
Provision for employee entitlements	11	28	38
Total Current Liabilities		217	896
NON-CURRENT LIABILITIES:			
Payables	10	6	4
Provision for employee entitlements	11	38	30
Total Non-Current Liabilities		44	34
Total Liabilities		261	930
NET ASSETS (DEFICIENCY)		1 592	(218)
EQUITY:			
Accumulated surplus (deficit)	12	1 592	(218)
TOTAL EQUITY (DEFICIENCY)		1 592	(218)
Commitments	16		

**Statement of Cash Flows
for the year ended 30 June 2003**

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Grants from Commonwealth Government and other bodies		37	920
State Government grant		3 019	4 209
Receipts from patrons/sponsors/donors and others		728	4 560
Receipts from GST		142	666
Interest received		22	28
Payments of GST		(65)	(378)
Payments to performers and suppliers		(1 460)	(7 433)
Payments for wages and related payments		(1 221)	(2 473)
Net Cash provided by Operating Activities	13	1 202	99
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for office equipment and furniture		(14)	(37)
Proceeds from sale of assets		-	-
Net Cash used in Investing Activities		(14)	(37)
NET INCREASE IN CASH HELD		1 188	62
CASH AT 1 JULY		46	(16)
CASH AT 30 JUNE	7	1 234	46

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Functions of the Adelaide Festival Corporation**

The functions of the Adelaide Festival Corporation are to:

- (a) conduct in Adelaide and other parts of the State the multifaceted arts event that is known as the Adelaide Festival of Arts;
- (b) continue and further develop the Adelaide Festival of Arts as an event of international standing and excellence;
- (c) conduct or promote other events and activities;
- (d) provide advisory, consultative, managerial or support services within areas of the Corporation's expertise;
- (e) undertake other activities that promote the arts or public interest in the arts, or that otherwise involve an appropriate use of its resources; and
- (f) carry out other functions assigned to the Corporation by or under the *Adelaide Festival Corporation Act 1998* or any other Act, or by the Minister.

2. **Statement of Significant Accounting Policies**

2.1 Basis of Accounting

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, applicable Urgent Issues Group Consensus Views and other mandatory reporting requirements. The report has been prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

2.2 Future Festivals

Expenditure related to the 2006 Adelaide Festival of Arts is treated as prepaid expenditure.

2.3 Foreign Exchange

Transactions in foreign currencies are translated at rates of exchange applicable at the date the foreign currency is acquired. Gains or losses arising from translation are taken directly to revenues or expenses.

2.4 Employee Entitlements

Provision has been made in the financial report for the Corporation's liability for employee entitlements arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in payables.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates plus a provision for increase of 4 percent.

Sick Leave

No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

Long Service Leave

Provision has been made for employee entitlements to long service leave based on a benchmark of seven years service and represents the present value of the estimated future cash flows to be made for those entitlements. This provision has been calculated at nominal amounts based on current salary rates.

2.5 Superannuation

Contributions are made by the Corporation to a number of 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 superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

2.6 Workers Compensation

Contributions are made by the Corporation to the WorkCover Corporation to provide insurance coverage in relation to workers compensation. These contributions are treated as an expense as they occur. There is no liability to claimants as they have been assumed by WorkCover Corporation.

2.7 Income Tax

The income of the Adelaide Festival Corporation is exempt from income tax.

2.8 Property, Plant and Equipment

Office Furniture and Equipment is valued at cost.

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation of office furniture and equipment is calculated using the straight line method of allocation over a useful life of four years and is recognised from the date of acquisition.

2.9 Revenue Recognition

Operating and Performing Arts Grants

In accordance with Department of Treasury and Finance Accounting Policy Statement 11, 'Contributions', all grants are recognised as revenue when received.

Sponsorship, Sundry Income and Interest

All income of this nature is recognised as revenue as it accrues.

Donations

All income of this nature is recognised as revenue when received.

2.10 Economic Dependency

The normal business activity of the Adelaide Festival Corporation is dependent on the contribution of grants from the State at the appropriate levels. The State Government has advised that funding will be maintained and accordingly this financial report has been prepared on a going concern basis.

2.11 Comparative Figures

Where applicable, comparative amounts have been adjusted to conform with changes in presentation and classification in the current financial year.

3. Grants from Government	2003	2002
	\$'000	\$'000
Grants from South Australian Government	3 019	4 209
Other grants	37	920
	3 056	5 129
4. Other Income		
Sponsorship - Corporate	414	1 331
Sponsorship - Government	185	1 746
Donations	47	130
Book and merchandise sales	-	247
Friends membership	45	33
Sundry	59	180
	750	3 667
5. Administration Expenses		
Depreciation	53	58
Operating leases	97	104
Bad and doubtful debts	-	14
Marketing	135	1 466
Development	16	249
Artistic Directorate	104	44
Communications	33	68
Other expenses	185	514
	623	2 517
6. Programmed Events		
Festival of Ideas 2001	-	185
Festival of Arts 2002	-	5 003
Festival of Ideas 2003	153	-
Festival of Arts 2004	26	-
	179	5 188
7. Reconciliation of Cash		
For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank.		
Cash on hand	1	1
Cash at bank	231	45
SAFA deposit	1002	-
	1 234	46
8. Receivables		
Trade debtors	402	379
Less: Provision for doubtful debts	5	5
Prepayments and accruals	154	185
	551	559
9. Property, Plant and Equipment		
(a) Office equipment and furniture at cost	254	242
Less: Accumulated depreciation	186	135
Written Down Value	68	107
(b) Reconciliation of carrying amounts of property, plant and equipment:		
Balance at 1 July	242	205
Add: Additions	14	37
Less: Disposals	(2)	-
Balance at 30 June	254	242
Accumulated depreciation:		
Balance at 1 July	135	77
Less: Disposals	(2)	-
Add: Depreciation expense	53	58
Balance at 30 June	186	135
Net Book Value	68	107

10. Payables		2003	2002
		\$'000	\$'000
Current			
	Trade creditors and accruals	138	845
	Employee costs	51	13
		189	858
Non-Current			
	Employee costs	6	4
		6	4
11. Provisions			
(a) Provision for employee entitlements:			
Current:			
	Annual leave	19	29
	Long service leave	9	9
		28	38
Non-Current:			
	Long service leave	38	30
		38	30
(b) Employee benefits and related on-cost liabilities			
Annual Leave			
	Included in payables (Note 10)	3	4
	Provision for employee benefits (Note 11(a))	19	29
		22	33
Long Service Leave			
	Included in payables - current (Note 10)	1	1
	Provision for employee benefits - current (Note 11(a))	9	9
		10	10
	Included in payables - non-current (Note 10)	6	4
	Provision for employee benefits - non-current (Note 11(a))	38	30
		44	34
	Aggregate employee benefits and related on-cost liabilities	76	77
12. Accumulated (Deficit) Surplus			
	Balance at 1 July	(218)	29
	Surplus (deficit) from ordinary activities	1 810	(247)
	Balance at 30 June	1 592	(218)
13. Reconciliation of Surplus (Deficit) from Ordinary Activities to Net Cash provided by Operating Activities			
	Surplus (deficit) from Ordinary Activities	1 810	(247)
	Items not involving cash:		
	Depreciation	53	58
	Changes in Assets and Liabilities:		
	(Increase) Decrease in receivables	8	(243)
	Increase (Decrease) in payables	(667)	549
	Increase (Decrease) in provision for employee entitlements	(2)	(18)
	Net Cash provided by Operating Activities	1 202	99
14. Remuneration to Auditors			
	The amount due to and receivable by the Auditor-General's Department for auditing the accounts for the year was \$14 000 (\$13 000).		
	The auditors provided no other services.		
15. Consultancies			
	During the year, the Board engaged consultants to assist in its operation. The costs of these consultancies was \$4 500 (\$33 000).		
	The number of consultancies whose payments fell within the following bands were:	2003	2002
		Number of	Number of
		Consultancies	Consultancies
	\$nil - \$10 000	2	9
16. Commitments for Expenditure		2003	2002
	Operating Leases:	\$'000	\$'000
	Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
	Not later than one year	92	79
	Later than one year and not later than five years	30	102
		122	181

16. Commitments for Expenditure (continued)

These operating lease commitments are not recognised in the financial report as liabilities.

The motor vehicle lease is a non-cancellable lease, payable monthly in arrears.

Options exist to renew the lease at the end of the term of the lease.

The property lease is a non-cancellable lease, payable monthly in advance. An option exists to renew the lease at the end of the term of the lease.

17. Remuneration of Employees

The number of employees whose total remuneration fell within the following bands:

	2003	2002
	Number of Employees	Number of Employees
\$110 000 - \$119 999	1	-

18. Remuneration of Board Members

Remuneration of the Board Members fell between the following bands:

	2003	2002
	Number of Members	Number of Members
\$nil - \$9 999	8	12
\$10 000 - \$19 999	1	1

The aggregate remuneration referred to in the above table for Board Members is \$59 000 (\$61 000).

As at 30 June 2003 two members of the Board, who are Government Employees, received no sitting fees from the Corporation.

19. Financial Instruments**(a) Terms, Conditions and Accounting Policies**

Financial Instrument	Note	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial Assets:			
Cash on hand and at bank	7	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	All funds attract interest. The rate is determined by the bank and SAFA at their discretion. The interest rate as at 30 June 2003 was 4.0 and 5.0 percent respectively. Interest is paid monthly.
Receivables	8	Receivables are recognised at their nominal amounts. Amounts are recognised when services are provided. Collectibility of debts is assessed at balance date with any bad debts being written off prior to balance date.	Standard credit terms are 30 days.
Financial Liabilities:			
Payables	10	Creditors are recognised at their nominal amounts. Liabilities are recognised once the goods or services have been received.	Creditors are generally paid within 30 days.

(b) Interest Rate Risk

Financial Instrument	Note	2003	2002	2003	2002	2003	2002	2003	2002
		Floating Interest Rate	Floating Interest Rate	Non-Interest Bearing	Non-Interest Bearing	Total	Total	Weighted Average Effective Interest Rate	Weighted Average Effective Interest Rate
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	Percent	Percent
Financial Assets:									
Cash at bank	7	231	45	-	-	231	45	4	4.0
SAFA deposit	7	1 002	-	-	-	1 002	-	5	-
Cash on hand	7	-	-	1	1	1	1	-	-
Receivables	8	-	-	551	559	551	559	-	-
Total		1 233	45	552	560	1 785	605		
Financial Liabilities:									
Payables	10	-	-	195	862	195	862	-	-
Total		-	-	195	862	195	862		

(c) Net Fair Values of Financial Assets and Liabilities

The net fair values of the financial assets and liabilities in this report approximate their carrying value.

(d) Credit Risk Exposure

The maximum credit risk exposure at reporting date in relation to each class of recognised financial asset and financial liability is the amount as indicated in the Statement of Financial Position.

20. Related Party Disclosures

The Board members are appointed by the Governor in accordance with the *Adelaide Festival Corporation Act 1998*.

During the period, the following persons occupied the position of Board members of the Adelaide Festival Corporation:

Mr R Adler AO (Chair)	Ms V Szekeres	Mr R Angove AM to 31st March 2003
Mr C Dunsford (Chair Finance Committee)	Mr L Warren	Mr J Hill to 31st October 2002
Ms M Oates	Ms S Sdraulig	Mr Brett Rowse from 1st May 2003

As part of the duties of office, from time to time, Board Members receive complimentary tickets to shows or events conducted by the Adelaide Festival Corporation. These benefits serve to involve the Board Members in the product and business that is being managed and/or involve the execution of office in liaison with external parties.

ART GALLERY BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Board was established under subsection 4(1) of the *Art Gallery Act 1939*.

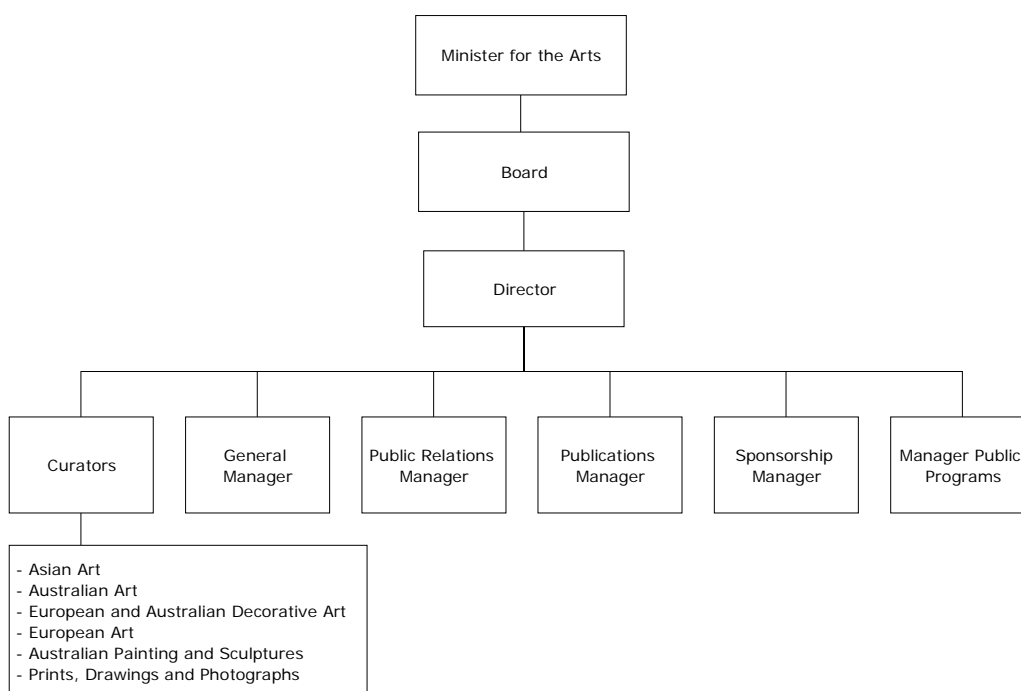
Functions

A body corporate, the principal functions of the Board are to:

- undertake the care and control of the Art Gallery and of all the lands and premises placed under the care and control of the Board;
- undertake the care and control of all works of art, exhibits and other personal property acquired for the purposes of the Art Gallery;
- assist in the promotion and supervision of art galleries, and collections of art, and any body or association established for the promotion of art within the State.

Structure

The structure of the Art Gallery of South Australia is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Art Gallery of South Australia for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Art Gallery of South Australia 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- revenue including cash receipting and banking, and bookshop operations
- expenditure including accounts payable, and salaries and wages
- investments
- property, plant and equipment including the adequacy of asset register maintenance
- heritage collection management.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Director. The issues raised by Audit related mainly to the need to further strengthen controls over the management of heritage collections and the accounts payable processes.

A satisfactory response was received to the matters raised in the management letter.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements, the financial position of the Art Gallery of South Australia as at 30 June 2003 and the results of its financial performance and cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Art Gallery of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Art Gallery of South Australia have been conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2003 \$'000	2002 \$'000	Percentage Change
OPERATING REVENUE			
Government grants	5 936	6 151	(3)
Other revenue	8 410	6 212	35
Total Operating Revenue	14 346	12 363	16
OPERATING EXPENDITURE			
Employment expenses	2 317	2 231	4
Other expenses	6 849	6 450	6
Total Operating Expenses	9 166	8 681	6
Surplus from Ordinary Activities	5 180	3 682	41
Net Cash Flows from Operations	2 205	2 345	(6)

	2003 \$'000	2002 \$'000	Percentage Change
ASSETS			
Current assets	4 213	4 451	(5)
Non-current assets	572 829	372 637	54
Total Assets	577 042	377 088	53
LIABILITIES			
Current liabilities	857	1 298	(34)
Non-current liabilities	529	1 086	(51)
Total Liabilities	1 386	2 384	(42)
EQUITY	575 656	374 704	54

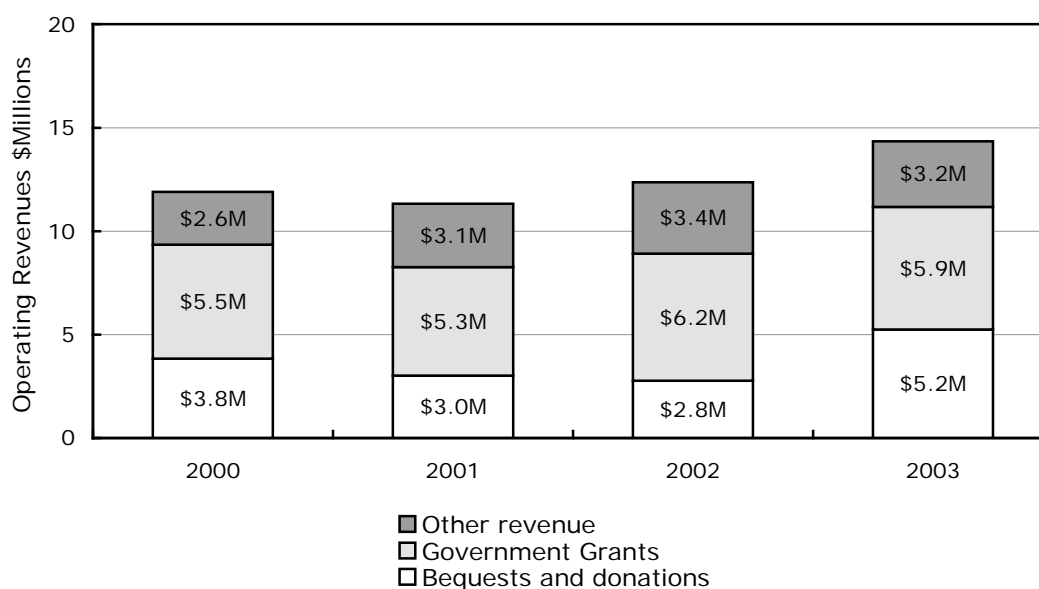
Statement of Financial Performance

Operating Revenues

Revenues from Ordinary Activities for the year totalled \$14.3 million (\$12.4 million). This includes grants from the State Government of \$5.9 million (\$6.2 million).

Grants from the State Government represent 41 percent (50 percent) of Revenues from Ordinary Activities which supports the view that the Board is dependent on the ongoing financial support of the State Government as expressed in Note 2(o) to the Financial Statements. Bequests and donations for the year were \$2.5 million above 2002 and total bequests and donations represented 37 percent (22 percent) of Revenues from Ordinary Activities.

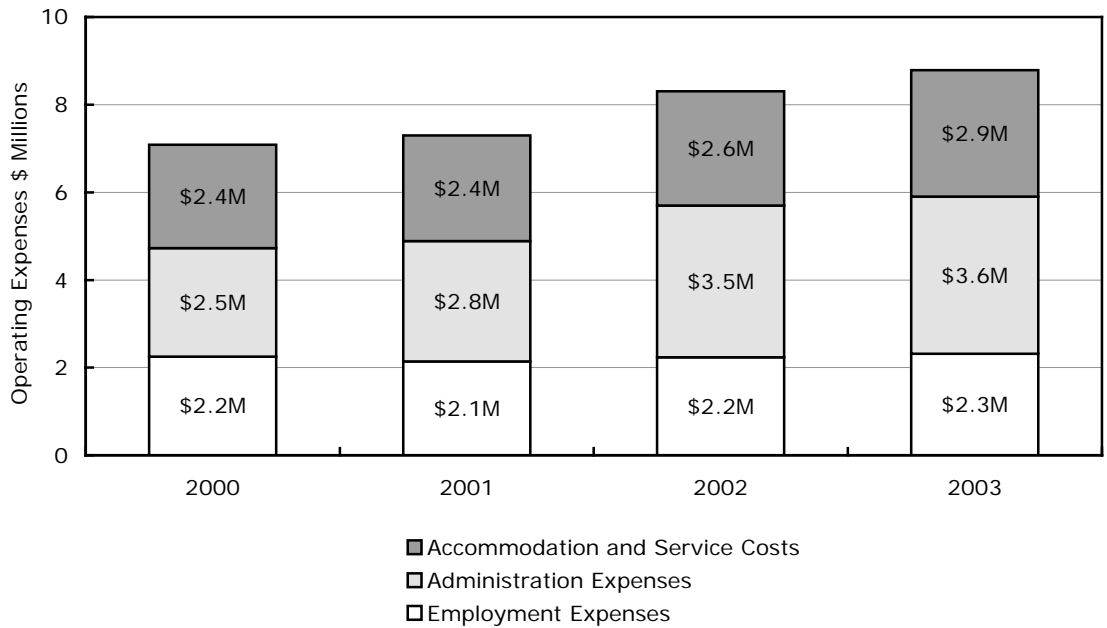
A structural analysis of operating revenues for the Department for the four years to 2003 is presented in the following chart.



Operating Expenses

Expenditure for the year increased by \$485 000 (5.6 percent) to \$9.2 million.

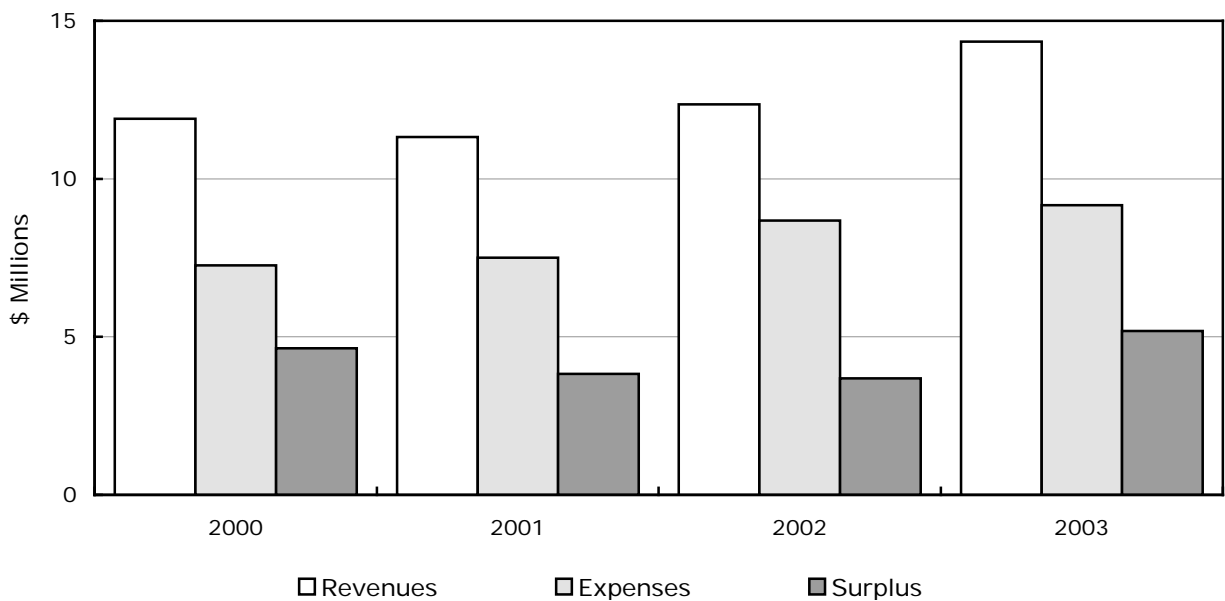
A structural analysis of the main operating expense items for the Department is shown in the following chart.



Operating Result

The operating result for the year was a Surplus from Ordinary Activities of \$5.2 million, compared with a surplus of \$3.7 million in 2001-02. The increase in the surplus is mainly attributable to the increase of \$2.5 million in bequests and donations received during the year.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2003.



Statement of Financial Position

The net assets of the Art Gallery of South Australia have increased by \$201 million to \$576 million. This increase is mainly attributable to the revaluation of the heritage collections.

Non-Current Assets

Heritage Collections

The Board has accumulated these assets over a significant period of time primarily through the use of government funding, together with bequests and donations.

The heritage collections were revalued to fair value as at 30 June 2003 (Refer Note 2(g)).

As a result of the revaluation, the value of heritage collections increased by \$199 million to \$538 million. This represents an increase of 59 percent. While each category of artworks within the heritage collections increased as a result of the revaluation, the most significant increase was in relation to the European Paintings and Sculptures. The value of these artworks increased by \$122 million (70 percent) to \$296 million. Refer Note 10.

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003	2002
		\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Sales of goods		1 126	1 347
Fees for services and admissions	3	717	816
Interest and investment income		457	395
Bequest and donations		2 798	910
Donations of heritage assets		2 443	1 864
Other revenue	3	1 080	1 494
Grants from State Government - Operations		5 725	5 537
Total Revenues		14 346	12 363
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	4	2 317	2 231
Administration expenses	4	3 591	3 471
Accommodation and service costs	4	2 882	2 605
Conservation of collections		376	374
Total Expenses		9 166	8 681
SURPLUS FROM ORDINARY ACTIVITIES	5	5 180	3 682
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net credit to asset revaluation reserve on revaluation of non-current assets	15	195 772	2 332
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		200 952	6 014

Statement of Financial Position as at 30 June 2003

		2003	2002
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets	6	3 785	4 014
Receivables	7	51	33
Inventories		206	190
Other	8	171	214
Total Current Assets		4 213	4 451
NON-CURRENT ASSETS:			
Property, plant and equipment	9	30 892	31 158
Heritage collections	10	537 972	338 938
Investments	11	3 965	2 541
Total Non-Current Assets		572 829	372 637
Total Assets		577 042	377 088
CURRENT LIABILITIES:			
Payables	12	662	1 089
Provision for employee entitlements	13	195	209
Total Current Liabilities		857	1 298
NON-CURRENT LIABILITIES:			
Payables	12	44	539
Provision for employee entitlements	13	485	547
Total Non-Current Liabilities		529	1 086
Total Liabilities		1 386	2 384
NET ASSETS		575 656	374 704
EQUITY:			
Accumulated surplus	14	375 861	370 681
Reserves	15	199 795	4 023
TOTAL EQUITY		575 656	374 704
Commitments	16		
Contingent Liabilities	17		

Statement of Cash Flows
for the year ended 30 June 2003

	Note	2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Sales of goods		1 109	1 399
Fees for services and admissions		724	816
Interest and investment income		405	432
Bequests and donations		2 798	910
Other sundry receipts		1 052	1 486
PAYMENTS:			
Employee costs		(2 384)	(2 184)
Administration expenses		(4 520)	(3 734)
Accommodation and service costs		(2 415)	(2 012)
Conservation of collections		(289)	(305)
CASH FLOWS FROM GOVERNMENT:			
Grants from State Government - Operations		5 725	5 537
Net Cash provided by Operating Activities	6(b)	2 205	2 345
CASH FLOWS FROM INVESTING ACTIVITIES:			
PROCEEDS FROM:			
Sales/maturities of investments		34	-
PAYMENTS FOR:			
Heritage collections		(2 101)	(2 479)
Property, plant and equipment		(219)	(6)
Investments		(148)	(93)
Net Cash used in Investing Activities		(2 434)	(2 578)
NET DECREASE IN CASH HELD		(229)	(233)
CASH AT 1 JULY		4 014	4 247
CASH AT 30 JUNE	2(m)	3 785	4 014

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Art Gallery Board Objectives**

The Art Gallery Board (the Board) is charged with the management of the Art Gallery of South Australia.

The Art Gallery of South Australia's objectives are to:

- collect heritage and contemporary works of art of aesthetic and art historical or regional significance;
- ensure the preservation and conservation of the Gallery collections;
- display the collections and to program temporary exhibitions;
- research and evaluate the collections, and to make the collections and documentation accessible to others for the purposes of research, as a basis for teaching and communication;
- document the collections within a central cataloguing system;
- provide interpretive information about collection displays and temporary exhibitions and other public programs;
- promote the Gallery's collections and temporary exhibitions;
- ensure that the Gallery's operations, resources and commercial programs are managed efficiently, responsibly and profitably;
- advise the South Australian Government on the allocation of South Australian resources to works of art, art collections, art museums and art associations.

2. **Summary of Significant Accounting Policies****(a) Basis of Accounting**

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards and applicable Urgent Issues Group Consensus Views and other mandatory reporting requirements. The report is prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) Change in Accounting Policies

There has been no change in accounting policies this financial year.

(c) The Reporting Entity

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 and other receipts and uses the monies for the achievement of its objectives.

The financial report encompasses transactions through the following accounts: an interest bearing Special Deposit Account titled 'Arts South Australia Operating Account', an interest bearing Deposit Account titled 'Art Gallery Board Bequests Account' and an interest bearing Cheque Account titled 'Art Gallery Bank SA Account'.

(d) Revenue

Revenue from sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account interest rates applicable to financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(e) Grants from State Government

Grants are recognised as revenue in the period in which the Board obtains control over the grants.

(f) Acquisition of Assets

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

(g) Valuation of Non-Current Assets

The Board, in accordance with the transitional provisions of Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' and Accounting Policy Statement No. 3 'Valuation of Non-Current Assets', has continued to apply the deprival value methodology as the basis of valuing its land and buildings until 30 June 2005.

Land and Buildings

Land and buildings have been valued at replacement cost. Valuations of land and buildings were determined as at 30 June 2002 by the Australian Valuation Office. Land and buildings are independently valued every three years.

Plant and Equipment

Plant and equipment, including computer equipment has been valued at cost of acquisition.

The heritage collections are large and diverse. They include many items that are complex to value given considerations of market value and their uniqueness. The Board adopted the following methodology for valuing heritage assets held as at 30 June 2003.

Works of art were valued by the appropriate internal curator and external valuers either by valuing all items or establishing an average value through representative sampling and in the event of variations between the values the following policy was adopted. Where there was disagreement between the internal and the external valuation, the higher valuation was recorded as the correct valuation unless the difference in the valuations was substantial and greater than 50 percent in which case the average of the two valuations was recorded as the correct valuation.

Heritage Collections (continued)

Where there was minor disagreement between the internal and the external valuation, the higher valuation was recorded if provided by the external valuer. When the external valuation was lower than the internal, and when the difference in the two valuations was substantial and greater than 50 percent, the average of the two valuations was recorded as the correct valuation.

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

Australian Paintings and Sculptures	Mr J Jones
Australian and European Decorative Arts	Mr K Rayment, Mr J Borthwick and Mr J Evans
Asian Art	Mr R Radford and Mr D Richards (Assisted by Mr T McInerney and Mr B Lynch)
European Paintings and Sculptures:	
Before 1850	Mr N Hall
After 1850	Mr T Klingender and Mr P Nahum
Numismatics	Mr G Morton
Australian Prints and Drawings	Ms J Hylton
Australian and International Photography	Mr J Lebovic
International Prints:	
Before 1800	Mr C Mendez
After 1800	Mr F Mulder
International Drawings:	
Before 1800	Mr J-L Baroni
After 1800	Mr F Mulder
Krichauf and Murray Stamp Collection	Mr B Parker

The Research Library collections were valued by sampling 5 percent of the collections and providing a market valuation of the entire stock based on the sample. The values were determined by searching catalogues in second-hand and antiquarian bookshops. Where a value was not available an estimate was provided by the Librarian, Jin Whittington.

The Archival Collections, consisting of ephemera such as material on individual artists and galleries was given a nil valuation as there is no reliable market value for this collection.

(h) 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 (valued over \$5 000) over its expected useful life except for land and works of art 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:

Item	Years
Buildings and improvements	Useful life depends on individual asset items
Plant and equipment	3-15

Works of art are kept under special conditions to minimise deterioration and they are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised in respect of works of art as their service potential has not, in any material sense, been consumed.

(i) Inventories

Inventories are valued at average cost.

(j) Employee Entitlements

(i) Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave have been recognised as the amount unpaid at the reporting date. The liabilities have been calculated at nominal amounts based on current wage and salary rates and a salary inflation rate of 4 percent as determined by the Department of Treasury and Finance.

(ii) Long Service Leave

A liability for long service leave has been recognised which represents the amount which the Board has a present obligation to pay resulting from employees' services provided up to the reporting date. The liability has been calculated at nominal amounts based on current wage and salary rates using a benchmark of seven years of service as determined by the Department of Treasury and Finance and salary inflation rate of four percent.

(iii) Superannuation

Contributions are made by the Board to several superannuation schemes operated by the State Government and private sector. 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 superannuation schemes.

(k) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to the Board's record of claim numbers and payments over the period 1 July 1987 to 30 June 2003.

(l) Investments

Investments have been revalued to reflect market value at 30 June 2003. Previously recognised at cost.

(m) Cash Assets

For purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(n) Leases

The Board has entered into a number of operating lease agreements for vehicles and photocopiers where the lessors effectively retain all of the risk 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 Financial Performance in the periods in which they are incurred.

(o) State Government Funding

The financial report is prepared under the assumption of ongoing financial support being provided to the Board by the State Government.

(p) Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of the Urgent Issues Group UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)' revenues, 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 Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

The net GST receivable/payable to the Australian Taxation Office 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 the Department of the Premier and Cabinet, is responsible for the remittance and collection of GST. There are no cash flows relating to GST transactions with the Australian Taxation Office in the Statement of Cash Flows.

(q) Comparative Figures

Where necessary comparative figures have been adjusted to conform with changes in presentation in 2002-03.

3. Revenues from Ordinary Activities

Fees for services and admissions comprised:

Fees for services	223	153
Admissions for temporary exhibitions	494	663
	717	816

Other revenue comprises the following categories of operating income:

Sponsorships	294	456
Rent and hire income	206	208
Exhibition hire	197	156
Grants	100	25
State Government Grants	211	614
Salaries recouped	4	3
Profit on sale of investments	28	-
Sundry receipts	40	32
	1 080	1 494

There were no revenues earned as a result of non-operating activities.

4. Expenses from Ordinary Activities

Employee costs were incurred in relation to the following:

Wages and salaries	1 979	1 755
Superannuation and payroll tax expenses	332	292
Annual, long service leave and other employee related expenses	6	184
	2 317	2 231

Administration expenses were incurred in relation to the following:

Research, collections and exhibitions operational expenses	317	376
Insurance and risk management	533	370
Communications and stationery	807	914
Cost of goods sold	489	459
Marketing	490	534
Bequest expenditure (life of tenancy)	100	-
Depreciation of plant and equipment	18	24
Operating lease expenditure	37	81
Board expenditure	83	87
Travel and accommodation	116	131
Entertainment	51	29
Contractors and other professional fees	142	92
Minor equipment expenditure	46	38
Business services charge	278	244
Bank charges	13	15
EDS charges	20	31
Memberships and subscriptions	18	18
Sundry payments	33	28
	3 591	3 471

4. Expenses from Ordinary Activities (continued)				2003	2002
				\$'000	\$'000
Accommodation and service costs were incurred in relation to the following:					
Utility costs				651	676
Maintenance				1 764	1 491
Depreciation of buildings and improvements				467	438
				2 882	2 605
5. Surplus from Ordinary Activities					
Surplus from ordinary activities includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance for the entity:					
Revenue from sale of investments				28	-
Expenses from sale of investments				-	-
Gain from Sale of Investments				28	-
6. (a) Cash Assets					
Cash at bank and on hand				2 046	1 872
Deposits with Bank SA				1 739	2 142
				3 785	4 014
(b) Reconciliation of Surplus from Ordinary Activities to Net Cash provided by Operating Activities					
Surplus from ordinary activities				5 180	3 682
Non-Cash Items:					
Depreciation expense				485	462
Profit on sale of investments				(28)	-
Donations of art work				(2 443)	(1 864)
Change in operating assets and liabilities:					
(Increase) Decrease in assets				9	147
Increase (Decrease) in liabilities				(998)	(82)
Net Cash provided by Operating Activities				2 205	2 345
7. Receivables					
Receivables				51	33
8. Other Current Assets					
Accrued interest and dividends				100	48
Conservation prepayment				71	159
Accrued revenue				-	7
				171	214
9. (a) Property, Plant and Equipment					
		2003			2002
			Written		Written
	Gross	Accumulated	Down	Gross	Accumulated
	Value	Depreciation	Value	Value	Depreciation
	\$'000	\$'000	\$'000	\$'000	\$'000
Land, buildings and improvements					
- At valuation	43 252	12 608	30 644	43 252	12 141
Plant and equipment - At cost	371	123	248	152	105
Total	43 623	12 731	30 892	43 404	12 246
(b) Reconciliation of Carrying Amounts of Property, Plant and Equipment					
				Land,	Plant and
				Buildings &	Equipment
				Improvements	2003
				\$'000	Total
				\$'000	\$'000
Carrying amount at 1 July				31 111	47
Additions				-	219
Depreciation expense				(467)	(18)
Carrying Amount at 30 June				30 644	248
					30 892
10. (a) Heritage Collections					
		2003			2002
		At			At
	At Cost	Valuation	Total	At Cost	Valuation
	\$'000	\$'000	\$'000	\$'000	\$'000
Australian Paintings and Sculptures	-	159 270	159 270	4 895	102 073
Australian and European Decorative Arts	-	29 205	29 205	3 237	14 089
Asian Art	-	12 473	12 473	2 792	6 071
European Paintings and Sculptures	-	295 951	295 951	10 186	164 088
Prints, Drawings and Photographs	-	35 469	35 469	712	27 912
Numismatics	-	3 622	3 622	-	1 376
Philatelic material	-	500	500	-	288
Library	-	1 482	1 482	146	1 073
Total	-	537 972	537 972	21 968	316 970
					338 938

(b)	Reconciliation of Carrying Amounts of Heritage Collections	2003			2002			
		Balance 1 July \$'000	Additions \$'000	Revaluation Increment \$'000	Balance 30 June \$'000	Balance 1 July \$'000	Additions \$'000	Balance 30 June \$'000
	Australian Paintings and Sculptures	106 968	617	51 685	159 270	105 771	1 197	106 968
	Australian and European Decorative Arts	17 326	854	11 025	29 205	14 799	2 527	17 326
	Asian Art	8 863	835	2 775	12 473	8 345	518	8 863
	European Paintings and Sculptures	174 274	1 884	119 793	295 951	172 971	1 303	174 274
	Prints, Drawings and Photographs	28 624	325	6 520	35 469	28 442	182	28 624
	Numismatics	1 376	-	2 246	3 622	1 376	-	1 376
	Philatelic material	288	-	212	500	288	-	288
	Library	1 219	29	234	1 482	1 192	27	1 219
	Total	338 938	4 544	194 490	537 972	333 184	5 754	338 938
11.	Investments						2003	2002
	Non-Current Investments:						\$'000	\$'000
	Commonwealth securities						269	245
	Shares, convertible notes and other investments in companies						3 696	2 296
							3 965	2 541
	The market value of the portfolio at 30 June 2002 was \$4.1 million.							
12.	Payables							
	Current:							
	Creditors and accruals						637	1 068
	Employee costs						25	21
							662	1 089
	Non-Current:							
	Creditors and accruals						2	502
	Employee costs						42	37
							44	539
13.	(a) Provision for Employee Entitlements							
	Current Liability:							
	Provision for long service leave						32	28
	Provision for workers compensation						36	70
	Provision for annual leave						127	111
							195	209
	Non-Current Liability:							
	Provision for long service leave						368	319
	Provision for workers compensation						117	228
							485	547
	(b) Summary of Employee Benefits and Related On-cost Liabilities							
	Annual Leave:							
	Included in payables - Current (Refer Note 12)						21	18
	Provision for employee benefits - Current (Refer Note 13(a))						127	111
							148	129
	Long Service Leave:							
	Included in payables - Current (Refer Note 12)						4	3
	Provision for employee benefits - Current (Refer Note 13(a))						32	28
	Included in payables - Non-current (Refer Note 12)						42	37
	Provision for employee benefits - Non-current (Refer Note 13(a))						368	319
							446	387
	Workers Compensation:							
	Provision for employee benefits - Current (Refer Note 13(a))						36	70
	Provision for employee benefits - Non-current (Refer Note 13(a))						117	228
							153	298
	Aggregate employee benefits and related on-cost liabilities						747	814
14.	Accumulated Surplus							
	Balance at 1 July						370 681	367 198
	Surplus from ordinary activities						5 180	3 682
	Adjustment to prior year recognition of bonus shares due to change in accounting treatment						-	(199)
	Balance at 30 June						375 861	370 681

15. Reserves	Asset Revaluation Reserve	Land, Buildings	Heritage	Investments	2003
		and Improvements	Collections		Total
		\$'000	\$'000	\$'000	\$'000
	Balance at 1 July	4 023	-	-	4 023
	Revaluation increment	-	194 490	1 282	195 772
	Balance at 30 June	4 023	194 490	1 282	199 795
		Land, Buildings	Heritage	Investments	2002
		and Improvements	Collections		Total
		\$'000	\$'000	\$'000	\$'000
	Balance at 1 July	1 691	-	-	1 691
	Revaluation increment	2 332	-	-	2 332
	Balance at 30 June	4 023	-	-	4 023

16. Commitments for Expenditure	Operating Leases:	2003	2002
		\$'000	\$'000
	Commitments under operating leases at the reporting date are payable as follows:		
	Not later than one year	18	23
	Later than one year and not later than five years	1	18
		19	41

These operating lease commitments which are not recognised in the financial report as liabilities, comprise motor vehicle and photocopier leases which are non-cancellable 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.

17. **Contingent Liabilities**
There are no known contingent liabilities as at 30 June 2003.

18. Remuneration of Board Members	The number of Board Members whose remuneration received or receivable fell within the following bands were:	2003	2002
		Number of Board Members	Number of Board Members
	\$0 - \$9 999	8	8
	\$10 000 - \$19 999	2	2
		2003	2002
		\$	\$
	Mr M Abbott (QC) (from 22 July 2002)	13 580	-
	Ms C Bennett	9 407	9 320
	Mr M J M Carter	9 212	9 320
	Mrs S Cocks	9 407	9 320
	Mr R Cohen	9 212	9 320
	Ms V Hickey	9 342	12 226
	Mr D McKee	9 407	9 320
	Ms K Sedgwick (to 2 April 2002)	-	8 544
	Ms S Tweddell	9 407	9 320
	Mr A Wynn (from 23 May 2002) (includes payment in relation to prior year)	10 183	-
	Mr N R Adler (to 21 July 2002)	1 235	14 679

The total income received or receivable by Board Members for the year was \$90 000 (\$91 000). This amount includes superannuation payments of \$7 000 (\$6 000). One Board member did not receive any remuneration during either the 2002-03 or 2001-02 financial year.

19. **Related Party Disclosures**
During the financial year the following persons held positions on the Board:
Mr M Abbott QC, Chairman (from 22 July 2002), Mr N R Adler, Chairman (to 21 July 2002), Mr M J M Carter, Mrs S Cocks, Mr A Wynn, Mr D McKee, Ms C Bennett, Mr R Cohen, Ms S Tweddell and Ms V Hickey.

If Board members or their related entities have had transactions with the Board then these have occurred within a normal customer or supplier relationship on terms and conditions no more favourable than those 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.

20. Remuneration of Auditors	2003	2002
	\$'000	\$'000
Audit fees in relation to the year ended 30 June	23	20
The Auditors provided no other services to the Board.		

21. Remuneration of Employees	2003	2002
	Number of Employees	Number of Employees
The number of employees whose annual remuneration was over \$100 000 fell within the following bands:		
\$170 000 - \$179 999	1	1

The total remuneration received by this employee for the year was \$179 000 (\$171 000).

22. Targeted Voluntary Separation Package Scheme (TVSPs)

No TVSPs were paid during 2002-03. In 2001-02 two TVSPs totalling \$160 000 were paid. An additional \$49 000 was paid on account of accrued annual leave and long service leave. The TVSP amount was paid for by the former Department for Transport, Urban Planning and the Arts, which subsequently received reimbursement of this amount from the Department of the Premier and Cabinet.

23. Payments to Consultants

There were no payments to consultants during either 2002-03 or 2001-02.

24. Financial Instruments**(a) Terms and Conditions**

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash assets	2(m)	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis although some funds held within the total cash balance are non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are the Special Deposit Account titled 'Arts South Australia Operating Account', the Deposit Account titled 'Art Gallery Board Bequests Account' and the Bank SA account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts which is currently 4.60 percent (4.17 percent) as at 30 June 2003. The interest rate for funds held at Bank SA is currently 4.45 percent.
Receivables	7	Receivables are recorded at amounts due to the Board. They are recorded when services have been completed.	Receivables are due within 30 days.
Investments	11	Investments are brought to account at cost. Interest is credited to revenue as it accrues. Dividend revenue is recognised when the right to receive a dividend has been established.	Portfolio of shares, debentures and convertible notes. Interest income is received quarterly.
Financial Liabilities			
Payables	12	Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

Financial Instrument	2003				2002			
	Weighted Average Interest Rate	Interest Bearing Floating Interest Rate	Non-Interest Bearing	Total	Weighted Average Interest Rate	Interest Bearing Floating Interest Rate	Non-Interest Bearing	Total
Financial Assets:	Percent	\$'000	\$'000	\$'000	Percent	\$'000	\$'000	\$'000
Cash assets	4.53	3 775	10	3 785	4.32	4 006	8	4 014
Receivables	-	-	51	51	-	-	33	33
Investments	6.31	1 607	*2 358	3 965	6.15	1 572	*969	2 541
		5 382	2 419	7 801		5 578	1 010	6 588
Financial Liabilities:								
Payables	-	-	639	639	-	-	1 570	1 570
			639	639			1 570	1 570

* Represents shares which are subject to payment of dividends.

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument:	Note	2003		2002	
		Total Carrying Amount	Net Fair Value	Total Carrying Amount	Net Fair Value
Cash assets	6(a)	\$ 3 785	\$ 3 785	\$ 4 014	\$ 4 014
Receivables	7	51	51	33	33
Investments	11	3 965	3 965	2 541	4 065
		7 801	7 801	6 588	8 112
Payables	12	639	639	1 570	1 570
		639	639	1 570	1 570

The net fair value is determined as the carrying value of all assets and liabilities except for investments where market value has been used.

(d) Credit Risk Exposure

The Board's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Board has no significant exposures to any concentrations of credit risk.

HISTORY TRUST OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The History Trust of South Australia (the Trust) was established pursuant to the *History Trust of South Australia Act 1981*.

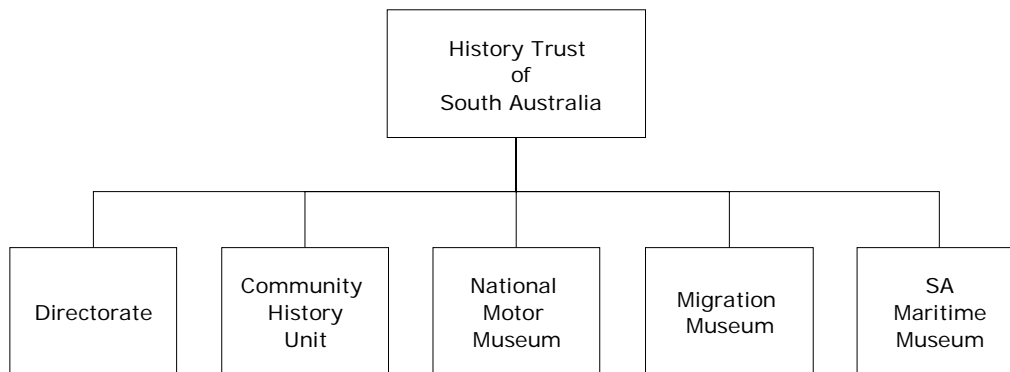
Functions

The functions of the Trust are as follows:

- Accumulate, conserve and exhibit objects of historical or cultural interest.
- Undertake the management of museums and other premises vested or placed under its care, control and management.
- Advise the Minister on the conservation of objects that are of historical significance to the State.
- Disseminate, or encourage the dissemination of, information relevant to the history of the State.

Structure

The structure of the Trust is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 19(2) of the *History Trust of South Australia Act 1981* provides for the Auditor-General to audit the accounts of the Trust.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Trust 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- revenue, including cash receipting and banking, and retail operations
- expenditure including accounts payable, and salaries and wages
- property, plant and equipment including the adequacy of asset registers
- collection management.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive Officer. The response to the management letter was generally considered to be satisfactory. Major matters raised with the Trust and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the History Trust of South Australia as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the History Trust of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the History Trust of South Australia have been conducted properly and in accordance with law.

Significant Matters Raised with the Trust

Management of Heritage Collections

In 2001-02 Audit identified that there were opportunities for improvement with respect to the regular confirmation of the existence of collection items and the need to maintain up-to-date details on the collection registers. In response the Trust indicated that it was reviewing its collection management policy with a view to revising the policy to address the issues raised by Audit.

Regarding the confirmation of existence of collection items, the Trust has developed a policy which requires that high value items will be sighted each year with the remainder of collection items to be sighted over a ten year period. Audit acknowledges that resourcing issues affect the Trust's ability to sight collection items more frequently but is still of the view that the ten year timeframe is too long for there to be effective control over collection items.

With respect to the maintenance of up-to-date details on the collection database registers this again was an issue in 2002-03. Audit reviewed this area as part of the year end and found that significant improvement had been made.

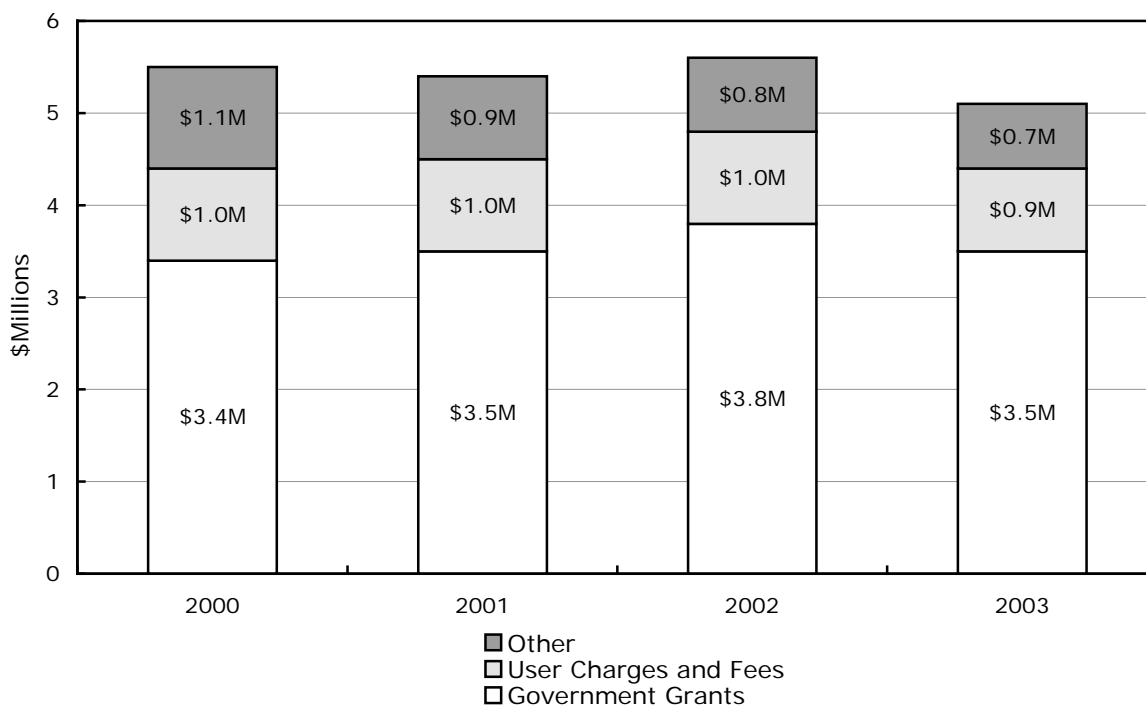
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS**Highlights of Consolidated Financial Statements**

	2003 \$'million	2002 \$'million	Percentage Change
<i>OPERATING REVENUE</i>			
Government grants	3.5	3.8	(7)
Other	1.7	1.8	(6)
Total Operating Revenue	5.2	5.6	(7)
<i>OPERATING EXPENDITURE</i>			
Employee costs	2.4	2.2	9
Services and supplies	2.4	2.6	(8)
Other expenses	0.8	0.7	14
Total Operating Expenses	5.6	5.5	2
(Deficit) Surplus	(0.4)	0.1	-
 Net Cash Flows from Operations	 0.1	 0.4	 (75)
<i>ASSETS</i>			
Current assets	1.2	1.0	20
Non-current assets	25.1	25.2	-
Total Assets	26.3	26.2	-
<i>LIABILITIES</i>			
Current liabilities	0.3	0.2	50
Non-current liabilities	0.3	0.3	-
Total Liabilities	0.6	0.5	20
<i>EQUITY</i>	25.7	25.7	-

Statement of Financial Performance***Operating Revenues***

The Government Grant for the current year was reduced by 7 percent to \$3.5 million due mainly to no capital grant being provided in 2002-03 (\$200 000 in 2001-02). User charges and fees and other revenue fell by 7 percent and 10 percent respectively. Overall operating revenues fell by \$422 000 or 8 percent.

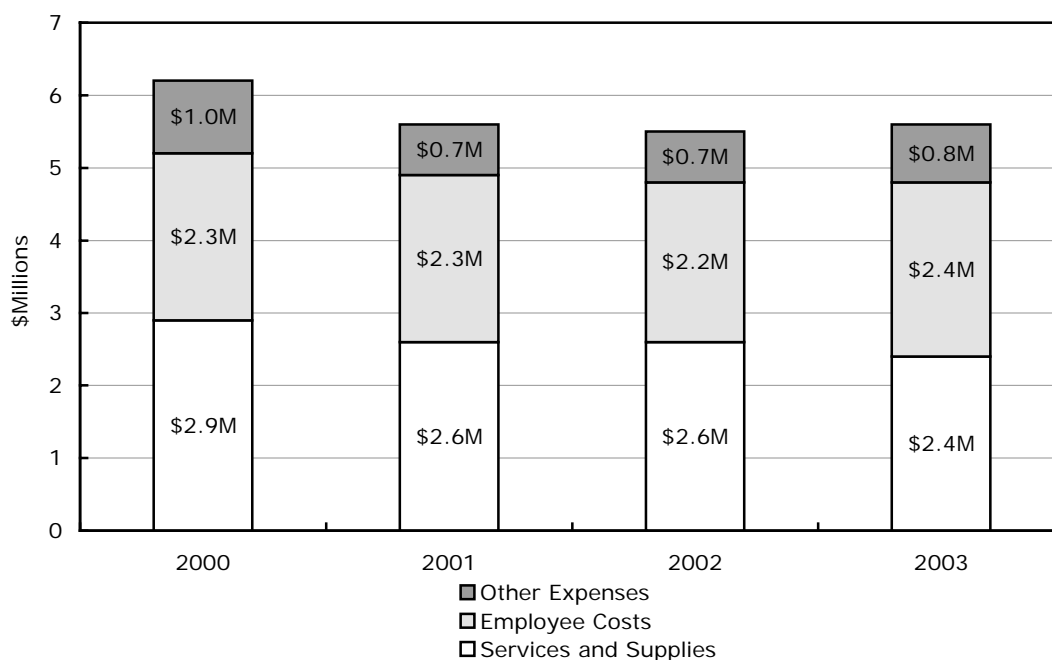
A structural analysis of operating revenues for the Trust for the four years to 2003 is presented in the following chart. Over the period shown Government Grants has increased as a proportion of the Trust's total revenue which reinforces the Trust's reliance on government funding to support its operations. Revenue from user charges and fees has remained relatively constant although the fees for admissions and tours of the Trust's various museums decreased by \$93 000 in 2003.



Operating Expenses

Total operating expenses rose by \$44 000 to \$5.6 million. Employee costs rose by 10 percent to \$2.4 million due mainly to increases in salary and wage rates and provisions for leave entitlements. Expenditure on services and supplies decreased by \$208 000 to \$2.4 million. This 8 percent decrease was primarily on account of reduced expenditure on professional fees, marketing and publicity and exhibitions and collections.

A structural analysis of the main operating expense items for the Trust is shown in the following chart.

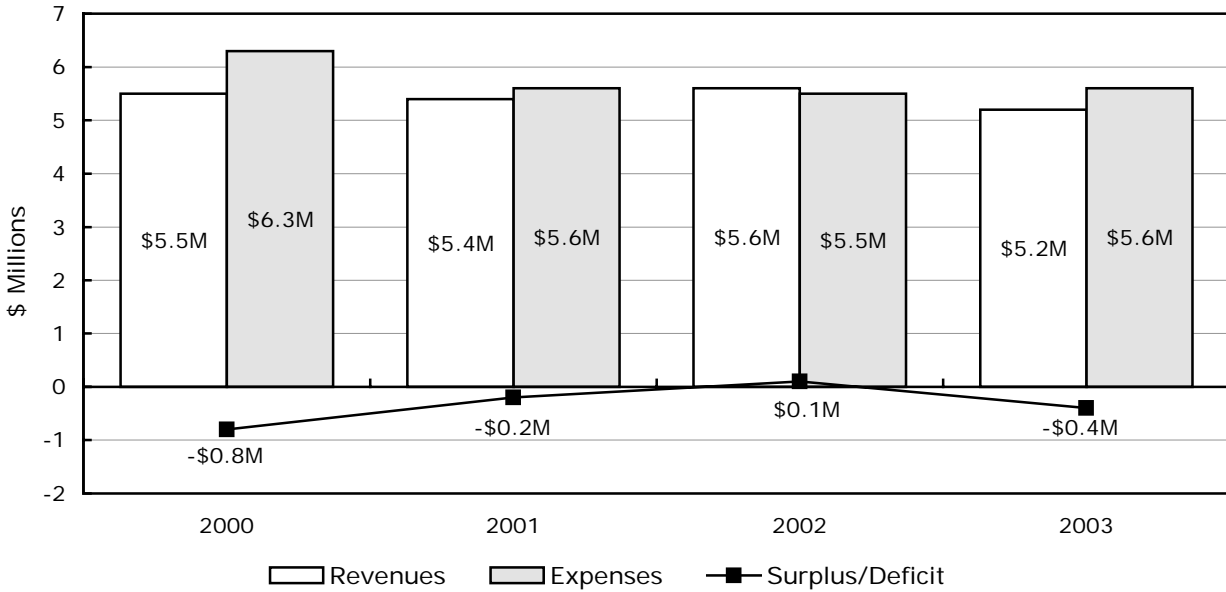


Operating Result

After a small surplus in 2002 the Trust has recorded a small deficit in 2003. The following chart shows the operating revenues, operating expenses and surpluses/deficits for the current and preceding three years.

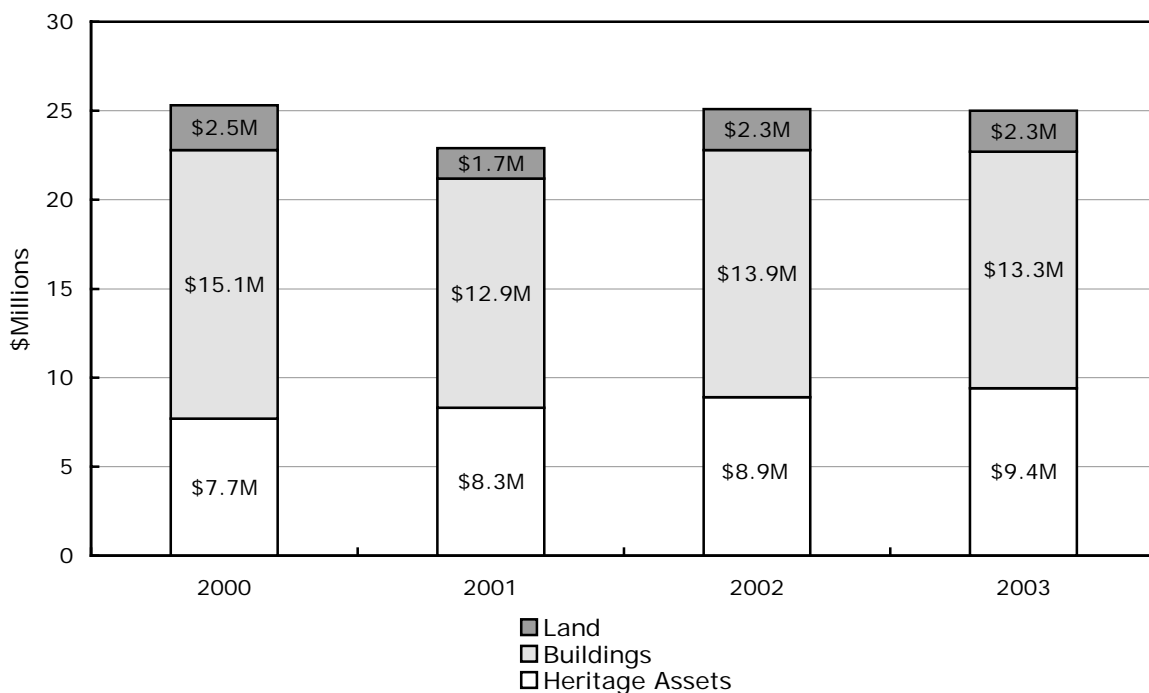
The trend emerging is that in the majority of years the Trust does not earn enough revenue to cover its operating expenses, although the deficits recorded since 2000 are not large. The primary expense that is not covered is depreciation. This is reflected in the fact that the Trust currently generates sufficient cash to cover cash payments. Further comment is made in relation to the Statement of Cash Flows.

Revenue has remained reasonably steady over the four years while expenses have also remained steady in the last three years after decreasing by \$700 000 in 2001. The Trust does not have a significant capacity to generate additional income and this explains the level of Government Grant assistance, 69 percent of total revenue.



Statement of Financial Position

A structural analysis of the main non-current assets for the four years to 2003 is shown in the following chart.



The Statement of Financial Position is dominated by the value of non-current assets which comprise property, plant and equipment and heritage collections. The written down value of property, plant and equipment was \$15.7 million, a decrease of \$577 000 over the previous year which is due to depreciation. The value of the Trust's heritage collections increased by \$466 000 to \$9.4 million due mainly to the revaluation of the collections this financial year.

As shown in the chart, the primary assets of the Trust are heritage assets and the buildings that house them such as the National Motor Museum, South Australian Maritime Museum and Migration Museum. The total equity of the Trust is essentially represented by these assets. As such, the Trust has limited capacity to manage any significant financial risk from its own resources.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'000	2002 \$'000	2001 \$'000	2000 \$'000
Net Cash Flows				
Operations	114	433	171	(103)
Investing	-	-	(48)	(55)
Change in Cash	114	433	123	(158)
Cash at 30 June	992	878	445	322

The analysis of this table shows that the cash flows from operations have fluctuated over the four years. Over the last three years, however, the cash flows have enabled an increase in overall cash holding of the Trust. This compares to the operating results of the Trust which have been deficits for three of the past four years. The difference is essentially depreciation expense which is a non-cash item. The change from 2000 to 2001 reflects the inclusion of the operations of a controlled entity. The Trust has sufficient cash to cover its current liabilities.

Cash flows used in investing activities reflects the fact that the Trust has not purchased any property, plant and equipment or heritage collection items since 2001, although some heritage collection items are acquired by way of donations.

FURTHER COMMENTARY ON OPERATIONS

Admissions Receipts and Attendances

Results for the individual museums are shown hereunder:

	Admission Receipts			Attendances		
	2003 \$'000	2002 \$'000	2001 \$'000	2003 '000	2002 '000	2001 '000
Community History Unit	-	-	-	23	21	25
National Motor Museum	284	346	343	63	66	65
South Australian Maritime Museum	202	237	242	62	72	70
Migration Museum	33	29	20	143	142	142

Statement of Financial Performance for the year ended 30 June 2003

		Consolidated		HTSA	
		2003	2002	2003	2002
REVENUES FROM ORDINARY ACTIVITIES:	Note	\$'000	\$'000	\$'000	\$'000
User charges and fees	3	889	953	835	898
Interest		57	35	46	26
Other revenue	4	675	774	674	772
Grant from State Government:					
Operations		3 545	3 626	3 545	3 626
Capital		-	200	-	200
Total Revenues		5 166	5 588	5 100	5 522
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee costs	5	2 390	2 163	2 390	2 163
Services and supplies	6	2 401	2 609	2 390	2 593
Depreciation	7	577	528	577	528
Grant payments	8	179	203	179	203
Total Expenses		5 547	5 503	5 536	5 487
(DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES		(381)	85	(436)	35
Non-Owner Transaction Changes in Equity:					
Net credit to an asset revaluation reserve on revaluation of non-current assets	15	351	2 536	351	2 536
Total revenues, expenses and valuation adjustments recognised directly in equity		351	2 536	351	2 536
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(30)	2 621	(85)	2 571

Statement of Financial Position as at 30 June 2003

	Note	Consolidated		HTSA	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
CURRENT ASSETS:					
Cash assets	9	736	668	717	658
Investments		256	210	-	-
Receivables		30	14	30	14
Inventories		92	92	92	92
Other assets	10	60	7	60	7
Total Current Assets		1 174	991	899	771
NON-CURRENT ASSETS:					
Property, plant and equipment	11	15 671	16 248	15 671	16 248
Heritage collections	11	9 410	8 944	9 410	8 944
Total Non-Current Assets		25 081	25 192	25 081	25 192
Total Assets		26 255	26 183	25 980	25 963
CURRENT LIABILITIES:					
Payables	12	113	98	113	98
Provision for employee benefits	13	167	144	167	144
Total Current Liabilities		280	242	280	242
NON-CURRENT LIABILITIES:					
Payables	12	31	40	31	40
Provision for employee benefits	13	315	242	315	242
Total Non-Current Liabilities		346	282	346	282
Total Liabilities		626	524	626	524
NET ASSETS		25 629	25 659	25 354	25 439
EQUITY:					
Accumulated surplus	14	20 744	21 125	20 469	20 905
Asset revaluation reserve	15	4 885	4 534	4 885	4 534
TOTAL EQUITY		25 629	25 659	25 354	25 439
Commitments	16				
Contingent liabilities	17				

Statement of Cash Flows
for the year ended 30 June 2003

		Consolidated		HTSA	
		2003	2002	2003	2002
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
RECEIPTS:	Note				
User charges and fees		873	990	819	935
Interest		57	32	46	23
Other revenue		560	571	559	569
 PAYMENTS:					
Employee costs		(2 301)	(2 297)	(2 301)	(2 297)
Services and supplies		(2 441)	(2 486)	(2 430)	(2 470)
Grant payments		(179)	(203)	(179)	(203)
 CASH FLOWS FROM GOVERNMENT:					
Grant from State Government:					
Operations		3 545	3 626	3 545	3 626
Capital		-	200	-	200
Net Cash provided by Operating					
Activities	18	114	433	59	383
 NET INCREASE IN CASH HELD		114	433	59	383
CASH AT 1 JULY		878	445	658	275
CASH AT 30 JUNE	2(k)	992	878	717	658

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **The History Trust of South Australia (The Trust) Objectives**

The Trust's objectives are to:

- raise the level of community and schools-based participation in the study and enjoyment of South Australian history and the preservation of its evidence;
- mount popular exhibitions, events and other public programs on South Australian history and actively involve the community in their research and preparation;
- preserve the state's collection of movable items;
- provide advice and assistance to museums, historical societies and authors.

2. **Statement of Accounting Policies****(a) Basis of Accounting**

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards and applicable Urgent Issues Group Consensus Views. The report has been prepared on an accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) The Reporting Entity

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

The financial report encompasses transactions through an interest bearing deposit account titled 'History Trust of South Australia' and any other funds through which the Trust controls resources to carry out its functions.

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of entities controlled by the Trust as at 30 June 2003, and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. Refer to Note 26.

(d) Revenue

Revenue from sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account interest rates applicable to financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(e) Grants from State Government

Grants are recognised as revenue in the period which the Trust obtains control over the grants.

(f) Acquisitions of Assets

The cost method of accounting is used for the recording of assets acquired by the Trust. Heritage Collections donated during the year have been brought to account at market value.

(g) Valuations of Non-Current Assets

The Trust has adopted the fair value method as the basis of valuing its non-current assets.

Land and Buildings

Land and buildings have been valued at written down current cost. Valuations of land and buildings were determined as at 30 June 2002 by Tim Nankivell, Australian Valuation Office. Land and buildings are independently valued every three years.

Plant and Equipment

Plant and equipment has been valued at historical cost.

Heritage Collections

The heritage collections are large and diverse. They include many items that are complex to value given considerations of market value and their unique representation of South Australia's social history.

The collections have been revalued as at 30 June 2003, excluding National Motor Museum motorcycle and motor vehicles as they are independently valued every two years. Valuations for these collections were determined as at 30 June 2002 by Antony Davies, Wemyss Australia Pty Ltd.

The Trust adopted the following methodology for valuing heritage assets. Items under \$10 000 were valued by the appropriate internal curator and items over \$10 000 were valued by external valuers listed below.

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

National Motor Museum

Wemyss Australia Pty Ltd	Antony Davies
R & D Motorbooks	Rob Saward
Antiquarian Books	Michael Treloar

South Australian Maritime Museum

Quin's Yacht Brokerage Pty Ltd	Sandy Winding
Allan Rice Marine Surveys	Allan R Rice

Migration Museum

Port Noarlunga Country Collectables	Jean Morris
Regimentals Antiques	Lee Blair-Jenke
Antiquarian Books	Michael Treloar

(h) 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:

	Years
Building and improvements	20-100
Plant and equipment	3-25

Heritage collections have unlimited useful lives. Their future economic benefits have not been consumed during the financial year. Therefore no depreciation is recognised in respect of these assets.

(i) Employee Benefits

(i) Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at the reporting date at the rate expected to be paid when the liability is settled in respect of employees' services up to that date.

(ii) Long Service Leave

A liability for long service leave has been recognised as the amount the Trust has a present obligation to pay, resulting from employees' services provided up to the reporting date. The liability has been calculated at present value of future cash outflows using a benchmark of seven years service as advised by the Department of Treasury and Finance.

(iii) On-Costs

On-costs relating to employee benefits have been recognised in the Statement of Financial Position under the item payables.

(iv) Superannuation

Contributions are made by the Trust to several superannuation schemes operated by the State Government. 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 amounts due but not yet paid to the superannuation schemes.

(v) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability, according to the Trust's experience of claim numbers and payments over the period 1 July 1987 to 30 June 2003. A separate valuation of the liabilities of the Trust has not been undertaken and if such a valuation was performed it might result in a different assessed liability.

(j) Leases

The Trust has entered into a number of operating lease agreements for accommodation 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 Financial Performance in the periods in which they are incurred.

(k) Cash

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

(l) Inventories

Inventories are measured at actual cost.

(m) State Government Funding

The general purpose financial report is presented under the assumption of ongoing financial support being provided to the Trust by the State Government.

(n) Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of the UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)' revenues, expenses and assets are recognised net of the amount of GST.

The amount of GST incurred by the Trust as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

The net GST receivable/payable to the Australian Taxation Office is not recognised as a receivable/payable in the Statement of Financial Position as the Trust is a member of an approved GST group of which Arts SA (a division of the Department of the Premier and Cabinet) is responsible for the remittance and collection of GST. There are no cash flows relating to GST transactions with the Australian Taxation Office in the Statement of Cash Flows.

(o) Change in Accounting Policies

In accordance with Accounting Standard AASB 1028 'Employee Benefits' the Trust changed its policy for recognising its liability for salaries and wages and annual leave. Under the new policy the amount of the liability is calculated using the remuneration rate that is expected to apply at the time of settlement rather than the remuneration rate that applies at reporting date.

This change in accounting policy had no material impact on the results for the period.

	Consolidated		HTSA	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
3. User Charges and Fees				
Admissions and tours	519	612	519	612
Facilities and rent	73	78	73	78
Sales of goods	237	214	183	159
Publications	-	6	-	6
Fees for service	60	43	60	43
	889	953	835	898
4. Other Revenue				
Sponsorship	255	251	254	249
Grants	129	269	129	269
Fair value of assets received free of charge	115	202	115	202
Other revenue	176	52	176	52
	675	774	674	772
5. Employee Costs				
Wages and salaries	1 996	1 827	1 996	1 827
Superannuation and payroll tax expenses	300	278	300	278
Annual leave, long service leave and other employee expenses	94	58	94	58
	2 390	2 163	2 390	2 163
6. Services and Supplies				
Building maintenance	361	362	357	357
Accommodation	196	170	196	170
Operating leases	216	211	216	211
Exhibitions and collections	305	361	305	361
Sponsorships	18	36	18	36
Cost of goods sold	110	101	110	101
Travel expenses	94	103	94	103
Professional fees	318	449	318	449
Communication and stationery	170	190	167	181
Marketing and publicity	256	307	253	305
Staff training and other staff costs	69	60	69	60
Insurance	93	69	93	69
Other sundry payments	195	190	194	190
	2 401	2 609	2 390	2 593
7. Depreciation				
Buildings and improvements	551	499	551	499
Plant and equipment	26	29	26	29
	577	528	577	528
8. Grant Payments				
Community History	28	31	28	31
Museum Accreditation and Grants Program	151	150	151	150
Other grant payments	-	22	-	22
	179	203	179	203
9. Cash Assets				
Cash on hand	15	25	15	15
Cash at bank	721	643	702	643
	736	668	717	658
10. Other Assets				
Interest	3	3	3	3
Prepayments	57	4	57	4
	60	7	60	7
11. Non-Current Assets				
(a) Property, plant and equipment and heritage collections				
Land:	2 284	2 284	2 284	2 284
Buildings and improvements	29 369	29 369	29 369	29 369
Less: Accumulated depreciation	16 019	15 468	16 019	15 468
	13 350	13 901	13 350	13 901
Total Property	15 634	16 185	15 634	16 185

(a)	Property, plant and equipment and heritage collections (continued)	Consolidated		HTSA	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
	Plant and equipment	321	363	321	363
	Less: Accumulated depreciation	284	300	284	300
	Total Plant and equipment	37	63	37	63
	Heritage Collections	9 410	8 944	9 410	8 944
	Total Property, plant and equipment and heritage collections	25 081	25 192	25 081	25 192
(b)	Asset Movement Schedule				
	Land:				
	Carrying amount at 1 July	2 284	1 735	2 284	1 735
	Net revaluation increments	-	549	-	549
	Carrying amount at 30 June	2 284	2 284	2 284	2 284
	Buildings and improvements:				
	Carrying amount at 1 July	13 901	12 877	13 901	12 877
	Depreciation	(551)	(499)	(551)	(499)
	Net revaluation increments	-	1 523	-	1 523
	Carrying amount at 30 June	13 350	13 901	13 350	13 901
	Plant and equipment:				
	Carrying amount at 1 July	63	92	63	92
	Depreciation	(26)	(29)	(26)	(29)
	Carrying amount at 30 June	37	63	37	63
	Heritage collections:				
	Carrying amount at 1 July	8 944	8 278	8 944	8 278
	Donations	115	202	115	202
	Net revaluation increments	351	464	351	464
	Carrying amount at 30 June	9 410	8 944	9 410	8 944
12.	Payables				
	Current:				
	Creditors and accruals	113	98	113	98
	Non-Current:				
	Creditors and accruals	31	40	31	40
13.	Employee Benefits				
	Current:				
	Provision for annual leave	139	119	139	119
	Provision for long service leave	24	20	24	20
	Provision for workers compensation	4	5	4	5
		167	144	167	144
	On-costs (included in payables)	25	23	25	23
	Total Current Liabilities for Employee Benefits	192	167	192	167
	Non-Current:				
	Provision for long service leave	267	227	267	227
	Provision for workers compensation	48	15	48	15
		315	242	315	242
	On-costs (included in payables)	31	40	31	40
	Total Non-Current Liabilities for Employee Benefits	346	282	346	282
14.	Accumulated Surplus				
	Balance at 1 July	21 125	21 040	20 905	20 870
	(Deficit) Surplus from ordinary activities	(381)	85	(436)	35
	Balance at 30 June	20 744	21 125	20 469	20 905
15.	Asset Revaluation Reserve				
	Balance at 1 July	4 534	1 998	4 534	1 998
	Net increase in asset revaluation reserve:				
	Property	-	2 072	-	2 072
	Heritage Collections	351	464	351	464
	Balance at 30 June	4 885	4 534	4 885	4 534

16. Commitments for Expenditure Operating Leases	Consolidated		HTSA	
	2003	2002	2003	2002
Commitments under non-cancellable operating leases at the reporting date are payable as follows:	\$'000	\$'000	\$'000	\$'000
Not later than one year	100	198	100	198
Later than one year and not later than five years	425	841	425	841
Later than five years	387	1 335	387	1 335
	912	2 374	912	2 374

These operating lease commitments are not recognised in the financial report as liabilities.

The property leases are non-cancellable leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement. Options exist to renew the leases at the end of the term of the leases.

17. **Contingent Liabilities**
There are no contingent liabilities as at 30 June 2003.

18. Reconciliation of Surplus from Ordinary Activities to Net Cash provided by Operating Activities	Consolidated		HTSA	
	2003	2002	2003	2002
(Deficit) Surplus from ordinary activities	\$'000	\$'000	\$'000	\$'000
Non-Cash items:	(381)	85	(436)	35
Depreciation expense	577	528	577	528
Donation of collections	(115)	(202)	(115)	(202)
Change in operating assets and liabilities:				
(Increase) Decrease in assets	(69)	133	(69)	133
Increase (Decrease) in liabilities	102	(111)	102	(111)
Net Cash provided by Operating Activities	114	433	59	383

19. **Remuneration of Board Members**
The number of Board Members who received annual income fell within the following band:

	2003	2002
\$0 - \$9 999	Number of Members 9	Number of Members 9

The total income received by these Board Members for the year was \$6 000 (\$6 000).

20. **Remuneration of Employees**
The number of employees whose annual remuneration was over \$100 000 fell within the following band:

	2003	2002
\$110 000 - \$119 999	Number of Employees -	Number of Employees 1
\$120 000 - \$129 999	1	-

The total remuneration received by this employee for the year was \$121 000 (\$118 000).

21. **Remuneration of Auditors**
Fees accrued for the year for the provision of auditing services are \$27 000 (\$26 000).

The auditors provided no other services.

22. **Payments to Consultants**
Payments to consultants fell within the following band:

	2003	2002
\$0 - \$10 000	Number of Consultants -	Number of Consultants 1

Total payments to the consultants engaged amount to \$nil (\$9 000).

23. **Related Parties Disclosures**
During the financial year the following persons held positions on the Trust Board:

Dr M Allen	Ms S Filby
Mr P Broderick (chair, from July 2002)	Mr J A Fotheringham
Mr R Chapman (from January 2003)	Mrs J R Murdoch (until May 2003)
Professor I E Davey	Ms M Nasser-Eddine (from July 2002)
Dr J Ellis (until September 2002)	

The Members of the Trust, or their related entities, have transactions with the Trust that occur within a normal employee, 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 dealing with the Member or related entity at arm's length in similar circumstances.

24. Targeted Voluntary Separation Package Scheme (TVSPs)

	2003	2002
Number of employees paid TVSPs	Number of Employees -	Number of Employees 8
Amount paid to these employees:	2003	2002
TVSP	\$'000	\$'000
Accrued annual and long service leave	-	602
	-	198
	-	800
Amount recovered from the Department of the Premier and Cabinet	-	602

25. Financial Instruments**(a) Terms and Conditions**

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets:			
Cash assets	9	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis with some funds held within the total cash balance being non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Trust are within the Section 21 Account titled 'History Trust of South Australia'. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts which is 4.60 percent (as at 30 June 2003).
Investments		Investments are brought to account at cost. Interest is credited to revenue as it accrues.	Short term deposit at call. Interest income is received biannually.
Receivables		Receivables are recorded at amounts due to the Trust. They are recorded when services have been completed.	Receivables are due within 30 days.
Financial Liabilities:			
Payables	12	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

Financial Instrument	Consolidated 2003				Consolidated 2002			
	Interest Rate Percent	Interest Bearing - Floating Interest \$'000	Non- Interest Bearing Interest \$'000	Total \$'000	Interest Rate Percent	Interest Bearing - Floating Interest \$'000	Non- Interest Bearing Interest \$'000	Total \$'000
Financial Assets:								
Cash assets	4.60	721	15	736	4.17	643	25	668
Investments	4.75	256	-	256	5.15	210	-	210
Receivables		-	30	30		-	14	14
		977	45	1 022		853	39	892
Financial Liabilities:								
Payables		-	61	61		-	50	50
		-	61	61		-	50	50

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument	Note	Consolidated 2003		Consolidated 2002	
		Total Carrying Amount \$'000	Net Fair Value* \$'000	Total Carrying Amount \$'000	Net Fair Value* \$'000
Financial Assets:					
Cash assets	9	736	736	668	668
Investments		256	256	210	210
Receivables		30	30	14	14
		1 022	1 022	892	892
Financial Liabilities:					
Payables	12	61	61	50	50

* The net fair value is determined as the carrying value of all assets and liabilities.

(d) Credit Risk Exposure

The Trust's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Trust has no significant exposures to any concentrations of credit risk.

26. Controlled Entity

The consolidated financial statements at 30 June 2003 include the following controlled entity:

Name of Controlled Entity

The Migration Museum Foundation Incorporated

Place of Incorporation

Australia

LIBRARIES BOARD OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Libraries Board of South Australia is appointed pursuant to the *Libraries Act 1982* and is responsible for the administration of the State Library and the public libraries system.

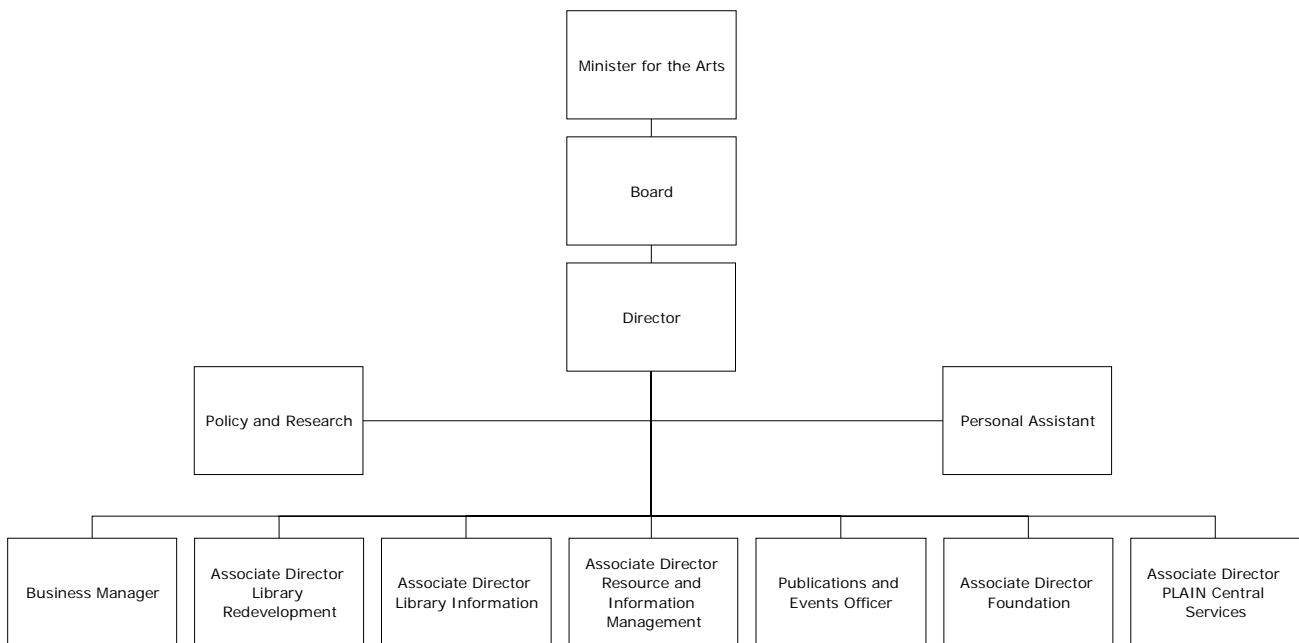
Functions

The role of the Libraries Board is as follows:

- Formulate policies and guidelines for the provision of public library services.
- Establish, maintain and expand collections of library materials.
- Administer the State Library.
- Promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

Structure

The structure of the Libraries Board is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Libraries Act 1982* provides for the Auditor-General to audit the accounts of the Libraries Board for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Libraries Board 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- expenditure, including accounts payable, and salaries and wages
- property, plant and equipment registers
- revenue including cash receipting and banking
- investments
- subsidy payments to public libraries
- research and heritage collections management.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Director. A satisfactory response was received to the matters raised in the management letter.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable accounting standards and other mandatory professional reporting requirements, the financial position of the Libraries Board as at 30 June 2003 and the results of its financial performance and cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Libraries Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Libraries Board have been conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2003 \$'million	2002 \$'million	Percentage Change
<i>OPERATING REVENUE</i>			
Government grants	45 639	38 888	17
Other income	2 011	1 545	30
Total Operating Revenue	47 650	40 433	18
<i>OPERATING EXPENDITURE</i>			
Employee costs	8 714	7 960	9
Other expenses	20 995	18 834	11
Total Operating Expenses	29 709	26 794	11
Surplus from Ordinary Activities	17 941	13 639	32
Net Cash Flows from Operations	19 523	15 349	27

	2003 \$'million	2002 \$'million	Percentage Change
ASSETS			
Current assets	10 255	10 157	1
Non-current assets	90 791	98 959	(8)
Total Assets	101 046	109 116	(7)
LIABILITIES			
Current liabilities	1 616	1 049	54
Non-current liabilities	1 822	1 744	4
Total Liabilities	3 438	2 793	23
EQUITY	97 608	106 323	(8)

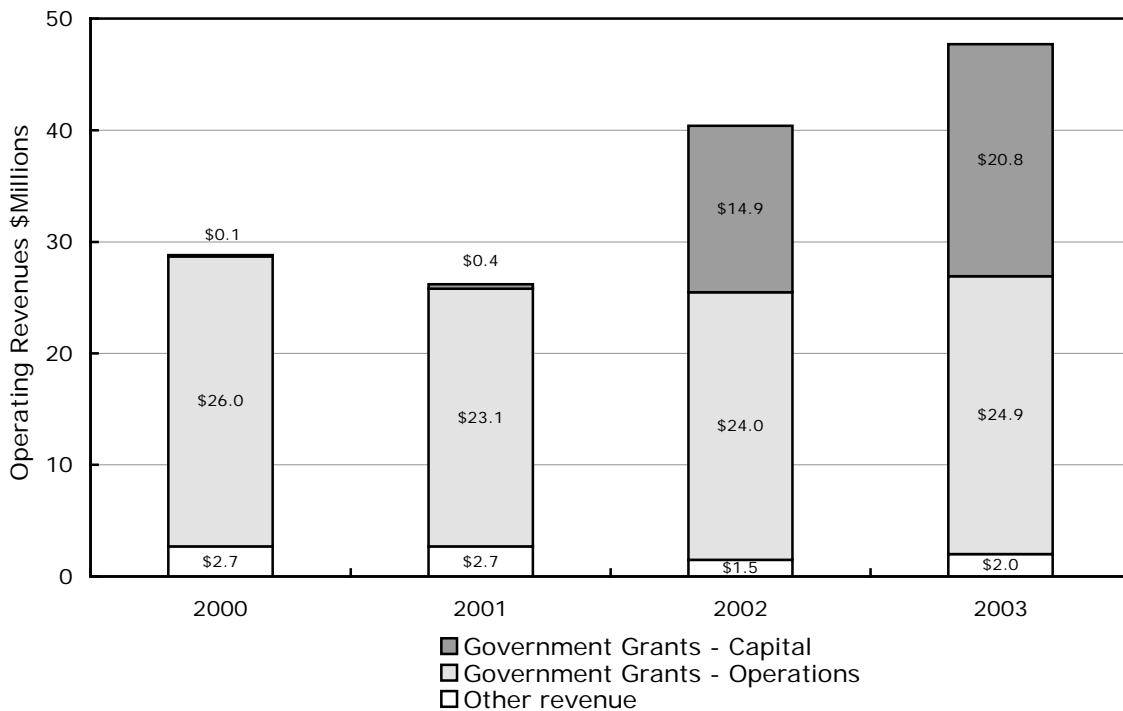
Statement of Financial Performance

Operating Revenues

Revenues from Ordinary Activities for the year totalled \$47.7 million (\$40.4 million). This includes grants from the State Government for operating and capital purposes which totalled \$45.6 million (\$38.9 million) and represented 96 percent (96 percent) of the Total Revenues. This supports the view that the Board is dependent on the ongoing financial support of the State Government as expressed in Note 2(o) to the Financial Statements.

During the year, the Libraries Board received capital grants totalling \$20.8 million (\$14.9 million in 2001-02). These grants were used to fund the redevelopment of the State Library.

A structural analysis of revenues for the four years to 2003 is presented in the following chart.



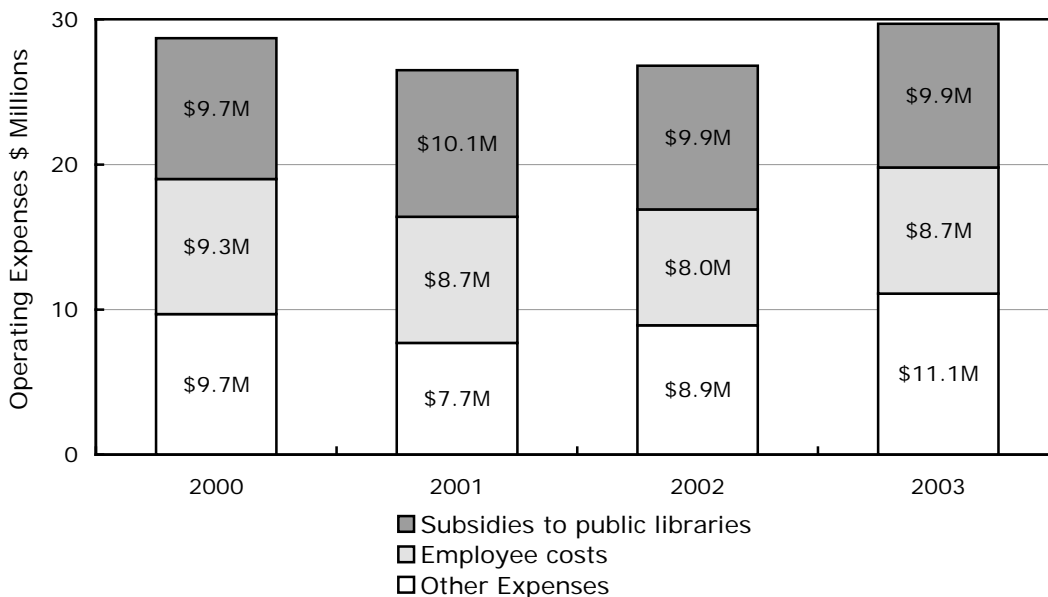
Operating Expenses

Expenditure for the year increased by \$2.9 million to \$29.7 million. This increase is attributable mainly to:

- an increase in employee costs of \$754 000;

- an increase in administrative expenses (\$764 000) relating to the purchase of public use personal computers as part of the State Library redevelopment and Plain Central Services communication expenditure;
- EDS charges (\$642 000) due to new computing infrastructure for the State Library Redevelopment;
- a once off grant payment of \$550 000 paid to Arts SA in relation to the redevelopment.

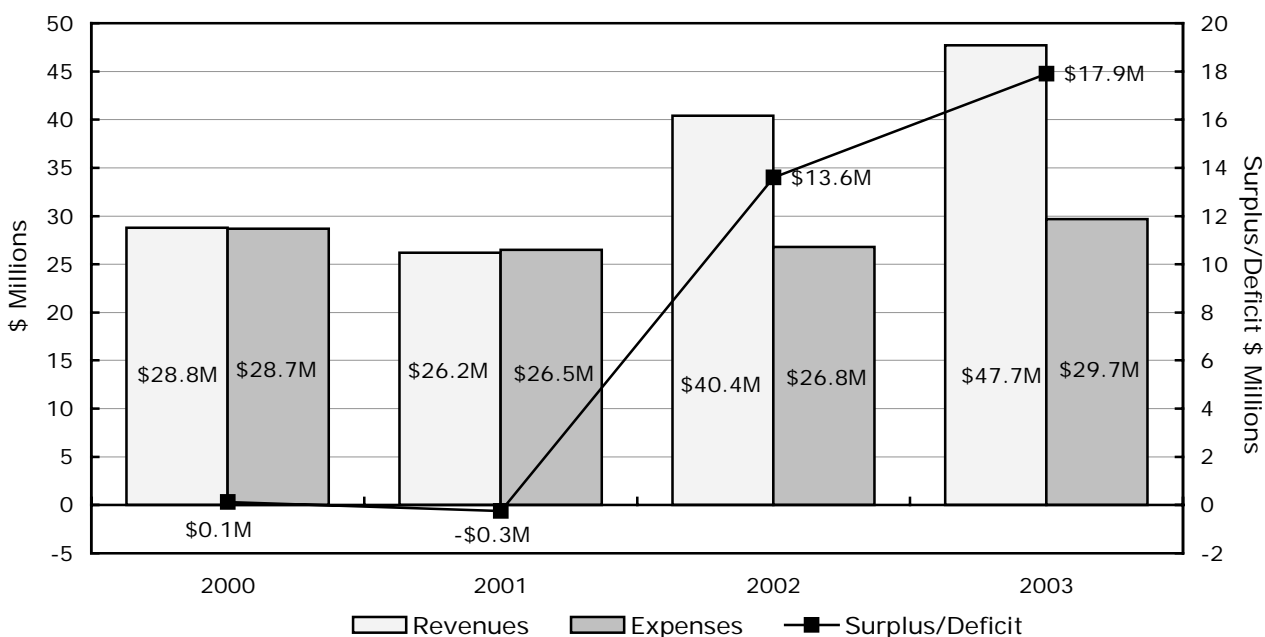
A structural analysis of the operating expense items for the Department is shown in the following chart.



Operating Result

The operating result for the year was a Surplus from Ordinary Activities of \$17.9 million as compared with a surplus of \$13.6 million the previous year. The surplus achieved in 2002-03 and 2001-02 is attributable mainly to capital grants provided by the State Government to fund the redevelopment of the Library.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2003.



Statement of Financial Position

Property, Plant, Equipment and Public Library Research Collections

The written down value of property, plant, equipment and public library research collections increased by \$17.5 million to \$50.3 million. This is attributable mainly to the redevelopment of the State Library (North Terrace precinct).

Research and Heritage Collections

The research and heritage collections were revalued to fair value as at 30 June 2003 (refer Note 2(g)). The change in the valuation methodology from deprival to fair value has resulted in the value of the research and heritage collections decreasing by \$25.6 million to \$40.5 million. The decrease is attributable mainly to the exclusion of certain costs such as processing and cataloguing costs that were included in the previous deprival method valuation.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	19 523	15 349	(46)	1 572
Investing	(19 555)	(14 653)	(1 989)	10
Financing	-	-	-	-
Change in Cash	(32)	696	(2 035)	1 582
Cash at 30 June	2 945	2 977	2 281	4 316

The analysis of cash flows shows a significant net cash flow from operations for the last two years. The cash flow from operations for 2003 and 2002 has been applied to payments for investing activities, namely for the redevelopment of the State Library North Terrace precinct.

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fees for service activities		240	257
Sale of goods		139	44
Interest and investment income	4	732	635
Other revenues	4	900	584
Federal Government grant		-	25
Grants from State Government:			
Operations		24 880	24 030
Capital		20 759	14 858
Total Revenues		47 650	40 433
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	5	8 714	7 960
Accommodation and service costs		1 396	1 478
Depreciation	5	1 057	1 207
Subsidies to public libraries		9 867	9 890
Other expenses	5	8 675	6 259
Total Expenses		29 709	26 794
SURPLUS FROM ORDINARY ACTIVITIES	6	17 941	13 639
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net debit to accumulated surplus from change in valuation method for heritage collections	2(g),13	(26 512)	-
Net debit to asset revaluation reserve on revaluation of non-current assets	14	(144)	(612)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(8 715)	13 027

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS:			
Cash assets		2 945	2 977
Receivables		64	24
Investments	7	7 045	7 033
Inventories		25	27
Other	8	176	96
Total Current Assets		10 255	10 157
NON-CURRENT ASSETS:			
Property, plant, equipment and public library research collections	9	50 319	32 851
Research and heritage collections	10	40 472	66 108
Total Non-Current Assets		90 791	98 959
Total Assets		101 046	109 116
CURRENT LIABILITIES:			
Payables	11	1 047	550
Provision for employee entitlements	12	569	499
Total Current Liabilities		1 616	1 049
NON-CURRENT LIABILITIES:			
Payables	11	172	150
Provision for employee entitlements	12	1 650	1 594
Total Non-Current Liabilities		1 822	1 744
Total Liabilities		3 438	2 793
NET ASSETS		97 608	106 323
EQUITY:			
Accumulated surplus	13	91 936	100 507
Reserves	14	5 672	5 816
TOTAL EQUITY		97 608	106 323
Commitments	15		
Contingent Liabilities	16		

Statement of Cash Flows for the year ended 30 June 2003

	Note	2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Fees for service activities		240	257
Sale of goods		139	50
Interest and investment income		693	851
Other revenues		860	936
CASH FLOWS FROM GOVERNMENT:			
Federal Government grant		-	25
Grant from State Government:			
Operations		24 880	24 030
Capital		20 759	14 858
PAYMENTS:			
Employee costs		(8 547)	(8 016)
Accommodation and service costs		(1 353)	(1 526)
Subsidies to public libraries		(9 946)	(10 150)
Other expenses		(8 202)	(5 966)
Net Cash provided by Operating Activities	17	19 523	15 349
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS FOR:			
Heritage collections		(876)	(1 030)
Property, plant and equipment		(18 679)	(14 391)
Investments		-	(4 924)
PROCEEDS FROM:			
Sales/maturities of investments		-	5 692
Net Cash used in Investing Activities		(19 555)	(14 653)
NET (DECREASE) INCREASE IN CASH HELD		(32)	696
CASH AT 1 JULY		2 977	2 281
CASH AT 30 JUNE		2 945	2 977
	2(n)		

Activities Schedule of Revenues and Expenses for the year ended 30 June 2003

Activities (Note 3)	Provision of State Library Services \$'000	Support of Public Library Services \$'000	2003 Total \$'000	Provision of State Library Services \$'000	Support of Public Library Services \$'000	2002 Total \$'000
Libraries Board Revenues and Expenses:						
Revenues from ordinary activities:						
Fees for service activities	233	7	240	252	5	257
Sale of goods	139	-	139	44	-	44
Interest and investment income	610	122	732	534	101	635
Other revenues	777	123	900	414	170	584
Federal government grant	-	-	-	25	-	25
Grant from State Government:						
Operations	10 326	14 554	24 880	9 694	14 336	24 030
Capital	20 759	-	20 759	14 858	-	14 858
Total	32 844	14 806	47 650	25 821	14 612	40 433
Expenses from ordinary activities:						
Employee costs	7 144	1 570	8 714	6 411	1 549	7 960
Accommodation and service costs	1 299	97	1 396	1 373	105	1 478
Depreciation	737	320	1 057	922	285	1 207
Subsidies to public libraries:						
Books and associated materials	-	4 095	4 095	-	4 172	4 172
Operating expenses	-	4 450	4 450	-	4 406	4 406
Local purchases	-	815	815	-	805	805
Community information services	-	507	507	-	507	507
Other expenses	5 689	2 986	8 675	3 466	2 793	6 259
Total	14 869	14 840	29 709	12 172	14 622	26 794
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES	17 975	(34)	17 941	13 649	(10)	13 639

Activities Schedule of Assets and Liabilities as at 30 June 2003

Activities (Note 3)	Provision of State Library Services 2003 \$'000	Support of Public Library Services 2003 \$'000	Total 2003 \$'000	Provision of State Library Services 2002 \$'000	Support of Public Library Services 2002 \$'000	Total 2002 \$'000
Libraries Board Assets and Liabilities:						
Assets:						
Current	9 197	1 058	10 255	9 095	1 062	10 157
Non-Current	87 923	2 868	90 791	96 101	2 858	98 959
Total	97 120	3 926	101 046	105 196	3 920	109 116
Liabilities:						
Current	1 116	500	1 616	554	495	1 049
Non-Current	1 509	313	1 822	1 463	281	1 744
Total	2 625	813	3 438	2 017	776	2 793
NET ASSETS	94 495	3 113	97 608	103 179	3 144	106 323

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Libraries Board of South Australia (the Libraries Board) Objectives**

The principal objectives of the Libraries Board are to:

- formulate policies and guidelines for the provision of public library services;
- establish, maintain and expand collections of library materials;
- administer the State Library;
- promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

2. **Summary of Significant Accounting Policies**

(a) **Basis of Accounting**

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, applicable Urgent Issues Group Consensus Views and other mandatory reporting requirements. The report is prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) **Change in Accounting Policies**

There have been no changes in accounting policies this financial year.

(c) **The Reporting Entity**

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

The financial report encompasses transactions through an interest bearing Special Deposit Account titled 'Arts South Australia Operating Account' and through an interest bearing Deposit Account titled 'Libraries Board of South Australia'.

(d) **Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Interest and investment revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(e) **Grants**

State Government grants are recognised as revenues in the period in which the Libraries Board obtains control over the grant funds.

(f) **Acquisition of Assets**

The cost method of accounting is used for the initial recording of all assets acquired after 1 July 1996. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

(g) **Valuation of Non-Current Assets**

The Libraries Board, in accordance with the transitional provisions of Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' and Accounting Policy Statement No. 3 'Valuation of Non-Current Assets', has continued to apply the deprival value methodology as the basis of valuing its land and buildings until 30 June 2005.

Land and Buildings

Land and buildings have been valued at replacement cost. Valuations of land and buildings were determined as at 30 June 2002 by the Australian Valuation Office. Land and buildings are independently valued every three years.

Plant and Equipment

Plant and equipment, including computer equipment has been valued at cost of acquisition.

The Public Libraries Automated Information Network (PLAIN) Central Services collections, consisting of Video and Print Disability collections and Languages other than English collections, were revalued according to fair value methodology as at 30 June 2003 by D Hope, Principal Consultant, Skilmar Systems Pty Ltd.

The revaluation was made on the basis of the average cost of items added to the collection during the 2002-03 financial year including the cost of acquisition, cataloguing and curation being applied across the collection and then depreciation based on the age of the item. Items that have been culled from the collection are valued at zero on the basis that they will be transferred to a public library or similar institution for no consideration.

Items in the Public Library collections are disposed of for no consideration at the end of their useful life to public libraries and similar institutions. On this basis, no residual value is placed on those assets.

The Film collection was valued at zero value on the basis that this collection is not being added to, is rarely used and may not be disposed of under the terms of its original acquisition.

Research and Heritage Collections

The Libraries Board collections were revalued as at 30 June 2003 using the valuation methodology outlined below in accordance with fair value principles adopted under Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'.

The Libraries Board's research and heritage collections comprise the respective research and heritage holdings of the State Library of South Australia and the Public Libraries (PLAIN Central Services) and the following methodology has been adopted for valuing those collections.

The State Library of South Australia appointed Graeme Addicott, Regional Manager of the Australian Valuation Office (AVO) to undertake the valuation of the Library's collections as at 30 June 2003. The AVO was responsible for the review of valuations undertaken by State Library staff specialists and to perform valuations where external expertise was required.

Internal valuations were carried out by staff specialists in their related fields. The valuations were based on knowledge of the particular collections, an understanding of the valuation techniques and the markets that exist for the collection items. The AVO undertook testing and confirmation of internal valuations.

The Fair Value applied is represented by the quoted market price in an active and liquid market, where available, or is estimated by reference to the best available market evidence of the price such as current market prices for assets that are similar in use, type and condition or the price of the most recent transaction for the same or a similar asset. Where no market exists or market prices materially differ, the fair value is determined with reference to the asset's market buying price indicated by the replacement cost of the asset's remaining future economic benefits.

Research collections were valued using the linear method of valuation by State Library staff. This method is based on an average cost per volume applied to the size of the collection. This methodology was reviewed and confirmed by the AVO.

Selected heritage collections were valued by an external valuer on a market value basis, with significant and unique objects being valued individually.

Sampling techniques were used to value other less significant elements of the heritage collection with valuations done by both the State Library staff and the AVO.

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

Rare Books	J Burdon
Framed Works	D Hyles

Research and Heritage collections which have been valued are the Rare Books and some Named Collections, Maps, Microfilm Serials, Monographs, Electronic Resources, Family History Collections, Periodicals, Newspapers purchased and Mortlock Use Collections.

A nil valuation was adopted for a number of unique or irreplaceable heritage collections where there is no applicable replacement or reliable market value, or where the materials have been acquired largely through the legal deposit provisions of the Libraries Act, 1982. The Mortlock South Australian Collections are recognised at nil value as they have been considered to be unique and not capable of reliable measurement.

Collections which were not valued were the Mortlock Archival Collections, Mortlock Published Collections, Mortlock Special Collections and some unpublished Named and Special Collections.

Due to a change in valuation methodology required under the Australian Accounting Standards, a net debit of \$26.5 million has been processed to the Accumulated Surplus. The application of fair value, as opposed to deprival value, has resulted in the exclusion of processing costs for selection, acquisition and cataloguing, from the valuation, and an adjustment for the diminishing market value over time.

(h) Inventory

Inventories are brought to account at cost.

(i) 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 having a useful life over its expected useful life, except for research and heritage collections which are not depreciable assets. 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:	Years
Buildings and improvements	Useful life depends on individual asset items
Plant and equipment	5-15
Computer equipment	3-5
Video and print disability collections	8
Languages other than English collections	8

The research and heritage collections are kept under special conditions to minimise deterioration and they are anticipated to have very long and indeterminate useful lives. The Public Library collection has been depreciated as indicated above.

(j) Employee Entitlements

(i) Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave have been recognised as the amount unpaid at the reporting date. The liabilities have been calculated at nominal amounts based on current wage and salary rates and a salary inflation rate of 4 percent as determined by the Department of Treasury and Finance.

(ii) Long Service Leave

A liability for long service leave has been recognised which represents the amount which the Libraries Board has a present obligation to pay resulting from employees' services provided up to the reporting date. The liability has been calculated at nominal amounts based on current wage and salary rates using a benchmark of 7 years of service as determined by the Department of Treasury and Finance and a salary inflation rate of 4 percent.

(iii) Superannuation

The Libraries Board makes contributions to several superannuation schemes operated by the State Government and private sector. 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 superannuation schemes.

(k) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to the Libraries Board's experience of claim numbers and payments over the period 1 July 1987 to 30 June 2003.

(l) Investments

Investments are brought to account at cost.

(m) Leases

The Libraries 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 Financial Performance in the period in which they are incurred.

(n) Cash Assets

For purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(o) State Government Funding

The financial report is prepared under the assumption of ongoing financial support being provided to the Libraries Board by the State Government.

(p) Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of the UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)' revenues, expenses and assets are recognised net of the amount of GST.

The amount of GST incurred by the Libraries Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

The net GST receivable/payable to the Australian Taxation Office is not recognised as a receivable/payable in the Statement of Financial Position as the Libraries Board is a member of an approved GST group of which Arts SA, a division of the Department of the Premier and Cabinet, is responsible for the remittance and collection of GST. There are no cash flows relating to GST transactions with the Australian Taxation Office in the Statement of Cash Flows.

(q) Comparative Information

Where necessary comparative figures have been adjusted to conform with changes in presentation in 2002-03.

3. Activities of the Libraries Board

The identity and purpose of each major activity undertaken by the Libraries Board during the year ended 30 June 2003 is summarised below (refer to the Activities Schedule - Expenses and Revenues and Assets and Liabilities):

Activity 1: Provision of State Library Services

To provide, through the State Library of South Australia, a comprehensive library and information service for the economic, educational, cultural and social benefit of South Australia and its citizens.

Activity 2: Support of Public Library Services

To provide through PLAIN (Public Library Automated Information Network) Central Services and the distribution of State subsidies, an equitable and responsible provision of resources, support and services to public libraries and community information agencies.

4. Revenues from Ordinary Activities	2003	2002
Interest and investment income comprised:	\$'000	\$'000
Investment income	290	459
Treasury interest	442	176
	732	635
Other revenues comprised the following categories of operating income:		
Bequests and donations	377	54
Admissions	1	2
Sponsorship	11	15
Rent and hire income	42	121
Council contributions	122	94
External grants	124	94
Other	223	204
	900	584
5. Expenses from Ordinary Activities		
Employee costs were incurred in relation to the following:		
Wages and salaries	7 116	6 497
Superannuation and payroll tax expenses	1 211	1 061
Annual and long service leave expenses	460	293
Other employee related expenses	(73)	109
	8 714	7 960
Depreciation was charged in respect of:		
Buildings and improvements	616	824
Plant and equipment	117	93
Computer equipment	26	37
Public Library research collections	298	253
	1 057	1 207
Other expenses comprised the following categories of expenditure:		
Cost of sales	34	28
Operating lease expenditure	149	100
Administration expenditure	2 622	1 858
Travel and accommodation	62	65
Insurance and risk management	148	20
Maintenance	563	629
Communications and stationery	1 977	1 654
Marketing	122	154
Business services charges	443	388
EDS charges	1 850	1 208
General grant payment	550	-
P2 enhancements	155	155
	8 675	6 259
6. Surplus (Deficit) from Ordinary Activities		
Surplus (Deficit) from ordinary activities includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
Written down value of non-current assets	10	2
Loss from Disposal of Non-Current Assets	10	2
Proceeds from sale of investments	-	5 692
Written down value of investments	-	5 847
(Loss) Gain from Sale of Investments	-	(155)
7. Investments		
Unit trusts	7 045	7 033
Total	7 045	7 033
Market value as at 30 June 2003 was \$6.5 million (\$7 million).		
8. Other Current Assets		
Prepayments	136	83
Accrued revenue	40	13
	176	96

9. (a) <i>Property, Plant, Equipment and Public Library Research Collections</i>	2003			2002		
	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Land, buildings and improvements						
- At valuation	40 974	10 869	30 105	40 974	10 253	30 721
- At cost	18 180	-	18 180	-	-	-
Plant and equipment - At cost	1 307	883	424	1 204	795	409
Computer equipment - At cost	201	146	55	251	215	36
Public Library research collections						
- At valuation	7 576	6 021	1 555	5 216	4 703	513
Public Library research collections						
- At cost	-	-	-	1 583	411	1 172
Total	68 238	17 919	50 319	49 228	16 377	32 851

(b) <i>Reconciliation of Carrying Amounts of Property, Plant, Equipment and Public Library Collections</i>	Land, Buildings & Improvements	Plant & Equipment	Computer Equipment	Public Library Collections	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value as at 1 July 2002	40 974	1 204	251	6 799	49 228
Additions	18 180	134	45	320	18 679
Disposals	-	(31)	(95)	(446)	(572)
Valuation increment	-	-	-	903	903
Gross value as at 30 June 2003	59 154	1 307	201	7 576	68 238
Accumulated Depreciation as at 1 July 2002	10 253	795	215	5 114	16 377
Depreciation	616	117	26	298	1 057
Disposals	-	(29)	(95)	(438)	(562)
Valuation increment	-	-	-	1 047	1 047
Accumulated Depreciation as at 30 June 2003	10 869	883	146	6 021	17 919
Net Book Value as at 30 June 2003	48 285	424	55	1 555	50 319
Net Book Value as at 30 June 2002	30 721	409	36	1 685	32 851

10. (a) <i>Research and Heritage Collections</i>	2003			2002		
	At Cost \$'000	At Valuation \$'000	Total \$'000	At Cost \$'000	At Valuation \$'000	Total \$'000
Rare books and named collections	-	14 702	14 702	297	8 296	8 593
Maps	-	1 166	1 166	61	2 607	2 668
Mortlock audio-visual	-	50	50	-	-	-
Microfilm serials	-	1 387	1 387	136	7 109	7 245
Monographs	-	16 510	16 510	1 171	24 333	25 504
Electronic resources	-	39	39	449	33	482
Family history collection	-	105	105	20	198	218
Periodicals	-	4 628	4 628	1 024	14 710	15 734
Newspapers purchased	-	846	846	405	4 835	5 240
Mortlock use collections	-	81	81	50	374	424
CLRC book collection	-	958	958	-	-	-
Total	-	40 472	40 472	3 613	62 495	66 108

(b) <i>Reconciliation of Carrying Amounts of Research and Heritage Collections</i>	2003			
	Balance 1 July \$'000	Additions \$'000	Valuation Movement \$'000	Balance 30 June \$'000
Rare books and named collections	8 593	37	6 072	14 702
Maps	2 668	16	(1 518)	1 166
Mortlock audio-visual	-	7	43	50
Microfilm serials	7 245	33	(5 891)	1 387
Monographs	25 504	291	(9 285)	16 510
Electronic resources	482	152	(595)	39
Family history collection	218	4	(117)	105
Periodicals	15 734	232	(11 338)	4 628
Newspapers purchased	5 240	98	(4 492)	846
Mortlock use collections	424	6	(349)	81
CLRC book collection	-	-	958	958
Total	66 108	876	(26 512)	40 472

(b) Reconciliation of Carrying Amounts of Research and Heritage Collections (continued)		2002		
		Balance 1 July \$'000	2002 Additions \$'000	Balance 30 June \$'000
	Rare books and named collections	8 515	78	8 593
	Maps	2 641	27	2 668
	Mortlock audio-visual	-	-	-
	Microfilm serials	7 204	41	7 245
	Monographs	25 174	330	25 504
	Electronic resources	340	142	482
	Family history collection	213	5	218
	Periodicals	15 450	284	15 734
	Newspapers purchased	5 137	103	5 240
	Mortlock use collections	404	20	424
	CLRC book collection	-	-	-
	Total	65 078	1 030	66 108
11.	Payables		2003	2002
	Current:		\$'000	\$'000
	Creditors and accruals		970	489
	Employee costs		77	61
			1 047	550
	Non-Current:			
	Employee costs		172	150
12.	(a) Provision for Employee Entitlements			
	Current:			
	Provision for annual leave		384	295
	Provision for long service leave		131	112
	Provision for workers compensation		54	92
			569	499
	Non-Current:			
	Provision for long service leave		1 501	1 291
	Provision for workers compensation		149	303
			1 650	1 594
	(b) Summary of Employee Benefits and Related On-cost Liabilities			
	Annual Leave:			
	Included in payables - Current (refer Note 11)		62	48
	Provision for employee benefits - Current (refer Note 12(a))		384	295
			446	343
	Long Service Leave:			
	Included in payables - Current (refer Note 11)		15	13
	Provision for employee benefits - Current (refer Note 12(a))		131	112
	Included in payables - Non-current (refer Note 11)		172	150
	Provision for employee benefits - Non-current (refer Note 12(a))		1 501	1 291
			1 819	1 566
	Workers Compensation:			
	Provision for employee benefits - Current (refer Note 12(a))		54	92
	Provision for employee benefits - Non-current (refer Note 12(a))		149	303
			203	395
	Aggregate employee benefits and related on-cost liabilities		2 468	2 304
13.	Accumulated Surplus			
	Balance at 1 July		100 507	86 868
	Surplus from ordinary activities		17 941	13 639
	Valuation decrement		(26 512)	-
	Balance at 30 June		91 936	100 507
14.	Reserves			
	Asset revaluation reserve			
		Land, Buildings & Improvements	Public Library Collections	2003 Total
		\$'000	\$'000	\$'000
	Balance at 1 July	5 526	290	5 816
	Valuation decrement	-	(144)	(144)
	Balance at 30 June	5 526	146	5672

14. Reserves (continued)	Land, Buildings & Improvements \$'000	Public Library Collections \$'000	2002 Total \$'000
Balance at 1 July	6 138	290	6 428
Valuation decrement	(612)	-	(612)
Balance at 30 June	5 526	290	5 816

15. Commitments for Expenditure		2003	2002
(a) Operating Leases		\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date are payable as follows:			
Not later than one year		232	300
Later than one year and not later than five years		280	135
Later than five years		12	23
		524	458

These operating lease commitments, which are not recognised in the financial report as liabilities, comprise:

- non-cancellable property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased by 5.5 percent per annum or the Consumer Price Index. Options exist to renew the leases at the end of their terms for a further five years.
- non-cancellable motor vehicle and photocopier 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.

(b) Agreements Equally and Proportionately Unperformed

Agreements equally and proportionately unperformed include contracts for the redevelopment of the State Library. These commitments are not recognised as liabilities in the financial report.

Agreements equally and proportionately unperformed at the reporting date are estimated as follows:		2003	2002
Not later than one year		\$'000	\$'000
		6 809	27 568
		6 809	27 568

16. Contingent Liabilities
There are no known contingent liabilities as at 30 June 2003.

17. Reconciliation of Net Cash provided by (used in) Operating Activities to Surplus from Ordinary Activities		2003	2002
Surplus from ordinary activities		17 941	13 639
Non-cash items:			
Depreciation expense		1 057	1 207
Loss on disposal of assets		10	2
Loss (Profit) on sale of investments		-	155
Change in operating assets and liabilities:			
Decrease (Increase) in assets		(130)	570
(Decrease) Increase in liabilities		645	(224)
Net Cash provided by Operating Activities		19 523	15 349

18. Payments to Consultants		2003	2002
Payments to consultants fell within the following bands:		Number of	Number of
		Consultants	Consultants
\$0 - \$10 000		2	5
\$10 001 - \$50 000		1	-

The total payments to the consultants engaged were \$29 000 (\$24 000).

19. Remuneration of Employees		2003	2002
The number of employees whose annual remuneration was over \$100 000 fell within the following bands:		Number of	Number of
		Employees	Employees
\$140 000 - \$149 999		-	1
\$150 000 - \$159 999		1	-

The total remuneration received by these employees for the year was \$151 000 (\$147 000).

20. Remuneration of Board Members		2003	2002
The number of Board Members who received annual income from the Libraries Board fell within the following bands:		Number of	Number of
		Board	Board
		Members	Members
\$0 - \$9 999		4	2
\$10 000 - \$19 999		7	8

The total income received by these Board Members for the year was \$104 000 (\$110 000).

21. Remuneration of Auditors	2003	2002
Audit fees in relation to the year ended 30 June 2003 are:	\$'000	\$'000
State Library of South Australia	21	18
Support of Public Library Services	10	8
	31	26

The auditors provided no other services to the Board.

22. Related Parties Disclosures

During the financial year the following persons held positions on the Libraries Board of South Australia:

Dr P Goldsworthy, Chair (from 7 November 2002), Mr P Myhill, Deputy Chair, Mr G E Coles, Mrs R H Craddock, Mrs J K Nitschke, Ms J Connolly, Ms B Davidson-Park, Mr PF Wylie (to 30 September 2002), Mr John Mc Donnell (from 26 June 2003), Mr A Scott (to 12 January 2003) and Mr G Mackie.

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.

23. Targeted Voluntary Separation Package Scheme (TVSPs)

During 2002-03 no TVSPs were paid. During 2001-02, 9 TVSPs totalling \$552 000 were paid, with an additional \$126 000 paid on account of accrued annual leave and long service leave. The TVSP amount was paid for by the former Department for Transport, Urban Planning and the Arts which subsequently received reimbursement of this amount from the Department of the Premier and Cabinet.

24. Financial Instruments

(a) Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash assets	2(n)	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis although some funds held within the total cash balance are non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Libraries Board are the Special Deposit Account entitled 'Arts South Australia Operating Account' and the Deposit Account entitled 'Libraries Board of South Australia'. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts, which is currently 4.60 percent (as at 30 June 2003).
Receivables		Receivables are recorded at amounts due to the Libraries Board. They are recorded when services have been completed.	Receivables are due within 30 days.
Investments	7,2(l)	Investments are brought to account at cost. Interest and investment income is credited to revenue as it accrues.	Portfolio of unit trusts, term deposits and deposits at call. Interest and investment income is received quarterly.
Financial Liabilities			
Payables	11	Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the relevant invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

Financial Instrument	2003				2002			
	Interest Rate	Interest Bearing Floating Interest \$'000	Non-Bearing Interest \$'000	Total \$'000	Interest Rate	Interest Bearing Floating Interest \$'000	Non-Bearing Interest \$'000	Total \$'000
Financial Assets:								
Cash assets	4.60	2 937	8	2 945	4.17	2 969	8	2 977
Receivables	-	-	64	64	-	-	24	24
Investments:								
Unit trusts	(2.27)	7 045	-	7 045	(3.57)	7 033	-	7 033
		9 982	72	10 054		10 002	32	10 034
Financial Liabilities:								
Payables		-	970	970		-	489	489

(c) **Net Fair Values of Financial Assets and Liabilities**

Financial Instrument	Note	2003		2002	
		Total Carrying Amount	Net Fair Value	Total Carrying Amount	Net Fair Value
		\$'000	\$'000	\$'000	\$'000
Cash assets	2(n)	2 945	2 945	2 977	2 977
Receivables		64	64	24	24
Investments	7,2(l)	7 045	6 512	7 033	6 977
		10 054	9 521	10 034	9 978
Payables	11	970	970	489	489

The net fair value is determined as the carrying value of all assets and liabilities except for investments where market value has been used.

(d) **Credit Risk Exposure**

The Libraries Board's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Libraries Board has no significant exposures to any concentrations of credit risk.

MUSEUM BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Museum Board is a Statutory Authority established pursuant to the *South Australian Museum Act 1976*.

Functions

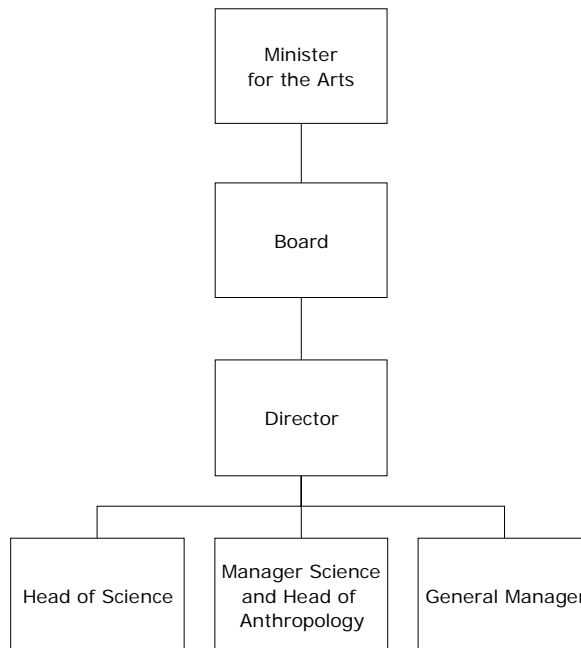
The Museum Board is responsible for the management of the South Australian Museum.

The role of the South Australian Museum is to:

- increase knowledge and understanding of the State's natural and cultural heritage;
- serve the community by acquiring, preserving, interpreting and presenting to the public, material evidence concerning people and nature;
- provide opportunities for study, education and enjoyment.

Structure

The structure of the Museum Board is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides 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 *Public Finance and Audit Act 1987* provides for the Auditor-General to assess 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.

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- revenue, including receipting and banking
- expenditure, including accounts payable, and salaries and wages
- property, plant and equipment, including the adequacy of asset register maintenance
- collection management, including confirmation of the existence of collections.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Director. A satisfactory response was received to the issues raised in the management letter.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements, the financial position of the Museum Board as at 30 June 2003 and the results of its financial performance and cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that 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 is sufficient to provide reasonable assurance that the financial transactions of the Museum Board have been conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2003 \$'000	2002 \$'000	Percentage Change
OPERATING REVENUE			
Government grants	9 523	7 516	27
Other revenue	3 451	2 465	40
Total Operating Revenue	12 974	9 981	30
OPERATING EXPENDITURE			
Employment expenses	4 147	3 810	9
Other expenses	6 387	6 393	-
Total Operating Expenses	10 534	10 203	3
Surplus (Deficit) from Ordinary Activities	2 440	(222)	
Net Cash Flows from Operations	3 085	309	

	2003 \$'000	2002 \$'000	Percentage Change
ASSETS			
Current assets	2 881	1 552	86
Non-current assets	145 654	62 644	133
Total Assets	148 535	64 196	131
LIABILITIES			
Current liabilities	455	411	11
Non-current liabilities	748	544	38
Total Liabilities	1 203	955	26
EQUITY	147 332	63 241	133

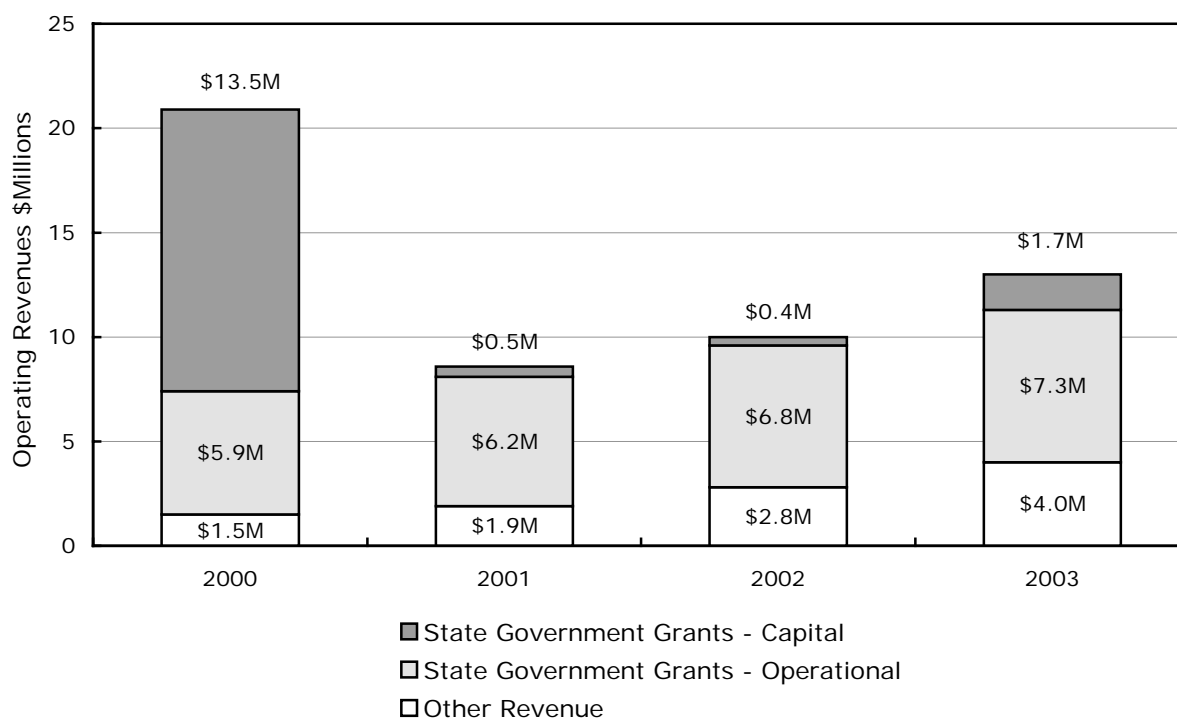
Statement of Financial Performance

Operating Revenues

Revenues from Ordinary Activities for the year totalled \$13 million (\$10 million). This includes grants from the State Government for operating and capital purposes which totalled \$9 million (\$7.2 million) and represented 69 percent (72 percent) of the Total Revenues. As expressed in Note 2(n) to the Financial Statements the Board is dependent on the ongoing financial support of the State Government.

Capital grants received, \$1.7 million (\$400 000), were used to fund the redevelopment of the Natural Sciences building which was opened to the public during the year.

A structural analysis of operating revenues for the four years to 2003 is presented in the following chart.

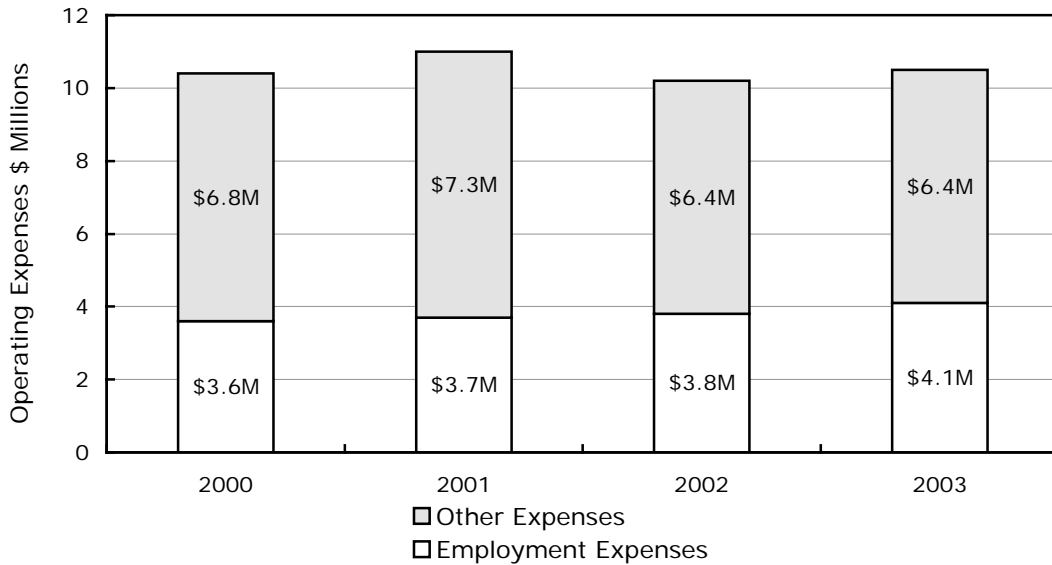


The chart shows significant capital grants were received in 1999-2000. This was in relation to the redevelopment of the Museum buildings.

Operating Expenses

Expenditure for the year increased by \$331 000 (3 percent) to \$10.5 million.

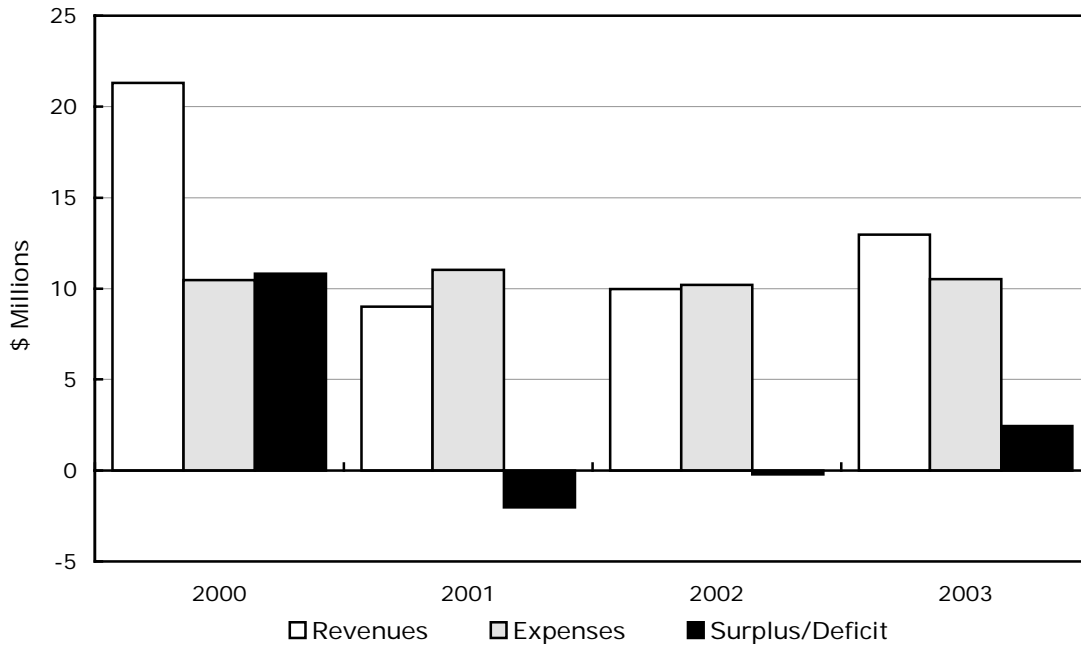
A structural analysis of the main operating expense items for the Department for the four years to 2003 is shown in the following chart.



Operating Result

The operating result for the year was a Surplus from Ordinary Activities of \$2.4 million, compared with a deficit of \$222 000 in 2001-02. This turnaround is due mainly to an additional \$1.8 million in State Government funding and an increase in other grants and donations of \$800 000.

For the four years to 2003 the following chart shows the operating revenues, operating expenses and surpluses/deficits.



Statement of Financial Position

The net assets of the Museum Board have increased by \$84 million to \$147 million. This increase is mainly attributable to the revaluation of the heritage collections.

Non-Current Assets

Heritage Collections

The Board has accumulated these assets over a significant period of time primarily through the use of government funding, together with bequests and donations.

The heritage collections were revalued as at 30 June 2003. (Refer Note 2(g)).

As a result of the revaluation, the value of heritage collections increased by \$82 million to \$110 million. A significant component of this increase relates to the recognition for the first time of the Natural History collections. The value of the Natural History collections which have been valued on a 'cost of recovery valuation' basis is \$65.5 million (previously valued at zero under the deprival value methodology).

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants from State Government - Operations		7 328	6 839
- Capital		1 654	391
Grants from Commonwealth Government		541	286
Sale of goods		568	479
Fees for services		214	327
Interest		88	57
Other revenues	3	2 581	1 602
Total Revenues		12 974	9 981
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	4	4 147	3 810
Cost of goods sold		356	285
Administration	4	3 524	3 684
Accommodation and service costs		1 518	1 402
Depreciation	4	989	1 022
Total Expenses		10 534	10 203
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES		2 440	(222)
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net credit to asset revaluation reserve on revaluation of non-current assets	10	12 436	(2 771)
Net credit to accumulated surplus to recognise assets bought to account for the first time	9	69 215	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		84 091	(2 993)

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS:			
Cash assets		2 341	1 096
Receivables		180	132
Prepayments		209	135
Inventories		151	189
Total Current Assets		2 881	1 552
NON-CURRENT ASSETS:			
Property, plant and equipment	5	35 445	34 710
Heritage collections	6	110 209	27 934
Total Non-Current Assets		145 654	62 644
Total Assets		148 535	64 196
CURRENT LIABILITIES:			
Payables	7	138	187
Provision for employee entitlements	8	317	224
Total Current Liabilities		455	411
NON-CURRENT LIABILITIES:			
Payables	7	70	54
Provision for employee entitlements	8	678	490
Total Non-Current Liabilities		748	544
Total Liabilities		1 203	955
NET ASSETS		147 332	63 241
EQUITY:			
Accumulated surplus	9	133 375	61 720
Reserves	10	13 957	1 521
TOTAL EQUITY		147 332	63 241
Commitments	11		
Contingent Liabilities	12		

**Statement of Cash Flows
for the year ended 30 June 2003**

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
RECEIPTS:			
Sale of goods		579	420
Fees for services and admissions		214	327
Interest		85	57
Other revenues		2 018	1 621
PAYMENTS:			
Employee costs		(3 837)	(3 770)
Administration		(3 578)	(4 026)
Accommodation and service costs		(1 518)	(1 478)
Other expenses		(401)	(358)
CASH FLOWS FROM GOVERNMENT:			
Recurrent grants from State Government		7 328	6 839
Capital grants from State Government		1 654	391
Recurrent grants from Commonwealth Government		541	286
Net Cash provided by Operating Activities	13	3 085	309
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS FOR:			
Property, plant & equipment		(1 724)	(304)
Heritage Collections		(116)	(150)
Net Cash used in Investing Activities		(1 840)	(454)
NET INCREASE (DECREASE) IN CASH HELD		1 245	(145)
CASH AT 1 JULY		1 096	1 241
CASH AT 30 JUNE	2(m)	2 341	1 096

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Museum Board Functions**

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

- to undertake the care and management of the Museum;
- to manage all lands and premises vested in, or placed under the control of, the Board;
- to 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 moneys;
- to carry out, or promote, research into matters of scientific and historical interest;
- to accumulate and care for objects and specimens of scientific or historical interest;
- to accumulate and classify data in regard to any such matters;
- to disseminate information of scientific or historical interest; and
- to 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****(a) Basis of Accounting**

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, applicable Urgent Issues Group Consensus Views and other mandatory reporting requirements. The report is prepared on the accrual basis of accounting and in accordance with conventional historical cost principles, except where stated.

(b) Change in Accounting Policies

There have been no changes in accounting policies during 2002–03.

(c) The Reporting Entity

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

The financial report encompasses transactions through an interest bearing Special Deposit Account titled 'Arts South Australia Operating Account' and through an interest bearing Deposit Account titled 'Museum Board Bequests Account'.

(d) Revenue

Revenue from sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(e) Grants from State Government

State Government grants are recognised as revenues in the period in which the Museum Board obtains control over the funds.

(f) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets acquired after 1 July 1996. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at market value.

(g) Valuation of Non-Current Assets

The Board, in accordance with the transitional provisions of Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' and Accounting Policy Statement No. 3 'Valuation of Non-Current Assets', has continued to apply the deprival value methodology as the basis of valuing its land and buildings until 30 June 2005.

Land and Buildings

Land and buildings have been valued at replacement cost. Valuations of land and buildings were determined as at 30 June 2002 by the Australian Valuation Office. Land and buildings are independently valued every three years.

Plant and Equipment

Plant and equipment, including computer equipment has been valued at cost of acquisition.

Heritage Collections

The Museum Board collections were revalued as at 30 June 2003 using the valuation methodology outlined below in accordance with fair value principles adopted under Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'.

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 Collections 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.

Heritage Collections (continued)

Cost of recovery valuation has been applied to those collections that were previously valued at zero under deprival value methodology. These collections items have been valued to fair value on the basis of the cost of field work, 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 and to verify the valuations applied by internal specialists via sampling techniques, and to carry out independent valuation 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:

Australian Ethnology	Macauley Partners
Museum Library and Rare Books	M Treloar and P Horn
Malacology (Marine Invertebrates)	W Rumble
Butterflies (Terrestrial Invertebrates)	L Mound
Mammalogy	R Schodde

Collections deemed to be culturally sensitive including human remains or 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.

(h) 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 assets. 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:

Buildings and improvements	Useful life depends on individual asset items
Plant and equipment	5 - 15 years
Computer equipment	3 - 5 years

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 in respect of heritage collections as their service potential has not, in any material sense, been consumed during the reporting period.

(i) Inventories

Inventories are brought to account at cost or realisable value, whichever is lower.

(j) Employee Entitlements

(i) Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave have been recognised as the amount unpaid at the reporting date. The liabilities have been calculated at nominal amounts based on current wage and salary rates and a salary inflation rate of four percent as determined by the Department of Treasury and Finance.

(ii) Long Service Leave

A liability for long service leave has been recognised which represents the amount which the Museum Board has a present obligation to pay resulting from employees' services provided up to the reporting date. The liability has been calculated at nominal amounts based on current wage and salary rates using a benchmark of 7 years of service as determined by the Department of Treasury and Finance and a salary inflation rate of four percent.

(iii) Superannuation

Contributions are made by the Museum Board to several superannuation schemes operated by the State Government and private sector. 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 superannuation schemes.

(k) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to the Board's experience of claim numbers and payments over the period 1 July 1987 to 30 June 2003.

(b) <i>Reconciliation of Carrying Amounts of Property, Plant and Equipment</i>	2003			
	Land, Buildings & Improvements	Plant & Equipment	Computer Equipment	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	34 485	200	25	34 710
Additions	1 539	185	-	1 724
Depreciation expense	(905)	(71)	(13)	(989)
Carrying Amount at 30 June	35 119	314	12	35 445

6. (a) <i>Heritage Collections</i>	2003			2002	
	At Valuation	Total	At Cost	At Valuation	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Social/Industrial History	222	222	-	221	221
Australian Aboriginal Ethnology	18 720	18 720	201	6 978	7 179
Foreign Ethnology	6 254	6 254	6	5 980	5 986
Minerals	11 037	11 037	357	9 854	10 211
Malacology	3 642	3 642	-	-	-
Butterflies	33	33	-	-	-
Australian Biological Tissue Bank	5 192	5 192	-	-	-
Australian Helminthological Collection	8 376	8 376	-	-	-
Entomology	26 134	26 134	-	-	-
Arachnology	4 013	4 013	-	-	-
Marine Invertebrates	5 660	5 660	-	-	-
Ichthyology	1 136	1 136	-	-	-
Herpetology	2 972	2 972	-	-	-
Ornithology	7 834	7 834	-	-	-
Mammalogy	4 223	4 223	-	-	-
Library	4 761	4 761	31	4 306	4 337
Total	110 209	110 209	595	27 339	27 934

(b) <i>Reconciliation of Carrying Amounts of Heritage Collections</i>	2003				2002		
	Balance	Valuation	Balance	Balance	Balance	Balance	
	1.7.02	Additions	Increment	30.6.03	1.7.01	Additions	30.6.02
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Social/Industrial History	221	-	1	222	221	-	221
Australian Aboriginal Ethnographic	7 179	100	11 441	18 720	7 029	150	7 179
Foreign Ethnology	5 986	147	121	6 254	5 986	-	5 986
Minerals	10 211	361	465	11 037	9 969	242	10 211
Malacology	-	3 642	-	3 642	-	-	-
Butterflies	-	33	-	33	-	-	-
Australian Biological Tissue Bank	-	5 192	-	5 192	-	-	-
Australian Helminthological Collection	-	8 376	-	8 376	-	-	-
Entomology	-	26 134	-	26 134	-	-	-
Arachnology	-	4 013	-	4 013	-	-	-
Marine Invertebrates	-	5 660	-	5 660	-	-	-
Ichthyology	-	1 136	-	1 136	-	-	-
Herpetology	-	2 972	-	2 972	-	-	-
Ornithology	-	7 834	-	7 834	-	-	-
Mammalogy	-	4 223	-	4 223	-	-	-
Library	4 337	16	408	4 761	4 337	-	4 337
Total	27 934	69 839	12 436	110 209	27 542	392	27 934

7. Payables	2003		2002
	Current:	\$'000	\$'000
Creditors and accruals		93	153
Employee costs		45	34
		138	187
Non-Current:			
Employee costs		70	54

8. (a) Provision for Employee Entitlements	2003		2002
	Current:	\$'000	\$'000
Provision for annual leave		240	177
Provision for long service leave		53	41
Provision for workers compensation		24	6
		317	224
Non-Current:			
Provision for long service leave		610	472
Provision for workers compensation		68	18
		678	490

(b) Summary of Employee Benefits and Related On-Cost Liabilities	2003	2002	
	\$'000	\$'000	
Annual Leave:			
Included in payables - Current (Refer Note 7)	39	29	
Provision for employee benefits - Current (Refer Note 8(a))	240	177	
	279	206	
Long Service Leave:			
Included in payables - Current (Refer Note 7)	6	5	
Provision for employee benefits - Current (Refer Note 8(a))	53	41	
Included in payables - Non-current (Refer Note 7)	70	54	
Provision for employee benefits - Non-current (Refer Note 8(a))	610	472	
	739	572	
Workers Compensation:			
Provision for employee benefits - Current (Refer Note 8(a))	24	6	
Provision for employee benefits - Non-current (Refer Note 8(a))	68	18	
	92	24	
Aggregate employee benefit and related on-cost liabilities	1 110	802	
9. Accumulated Surplus			
Balance brought forward	61 720	61 942	
Surplus (Deficit) from ordinary activities	2 440	(222)	
Assets bought to account for the first time	69 215	-	
Balance at 30 June	133 375	61 720	
10. Reserves	Land, Buildings and Improvements	Heritage Collections	2003 Total
Asset Revaluation Reserve	\$'000	\$'000	\$'000
Balance at 1 July	1 521	-	1 521
Movements in reserves	-	12 436	12 436
Balance at 30 June	1 521	12 436	13 957
	Land, Buildings and Improvements	Heritage Collections	2002 Total
	\$'000	\$'000	\$'000
Balance at 1 July	4 292	-	4 292
Movements in reserves	(2 771)	-	(2 771)
Balance at 30 June	1 521	-	1 521
11. Commitments for Expenditure		2003	2002
(a) Operating Leases		\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date are payable as follows:			
Not later than one year		421	384
Later than one year and not later than five years		515	761
Later than five years		77	149
		1 013	1 294

These operating lease commitments, which are not recognised in the financial report as liabilities, comprise:

- non-cancellable property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased by 5.5 percent per annum or the Consumer Price Index. Options exist to renew the leases at the end of their terms for a further five years.
- 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.
- non-cancellable photocopier lease, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreement and no option exists to renew the lease at the end of its term.

(b) Agreements Equally and Proportionately Unperformed

There were no agreements equally and proportionately unperformed as at 30 June 2003. Agreements equally and proportionately unperformed as at 30 June 2002 included contracts for the redevelopment of the South Australian Museum's Natural Science Building and totalled \$1.7 million.

12. Contingent Liabilities

There are no known contingent liabilities as at 30 June 2003.

13. Reconciliation of Net Cash provided by (used in) Operating Activities to Surplus (Deficit) from Ordinary Activities	2003	2002
	\$'000	\$'000
Surplus (Deficit) from Ordinary Activities	2 440	(222)
Non-Cash Items:		
Depreciation expense	989	1 022
Donations of heritage assets	(508)	(242)
Change in Operating Assets and Liabilities:		
(Increase) Decrease in assets	(84)	142
Increase (Decrease) in liabilities	248	(391)
Net Cash provided by Operating Activities	3 085	309

14. Payments to Consultants	2003	2002
Payments to consultants during 2002-03 fell within the following ranges:	Number of	Number of
	Consultants	Consultants
\$0 - \$10 000	1	2
Above \$50 000	-	1

The total amount paid to consultants in 2002-2003 was \$2 000 (\$181 000).

15. Remuneration of Employees	2003	2002
The number of employees whose annual remuneration was over \$100 000 fell within the following bands:	Number of	Number of
	Employees	Employees
\$100 000 - \$109 999	1	-
\$140 000 - \$149 999	1	1

The total remuneration received by these employees for the year was \$248 000 (\$143 000).

16. Remuneration of Board Members	2003	2002
The number of Board Members who received annual income from the Museum Board fell within the following bands:	Number of	Number of
	Board	Board
	Members	Members
\$0 - \$9 999	8	7
\$10 000 - \$19 999	-	1

The total income received by these Board Members for the year was \$37 000 (\$51 000).

17. Remuneration of Auditors	
The audit fee in relation to the year to 30 June 2003 is \$22 000 (\$18 000).	

The auditors provided no other services to the Board.

18. Related Party Disclosures	
During the financial year the following persons held positions on the Museum Board:	

Mr John Ellice-Flint, Chair (from 18 July 2002), Dr A Lloyd, Mr A Simpson, Assoc Prof M Sedgley, Mr P Ah Chee, Ms S Cookson, Ms P Capaldo and Mr R Edwards.

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.

19. Targeted Voluntary Separation Package Scheme (TVSPs)	
In 2002-03 there were no TVSPs paid. In 2001-02 five TVSPs totalling \$358 000 were paid with an additional \$109 000 for accrued annual leave and long service leave.	

20. Financial Instruments			
(a) Terms and Conditions			
Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash assets		Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis although some funds held within the total cash balance are non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Museum Board are the Special Deposit Account titled 'Arts South Australia Operating Account' and the Deposit Account titled 'Museum Board Bequests Account'. The interest rate is the Treasurer's Approved Rate of Interest on Section 21 Deposit Accounts which is currently 4.6 percent (as at 30 June 2003).
Receivables		Receivables are recorded at amounts due to the Museum Board. They are recorded when services have been completed.	Receivables are due within 30 days.

(a) Terms and Conditions (continued)

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Liabilities			
Payables	7	Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

<i>Financial Instrument</i>	Note	2003			2002				
		Interest Rate Percent	Interest Bearing Floating Rate \$'000	Non-Interest Bearing \$'000	Total \$'000	Interest Rate Percent	Interest Bearing Floating Rate \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets:									
Cash assets		4.60	2 338	3	2 341	4.17	1 094	2	1 096
Receivables		-	-	180	180	-	-	132	132
			<u>2 338</u>	<u>183</u>	<u>2 521</u>		<u>1 094</u>	<u>134</u>	<u>1 228</u>
Financial Liabilities:									
Payables	7	-	-	93	93	-	-	153	153
			<u>-</u>	<u>93</u>	<u>93</u>		<u>-</u>	<u>153</u>	<u>153</u>

(c) Net Fair Values of Financial Assets and Liabilities

<i>Financial Instrument</i>	Note	2003		2002	
		Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets					
Cash assets		2 341	2 341	1 096	1 096
Receivables		180	180	132	132
		<u>2 521</u>	<u>2 521</u>	<u>1 228</u>	<u>1 228</u>
Financial Liabilities					
Payables	7	93	93	153	153
		<u>93</u>	<u>93</u>	<u>153</u>	<u>153</u>

The net fair values of both financial assets and liabilities approximate their total carrying amounts.

(d) Credit Risk Exposure

The Museum Board's maximum exposure to credit risk at reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Museum Board has no significant exposures to any concentrations of credit risk.

DEPARTMENT OF THE PREMIER AND CABINET

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

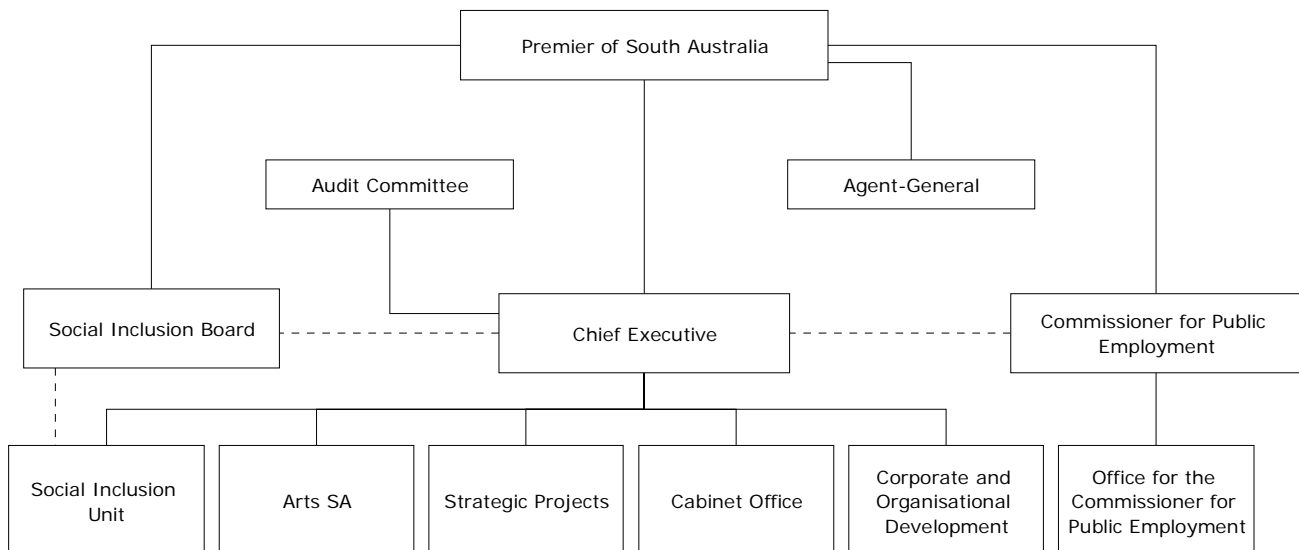
Functions

The purpose of the Department is to support the Premier, Cabinet and Executive Council in the development of a competitive, creative and well managed State. This is achieved through providing the Premier, Cabinet and Executive Council with assistance in developing policies; identifying and providing strategic advice on emerging issues and opportunities; and providing leadership and direction to the public service to achieve management improvements.

To facilitate the achievement of these objectives, the Department has been organised on a broadly functional basis, comprising a number of branches and offices which perform distinct roles consistent with the charter of the Department.

Structure

The structure of the Department of the Premier and Cabinet is illustrated in the following organisation chart.



Changes to Functions and Structure

Department Restructure

The Department of the Premier and Cabinet was restructured during the year. The restructure has resulted in the following agency transfers effective from 1 July 2002:

Transfers in:

- Office for Volunteers, a division of the Emergency Services Administrative Unit to the Department of the Premier and Cabinet.

Transfers out:

- Multicultural Affairs to the Attorney-General's Department;
- Media Monitoring Unit to the Department for Administrative Services;
- Centre for Lifelong Learning and Office of Innovation to the Department of Further Education, Employment, Science and Technology.

Arts SA was transferred to the Department of the Premier and Cabinet effective from 1 April 2002. The financial assets and liabilities of Arts SA were consolidated into the Department's controlled financial statements as at 30 June 2002 and as a result the comparative figures reflected in the Statement of Financial Performance cover the three month period April - June 2002.

Corporate Services Review

A review of the Corporate Services of the Department was undertaken to identify possible efficiency savings following the transfer of Arts SA to the Department in April 2002.

As a result of the review, a new organisational division has been formed called Corporate Business and State Services Division. This division will be responsible for business and corporate planning and strategic financial and human resources leadership of the Department and will report to the Executive Director, Corporate Business and State Services.

In addition, all operational/transactional services in respect to financial and human resources will be provided by the Business Services Branch and will be responsible to the Executive Director, Arts SA.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department of the Premier and Cabinet for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess 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.

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit coverage included the following areas:

- revenue raising and receipting
- non-current assets
- processing and disbursement of departmental expenditure, including payroll and grants
- information technology environment.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive Officer. A satisfactory response was received to the issues raised in the management letter.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable accounting standards and other mandatory professional reporting requirements, the financial position of the Department of the Premier and Cabinet as at 30 June 2003 and the results of its financial performance and cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that 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 is 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.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

As explained under 'Changes to Functions and Structure above, the Department has been through a number of restructures in the last two years, the most significant being the transfer of Arts SA to the Department in April 2002. Accordingly, a comparison of the last two years would not be meaningful.

However, comment and analysis of this year's financial operations is provided below.

Significant Features

- The net cost of services for the year totalled \$151.1 million.
- Expenses from Ordinary Activities for the year were \$161.7 million, of which \$104.1 million (64 percent) relates to Grants and Subsidies paid by Arts SA (refer Note 21).
- Revenues from Government totalled \$145.3 million. Revenues from Ordinary Activities totalled \$10.6 million.
- The net result before restructuring was a deficit of \$5.8 million.
- Net Assets of the Department totalled \$44.9 million and includes a cash balance of \$31.7 million.

Administered Items

Responsibility for Administered Items

The Department has the responsibility for administering the Government Workers Rehabilitation and Compensation Fund and the Targeted/Voluntary Separation Package Schemes Fund. Details of the audit coverage and the financial statements relating to the operations of both funds are included after the Department's Financial Statements. Other administered items are shown within the Notes to the Financial Statements.

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	4(a)	28 017	27 705
Accommodation and services costs		4 655	4 224
Depreciation	5	1 256	913
Other expenses from ordinary activities	6	23 711	28 562
Grants and subsidies	21	104 110	35 283
Total Expenses		161 749	96 687
REVENUES FROM ORDINARY ACTIVITIES:			
User charges and fees	7(a)	5 085	4 423
Interest		2 118	1 359
Other revenues from ordinary activities	7(b)	3 435	5 038
Total Revenues		10 638	10 820
NET COST OF SERVICES	15	151 111	85 867
REVENUES FROM GOVERNMENT:			
Appropriations		144 527	51 181
Grants and subsidies		765	3 731
Total Revenues from Government	2(e)	145 292	54 912
DECREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES BEFORE RESTRUCTURING		(5 819)	(30 955)
NET REVENUES FROM RESTRUCTURING	22	880	58 763
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER RESTRUCTURING		(4 939)	27 808
NET (DEFICIT) SURPLUS		(4 939)	27 808
EQUITY INTERESTS:			
Net credit to asset revaluation reserve	13(b)	-	4 173
Total revenues, expenses and valuation adjustments recognised directly in equity		-	4 173
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(4 939)	31 981

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS:			
Cash	8	31 712	35 080
Investments	8	275	763
Inventories		16	16
Receivables	8,9	2 470	2 791
Other	10	53	91
Total Current Assets		34 526	38 741
NON-CURRENT ASSETS:			
Property, plant and equipment	11	21 130	21 898
Works of art	11	47	47
Investments	8	105	305
Total Non-Current Assets		21 282	22 250
Total Assets		55 808	60 991
CURRENT LIABILITIES:			
Payables	8,12	2 508	3 096
Provision for employee entitlements	4(b)	2 503	2 433
Revenue received in advance		507	412
Total Current Liabilities		5 518	5 941
NON-CURRENT LIABILITIES:			
Imprest account	8	27	29
Payables	12	528	520
Provision for employee entitlements	4(b)	4 827	4 654
Total Non-Current Liabilities		5 382	5 203
Total Liabilities		10 900	11 144
NET ASSETS		44 908	49 847
EQUITY:			
Retained surplus	13(a)	38 716	45 674
Asset revaluation reserve	13(b)	6 192	4 173
TOTAL EQUITY		44 908	49 847
Commitments for Expenditure and Contingent Liabilities	14		

Statement of Cash Flows for the year ended 30 June 2003

	Note	2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee costs		(27 461)	(27 977)
Accommodation and service costs		(4 655)	(4 223)
Other expenses from ordinary activities		(23 619)	(27 936)
GST payments on purchases		(8 193)	(3 904)
Grants and subsidies for Arts SA		(104 110)	(35 283)
Total Payments		(168 038)	(99 323)
RECEIPTS:			
User charges and fees		3 628	3 943
Interest		2 156	1 325
Other receipts from ordinary activities		5 446	6 876
GST receipts on receivables		1 037	460
Net GST receipts from taxation authority		6 724	3 353
Total Receipts		18 991	15 957
CASH FLOWS FROM GOVERNMENT:			
Revenues from Government		145 292	54 912
Total Cash Flows from Government		145 292	54 912
Net Cash used in Operating Activities	15	(3 755)	(28 454)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from investments		688	588
Payment for property, plant and equipment		(601)	(985)
Net Cash provided by (used in) Investing Activities		87	(397)
NET CASH FLOWS FROM RESTRUCTURING	22(a)	300	44 104
NET (DECREASE) INCREASE IN CASH HELD		(3 368)	15 253
CASH AT 1 JULY		35 080	19 827
CASH AT 30 JUNE		31 712	35 080

**Program Schedule of Department's Expenses and Revenues
for the year ended 30 June 2003**

	2003			
	1	2	3	4
Program (refer Note 3)	\$'000	\$'000	\$'000	\$'000
Operating Expenses	(27 879)	(1 769)	(19 592)	(47 053)
Operating Revenues	28 799	1 501	19 937	15 651
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES	920	(268)	345	(31 402)

	2003			2002
	5	6	Total	Total
Program (refer Note 3)	\$'000	\$'000	\$'000	\$'000
Operating Expenses	(22 762)	(42 694)	(161 749)	(96 687)
Operating Revenues	30 757	59 285	155 930	65 732
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES	7 995	16 591	(5 819)	(30 955)

The allocation to programs are indicative and are based on broad costing methodologies. In particular, appropriations were not developed on the basis of programs for 2002-03 and have also been allocated on a broad basis. For the year ended 30 June 2002, the figures reported include Multicultural Affairs, the Centre for Lifelong Learning and the Office of Innovation which transferred out of the Department on 1 July 2002. On 1 July 2002, the Office for Volunteers transferred into the Department and is reflected in Program 2.

Schedule of Administered Expenses and Revenues for the year ended 30 June 2003

	2003	2002
	\$'000	\$'000
ADMINISTERED EXPENSES:		
Premier - Other payments	637	1 802
Salary and allowances pursuant to:		
(i) <i>Agent-General Act 1901</i>	305	253
(ii) <i>Parliamentary Remuneration Act 1990</i>	255	300
Targeted/Voluntary Separation Package Scheme Account	9 958	93 239
Government Workers Rehabilitation and Compensation Fund	10 495	10 879
	21 650	106 473
ADMINISTERED REVENUES:		
Premier - Other payments	637	-
Salary and allowances pursuant to:		
(i) <i>Agent-General Act 1901</i>	305	-
(ii) <i>Parliamentary Remuneration Act 1990</i>	255	-
State Disaster Relief Fund	4	4
Targeted/Voluntary Separation Package Scheme Account	10 000	84 064
Government Workers Rehabilitation and Compensation Fund	6 070	6 460
	17 271	90 528
ADMINISTERED REVENUES LESS ADMINISTERED EXPENSES	(4 379)	(15 945)

Schedule of Administered Assets and Liabilities for the year ended 30 June 2003

	2003		2002	
	Assets	Liabilities	Net Assets	Net Assets
	\$'000	\$'000	(Liabilities)	(Liabilities)
	\$'000	\$'000	\$'000	\$'000
ADMINISTERED ASSETS AND LIABILITIES:				
State Disaster Relief Fund	95	-	95	91
Targeted Voluntary Separation Package Scheme Account	978	722	256	214
Government Workers Rehabilitation and Compensation Fund	2 106	25 181	(23 075)	(18 650)
TOTAL	3 179	25 903	(22 724)	(18 345)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Departmental Objectives**

The Department of the Premier and Cabinet has a number of key roles in assisting the Premier and his Cabinet, these include:

- provide the Premier and Cabinet with a whole of government perspective which promotes and facilitates an integrated approach to government policy development and services;
- identify and provide strategic advice and assistance to the Premier and Cabinet on emerging issues, projects and opportunities to promote the State's competitiveness and future prosperity;
- adopt a whole of government and whole of community approach to facilitate integrated services which better meets the needs of the community;
- advance the cultural, social and economic well being of South Australians through the development of a vital and creative arts sector;
- promote strategic human resource management across the South Australian Public Sector;
- support and promote volunteering across the State and build capacity of volunteer organisations in communities;
- provide leadership and direction to the South Australian Public Service to achieve management improvements which lead to excellence and professionalism in public administration;
- provide policy development and services in relation to occupational health and safety, industrial relations, executive employment and leadership development;
- provide the Premier and Cabinet with responsive, relevant services through the most effective use of staff and Departmental resources and systems.

2. **Summary of Significant Accounting Policies**

(a) **Financial Reporting Framework**

The financial report is a general purpose financial report.

(b) **Basis of Accounting**

The accounts have been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and applicable Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historical cost principles except where stated.

(c) **Provisions, Contingent Liabilities and Contingent Assets**

The accounts have been prepared in accordance with Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets', which is applicable on or after 1 July 2002. For details on contingent liabilities refer Note 14(b).

(d) **The Reporting Entity**

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account titled 'Department of the Premier and Cabinet Operating Account' and any other Funds through which the Department controls resources to carry out its functions.

The Department's principal source of funds consists of monies appropriated by Parliament.

As at 1 April 2002, the Department was restructured to incorporate Arts SA and as such the Financial Statements have been prepared to include the financial transactions since that time.

As at 1 July 2002, the financial transactions for the Office of Volunteers was transferred into the Department and the financial transactions for Multicultural Affairs, Office of Innovation, Centre for Lifelong Learning and Media Monitoring Unit were transferred out of the Department. Details of the financial transactions are outlined in Note 22.

Administered Resources

The Department administers, but does not control, certain resources on behalf of the South Australian 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 South Australian Government.

Transactions and balances relating to these administered resources are not recognised as Departmental revenues and expenses but are disclosed in the applicable schedules.

Trust Funds

The Department has received monies in a trustee capacity for various trusts as set out in Note 20. 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, they are not brought to account in the financial report, but are shown in Note 20.

- (e) **User Charges and Fees**
User charges and fees controlled by the Department are recognised as revenues. User charges and fees are controlled by the Department where they can be deployed for the achievement of Departmental objectives. Such amounts are not required to be paid to the Consolidated Account or other Funds not controlled by the Department.
- (f) **Appropriations**
Appropriations, whether operating, investing, or other, are recognised as revenues when the Department obtains control over the assets comprising the contributions. Control over appropriations is normally obtained upon their receipt.
- (g) **Foreign Currency**
Assets and liabilities that are in a foreign currency have been brought into the accounts at the exchange rate applying at 30 June. Income and expenses arising from transactions in a foreign currency are brought to account at the average exchange rate that applied during the period in which they occurred. Unrealised losses resulting from currency transactions have been brought to account in the Statement of Financial Performance.
- (h) **Non-Current Assets**
All non-current assets controlled by the Department are reported in the Statement of Financial Position. In accordance with the transitional provisions of Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' and Accounting Policy Statement 3 'Valuation of Non-Current Assets', the Department has continued to apply the deprival value methodology as the basis of valuing its non-current assets until 30 June 2005.
- Buildings and Improvements and Furniture and Fittings were revalued as at 30 June 2002 by Rushton Group Australia Pty Ltd (refer note 11). Valuations of Departmental land, Buildings and Improvements held for cultural purposes were determined as at 30 June 2002 by the Australian Valuation Office.
- (i) **Depreciation of Non-Current Assets**
Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of remaining useful lives are reviewed on a regular basis for all assets. The estimated useful lives of each asset class are as follows:
- | | |
|----------------------------|-----------|
| | Years |
| Buildings and improvements | up to 100 |
| Furniture and fittings | 5-15 |
| Office equipment | 3 |
| Systems development | 3-5 |
| Motor vehicles | 3 |
- 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.
- (j) **Employee Entitlements**
- (i) **Wages and Salaries**
Liabilities for wages and salaries 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, as directed in the Accounting Policy Statements.
- (iii) **Long Service Leave**
A liability for long service leave is calculated by using the product of the current liability in time for all employees who have completed seven or more years of service and the current rate of remuneration for each of these employees respectively. The seven years has been based on an actuarial calculation as directed in the Accounting Policy Statements. The portion of current and non-current long service leave is based on past history of payments and any specific known factors. The current liability is measured at the nominal amount that is expected to be paid when the obligation is settled. The non-current liability is measured as the amount unpaid at the reporting date.
- (iv) **Superannuation**
The Department makes contributions to several superannuation schemes operated by the State Government. 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 Superannuation Funds. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.
- (v) **Employment On-Costs**
The liability for employment on-costs includes superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave. These amounts are classified under payables.
- (vi) **Workers Compensation**
A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to the Department's record of claim numbers and payments over the period 1 July 1987 to 30 June 2003.

(k) Leases

The Department has entered into a number of operating lease agreements for buildings 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 Operating Statement in the periods in which they are incurred.

(l) Cash

For purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

(m) Goods and Services Tax

The accounting policies adopted for the treatment of Goods and Services Tax (GST) are in accordance with Urgent Issue Group Abstract 31 (Accounting for the Goods and Services Tax (GST)). Input tax credits due from the Australian Taxation Office are included in receivables.

The Department prepares a Business Activity Statement on behalf of its administered entities under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payment and entitled to the receipt of GST. As such, the GST applicable to these entities forms part of the Statement of Financial Position and Cash Flow Statement of the Department.

(n) Rounding

All amounts are rounded to the nearest thousand dollars.

(o) Comparative Figures

Where necessary comparative figures have been adjusted to conform with changes in presentation in 2002-03.

3. Programs of the Department

Programs are defined as goods or services produced, provided to or acquired for external customers. The Department has identified six major classes of programs that it delivers to the community and the Premier. The identity and description of each major program class for the Department during the year ended 30 June 2003 are summarised below (refer to the Programs Schedule – Department's Expenses and Revenues):

Program 1 - Executive

To support the Premier as Head of Government and Chair of Cabinet by providing high-level strategic advice and support, managing executive government processes, and coordinating and developing strategic projects and whole-of-government initiatives.

Program 2 - Office for Volunteers

Provision of services that facilitate and enhance a partnership between the Government and the volunteer sector for the benefit of the South Australian community; provision of policy and strategic advice that enhances the Government's capacity to identify, prioritise and respond appropriately to the needs of the volunteer community in South Australia; initiation of programs that support and promote volunteering.

Program 3 - Public Sector Human Resource Management

This program provides strategic human resource management planning, policy, advice, monitoring and reporting; improves the capability and professionalism of the public sector through people development; and helps the Government achieve its economic development and social goals by providing employee relations services and occupational health, safety and injury management services.

Program 4 - Library and Information Services

To provide information to the public, industry and government agencies and to fund services provided by PLAIN Central Services to public libraries.

Program 5 - Access to Art, Museum and Heritage Services and Preservation of State Collections

The provision of services that enable the State's cultural, heritage and arts assets to be appropriately maintained and be accessible to the community.

Program 6 - Arts Industry Development and Access to Artistic Product

Provision of services that enhance opportunities for emerging artists, cultural tourism, festivals and events and provide for productions, exhibitions, tours and events to the community.

4. Employee Entitlements**(a) Employee Costs**

	2003	2002
	\$'000	\$'000
Wages and salaries	19 884	18 379
Superannuation and payroll tax expenses	4 048	3 534
Annual and long service leave expenses	2 858	2 531
Board fees ⁽ⁱ⁾	99	208
Other employee related expenses	1 128	3 053
	28 017	27 705

(i) Represents fees paid to members of the Remuneration Tribunal and the Social Inclusion Board.

(b) Provision for Employee Entitlements	2003	2002
Current Liabilities:	\$'000	\$'000
Annual leave	1 608	1 487
Long service leave	809	933
Workers compensation	86	13
	2 503	2 433
Non-Current Liabilities:		
Long service leave	4 595	4 625
Workers compensation	232	29
	4 827	4 654
Total Provision for Employee Entitlements	7 330	7 087
(c) Provision for Related On-Costs		
Annual Leave:		
Included in payables - Current (refer Note 12)	260	210
Provision for employee entitlements - Current (refer to Note 4(b))	1 608	1 487
	1 868	1 697
Long Service Leave:		
Included in payables - Current (refer Note 12)	93	111
Included in payables - Non-current (refer Note 12)	528	520
Provision for employee entitlements - Current (refer to Note 4(b))	809	933
Provision for employee entitlements - Non-current (refer to Note 4(b))	4 595	4 625
	6 025	6 189
Workers Compensation:		
Provision for employee entitlements - Current (refer to Note 4(b))	86	13
Provision for employee entitlements - Non-current (refer to Note 4(b))	232	29
	318	42
Aggregate employee benefits and related on-cost liabilities	8 211	7 928
5. Depreciation		
Depreciation was charged in respect of:		
Buildings and improvements	252	144
Furniture and fittings	324	274
Office equipment	448	298
Motor vehicles	24	-
Systems development	208	197
	1 256	913
6. Other Expenses from Ordinary Activities		
General administration	7 315	10 234
Graduate Program expenses	376	1 379
Fees and charges	50	59
IT related expenses	1 715	1 947
Marketing and promotional expenses	571	1 826
Grant to Government Workers Rehabilitation and Compensation Fund	5 322	4 534
Grant payments	2 858	3 516
Service Level Fee to other government agencies	1 237	1 345
EDS charges	1 347	790
Consultants	428	1 671
Contractors	2 492	1 261
	23 711	28 562
7. Revenue from Ordinary Activities		
(a) User charges and fees comprised:		
Interpreting and translating services	-	2 090
Arts SA Industry related fees	1 667	578
Other recoveries for services	3 418	1 755
	5 085	4 423
(b) Other revenue from ordinary activities comprised:		
Reimbursement for TVSPs paid	-	1 290
Recovery of costs from the Adelaide City Council for the Capital City Project Team	235	85
Rebate from private industry	106	-
Recovery of costs from private industry	254	-
Recovery of conference fees	194	-
Grant from private industry	85	182
Grant from Commonwealth Government	-	395
Other sundry items	2 561	3 086
	3 435	5 038

8. Financial Instruments

The following disclosures have been provided to satisfy the requirements of Accounting Standard AASB 1033, 'Presentation and Disclosure of Financial Instruments'.

(a) Terms, Conditions and Accounting Policies**(i) Financial Assets**

- Cash on hand is available at call and is recorded at cost.
- Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 60 days.

(ii) Financial Liabilities

- The imprest account is repayable to the Treasurer and is recorded at the value of the monies received.
- Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

(b) Interest Rate Risk

Financial Instrument	Floating Interest Rate		Non-Interest Bearing		Total Carrying Amount		Weighted Average Effective Interest Rate	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 Percent	2002 Percent
Financial Assets:								
Cash on hand	31 680	35 046	32	34	31 712	35 080	4.6	4.17
Receivables	-	-	2 470	2 791	2 470	2 791	-	-
Investments	-	-	380	1 068	380	1 068	-	-
	31 680	35 046	2 882	3 893	34 562	38 939		
Financial Liabilities:								
Imprest account	-	-	27	29	27	29	-	-
Payables	-	-	1 563	2 012	1 563	2 012	-	-
	-	-	1 590	2 041	1 590	2 041		

(c) Net Fair Values

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

9. Receivables

	2003 \$'000	2002 \$'000
Receivables	2 557	2 804
Less: Doubtful debts	(87)	(13)
	2 470	2 791

10. Other Current Assets

	2003	2002
Prepayments	53	91

11. Property, Plant and Equipment

	Buildings & Improvements	Furniture & Fittings	Office Equipment	Systems Development	Motor Vehicles	Works of Art	2003 Total \$'000
Valuation at Current Cost and Historical Cost							
Balance at 30 June 2002	25 814	1 575	1 795	1 008	70	47	30 309
Additions	-	476	72	53	-	-	601
Assets transferred out	-	(113)	-	-	-	-	(113)
Disposals	-	-	(42)	-	-	-	(42)
Balance at 30 June 2003	25 814	1 938	1 825	1 061	70	47	30 755
Accumulated Depreciation							
Balance at 30 June 2002	(7 356)	-	(729)	(279)	-	-	(8 364)
Disposals	-	-	42	-	-	-	42
Depreciation expense	(252)	(324)	(448)	(208)	(24)	-	(1 256)
Balance at 30 June 2003	(7 608)	(324)	(1 135)	(487)	(24)	-	(9 578)
Net Book Value							
As at 30 June 2002	18 458	1 575	1 066	729	70	47	21 945
As at 30 June 2003	18 206	1 614	690	574	46	47	21 177

Valuations of Buildings and Improvements, and Furniture and Fittings were determined as at 30 June 2002 by Rushton Group Australia Pty. Ltd. Valuations of assets held by the office of the Agent General in London were determined as at 30 June 2002 by Wellingtons Estate Agents. The assets have been revalued using the net method as prescribed in AASB 1041 'Revaluation of Non-Current Assets'. Valuations of Departmental Land, Buildings and Improvements held for cultural purposes were determined as at 30 June 2002 by the Australian Valuation Office.

16. Remuneration of Employees

The number of employees whose total employment cost was over \$100 000 fell within the following bands:

Department of the Premier and Cabinet:

	2003	2002
	Number of	Number of
	Employees	Employees
\$100 000 - \$109 999	6	7
\$110 000 - \$119 999	5	4
\$120 000 - \$129 999	6	4
\$130 000 - \$139 999	6	6
\$140 000 - \$149 999	4	2
\$150 000 - \$159 999	1	1
\$160 000 - \$169 999	-	3
\$170 000 - \$179 999	6	3
\$180 000 - \$189 999	2	1
\$190 000 - \$199 999	-	1
\$200 000 - \$209 999	1	-
\$220 000 - \$229 999	1	1
\$240 000 - \$249 999	1	1
\$250 000 - \$259 999	-	1
\$280 000 - \$289 999	-	1
\$290 000 - \$299 999	1	-
	40	36
	1	-
	-	1
	3	-
	1	-
	5	1

Unattached Unit:

\$100 000 - \$109 999	1	-
\$110 000 - \$119 999	-	1
\$120 000 - \$129 999	3	-
\$180 000 - \$189 999	1	-
	5	1

The table includes all employees who received remuneration of \$100 000 or more during the year paid by the Department of the Premier and Cabinet. The total remuneration received by these employees for the year was \$6 558 000 (\$5 436 000).

2003 figures include 5 employees from Arts SA amounting to \$649 000.

Unattached unit consists of *Public Sector Management Act 1995* employees who are unable to be placed in government agencies and authorities.

17. Payments to Consultants

Payments to consultants fell within the following bands:

	2003	2002
	Number of	Number of
	Consultants	Consultants
\$0 - \$10 000	23	73
\$10 001 - \$50 000	8	25
\$50 001 - \$100 000	1	5
\$100 001 - \$150 000	1	1
\$150 001 - \$200 000	-	1
Over \$250 000	-	1

The total payments to the 33 consultants was \$428 000 (\$1 671 000) in 2002-03.

2003 figures include 4 consultants engaged by Arts SA amounting to \$37 000.

18. Remuneration of Auditors

Amounts received or due and receivable by the auditors with respect to the audit of the Department are:

Auditing services

2003	2002
\$'000	\$'000
113	104

19. Targeted Voluntary Separation Package (TVSPs)

Number of employees paid TVSPs

2003	2002
Number of	Number of
Employees	Employees
-	13

Amount paid to these employees:

TVSP

Accrued annual and long service leave

2003	2002
\$'000	\$'000
-	1 290
-	306
-	1 596

Amount recovered from the Targeted Voluntary Separation Package Scheme Special Deposit Account

-

1 290

These amounts are included in the Financial Statements.

20. Trust Funds

The Department administers, but does not control, the Bank of Tokyo Cultural and Social Exchange Program and the SA Okayama Account.

Aggregate details of the transactions and balances relating to the Funds are as follows:

	2003	2002
	\$'000	\$'000
Bank of Tokyo Cultural and Social Exchange Program:		
Cash at 1 July	150	158
Add: Receipts	6	7
Less: Expenditure	(15)	(15)
Cash Balance at 30 June	141	150
SA Okayama Account:		
Cash balance at 1 July	40	38
Add: Receipts	1	2
Less: Expenditure	-	-
Cash Balance at 30 June	41	40

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, they are not brought to account in the financial report, but are shown here for information purposes.

21. Grants and Subsidies

The following details figures for grants and subsidies paid by Arts SA:

	1.7.02	1.4.02 to	1.7.01 to
	30.6.03	30.6.02	30.6.02
	\$'000	\$'000	\$'000
Lead Agency Art Grants:			
Museum Board	8 982	2 006	7 230
Libraries Board of South Australia	45 639	19 318	38 888
Adelaide Festival Centre Trust	8 659	6 252	15 353
Art Gallery Board	5 725	1 670	5 937
Country Arts SA	4 633	928	4 710
South Australian Film Corporation	4 592	1 151	4 585
History Trust of South Australia	3 545	690	3 625
Adelaide Festival Corporation	3 019	35	4 209
State Opera of South Australia	1 034	137	1 387
South Australian Youth Arts Board	1 710	424	1 696
State Theatre Company of South Australia	1 597	271	1 598
Adelaide Symphony Orchestra	1 708	417	1 885
Jam Factory of Contemporary Craft and Design	824	166	774
Australian Dance Theatre	1 140	77	557
Carrick Hill Trust	646	130	600
Tandanya	594	-	595
Windmill Performing Arts	1 000	-	599
Adelaide Fringe	403	-	650
Disability Information and Resource Centre (DIRC)	173	-	165
Community Information Strategies Australia (CISSA)	161	-	161
Arts Industry Development Grants:			
Project assistance	2 771	146	3 183
General purpose assistance	2 747	350	2 545
Other arts grants	2 808	1 115	3 095
	104 110	35 283	104 027

22. Reporting of Transferred Functions

As a result of a restructuring of Administrative arrangements, the Department assumed the responsibility of the Office for Volunteers during the reporting period. In addition, the Department relinquished its responsibility for the following activities:

- Multicultural Affairs
- Media Monitoring Unit
- Office of Innovation
- Centre for Lifelong Learning

(a) Net Assets Transferred In

The liabilities assumed by the Department of the Premier and Cabinet, as a result of the transfer of Office for Volunteers from the Emergency Services Administrative Unit, are as follows:

	2003
	\$'000
Assets:	
Cash at bank	300
	300
Liabilities:	
Current:	
Payables	7
Provision for employee entitlements	31
Non-Current:	
Payables	31
Provision for employee entitlements	127
	196
Net Assets Transferred In	104

(a) Net Assets Transferred In (continued)

In respect of the Office for Volunteers which was assumed from Emergency Services Administrative Unit on 1 July 2002, no expenses or revenues were recognised in their Statement of Financial Performance for the reporting period ended 30 June 2003. The total revenue and expenses in respect of the Office for Volunteers recognised by the Department for the reporting period are \$1 501 000 and \$1 768 000 respectively.

(b) Net Assets Transferred Out

Net assets transferred out of the Department of the Premier and Cabinet as a result of restructure are as follows:

	2003				2003 \$'000
	Media Monitoring Unit \$'000	Multi- Cultural Affairs \$'000	Office of Innovation \$'000	Centre for Lifelong Learning \$'000	
Assets:					
Current:					
Receivables	-	300	-	-	300
Other	-	72	-	-	72
	<u>-</u>	<u>372</u>	<u>-</u>	<u>-</u>	372
Non-Current:					
Property, plant and equipment	-	62	-	51	113
	<u>-</u>	<u>62</u>	<u>-</u>	<u>51</u>	113
Liabilities:					
Current:					
Payables	8	78	5	9	100
Provision for employee entitlements	52	367	29	64	512
	<u>60</u>	<u>445</u>	<u>34</u>	<u>73</u>	612
Non-Current:					
Imprest Account	-	3	-	-	3
Payables	4	41	5	17	67
Provision for employee entitlements	37	352	40	150	579
	<u>41</u>	<u>396</u>	<u>45</u>	<u>167</u>	649
Net Assets Transferred Out	<u>(101)</u>	<u>(407)</u>	<u>(79)</u>	<u>(189)</u>	(776)

The net assets transferred out of the Department of the Premier and Cabinet are recorded at the carrying amount per the Statement of Financial Position as at 1 July 2002, the transfer date.

An amount of \$407 000 representing the net assets for Multicultural Affairs was transferred to the Attorney-General's Department. An amount of \$101 000 representing the net assets for Media Monitoring Unit was transferred to the Department for Administrative and Information Services. An amount of \$268 000 representing the net assets for Centre for Lifelong Learning and Office of Innovation was transferred to the Department of Further Education, Employment, Science and Technology.

Total Revenues from Restructuring	2003 \$'000 880
--	--

TARGETED VOLUNTARY SEPARATION PACKAGE (TVSP) SCHEME

SCHEME OBJECTIVES

Since 1993, various Targeted Voluntary Separation Package Schemes have been utilised by Government to facilitate workforce restructuring, the enhancement of the workforce skills profile, graduate recruitment and the ongoing modernisation and improvement of the efficiency and productivity of the public sector.

The Government approved in July 2002 the implementation of a Targeted Voluntary Separation Package (TVSP) Scheme for a 12 month period ending on 11 August 2003. While all formal offers of TVSPs must occur no later than 11 August 2003, separations can be paid up to 8 September 2003. The current TVSP scheme replaced the previous Enhanced Targeted Voluntary Separation Package Scheme which ceased on 19 September 2001.

The purpose of the current TVSP Scheme is to assist agencies to meet budget targets by reducing numbers of excess employees.

ADMINISTRATIVE RESPONSIBILITY

The financial arrangements of the Targeted Voluntary Separation Package Scheme are administered by the Department of the Premier and Cabinet's Office for the Commissioner of Public Employment through a Special Deposit Account titled 'Targeted Voluntary Separation Package Scheme'.

Payments through the account included separation costs, workers compensation and costs associated with the processing of packages. The principal source of funds consists of monies appropriated by Parliament to the Treasurer.

The calculation of the separation payments is based on staged levels of payment depending on separation date and years of service, and are set out in the Determinations of the Commissioner for Public Employment issued under the *Public Sector Management Act 1985*.

SIGNIFICANT FEATURES

- The approved budget allocation for the TVSP Scheme was \$42 million.
- Appropriations for the year totalled \$10 million as compared to \$84.1 million in 2001-02.
- Payments made for Targeted Voluntary Separation Packages during the year totalled \$9.6 million, a decrease of \$81.5 million over the previous year.

AUDIT MANDATE AND COVERAGE

The audit of the Department of the Premier and Cabinet included matters relating to the audit of the TVSP Scheme which it administers.

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Targeted Voluntary Separation Package Scheme for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Targeted Voluntary Separation Package Scheme 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer’s Instruction 2 ‘Financial Management Policies’.

Audit Communications to Management

No material issues were formally communicated to management during the year.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer’s Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable accounting standards, other mandatory professional reporting requirements, the financial position of the Targeted Voluntary Separation Package Scheme as at 30 June 2003 and the results of its financial performance and cash flows for the year then ended.

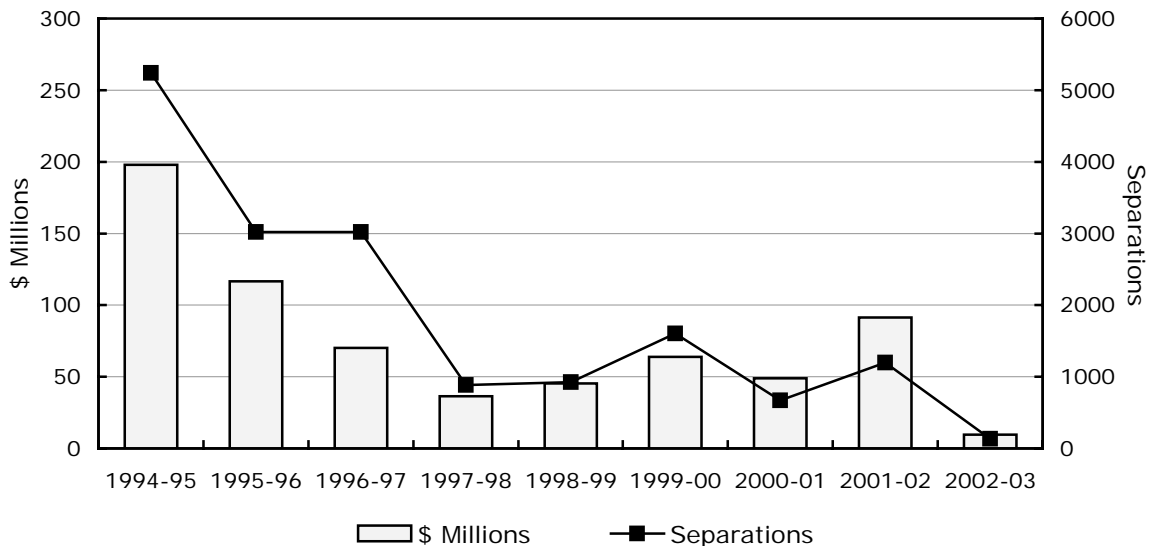
Assessment of Controls

Audit formed the opinion that the controls exercised by the Targeted Voluntary Separation Package Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Targeted Voluntary Separation Package Scheme have been conducted properly and in accordance with law.

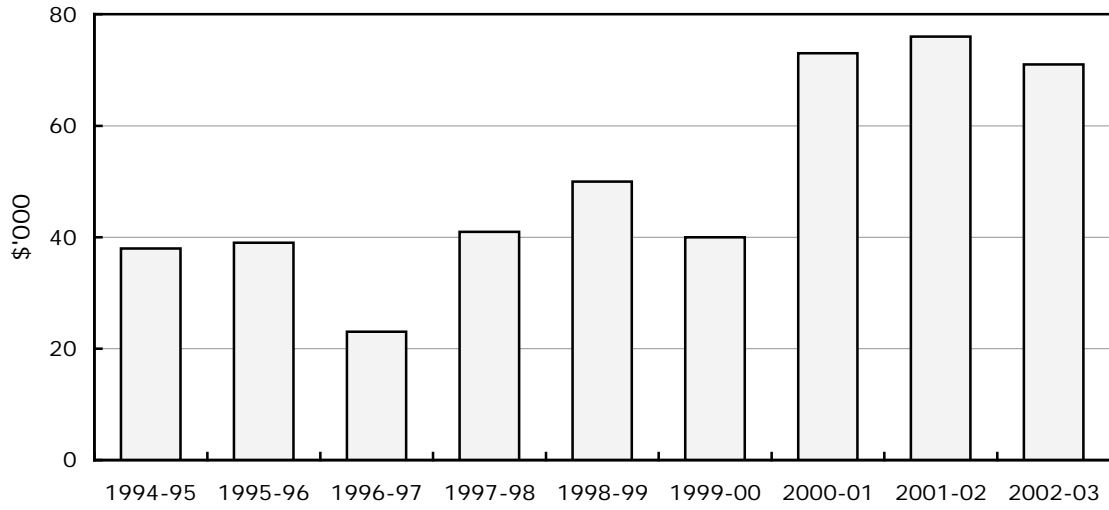
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Total Separations

The total number of separations and the cost of those separation packages, excluding other payments, for the past nine years is illustrated in the following chart.



The following chart illustrates the average separation payments made over the last eight years.



TARGETED VOLUNTARY SEPARATION PACKAGE SCHEMES

Statement of Financial Performance for the year ended 30 June 2003

		2003	2002
		\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:	Note		
Targeted Voluntary Separation Packages	3	9 623	91 150
Workers compensation		150	1 900
Other expenses from ordinary activities	4	185	189
Total Expenses		9 958	93 239
NET COST OF SERVICES	7(b)	(9 958)	(93 239)
REVENUES FROM GOVERNMENT			
Appropriation		10 000	84 064
Total Revenues from Government		10 000	84 064
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS		42	(9 175)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		42	(9 175)

**Statement of Financial Position
as at 30 June 2003**

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS:			
Cash		978	173
Receivables		-	48
Total Current Assets		978	221
Total Assets		978	221
CURRENT LIABILITIES:			
Payments due to external parties	5	722	7
Total Current Liabilities		722	7
Total Liabilities		722	7
NET ASSETS		256	214
EQUITY:			
Retained surplus	6	256	214
TOTAL EQUITY		256	214

**Statement of Cash Flows
for the year ended 30 June 2003**

	2003	2002
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
PAYMENTS:		
	Note	
Targeted Voluntary Separation Packages	(9 236)	(94 755)
Workers compensation	-	(1 900)
Other expenses from ordinary activities	(7)	(189)
Total Payments	(9 243)	(96 844)
RECEIPTS:		
Other receipts from ordinary activities	48	-
Total Receipts	48	-
CASH FLOWS FROM GOVERNMENT:		
Appropriation	10 000	84 064
Total Cash Flows from Government	10 000	84 064
Net Cash provided by (used in) Operating Activities	805	(12 780)
	7(a)	
NET INCREASE (DECREASE) IN CASH HELD	805	(12 780)
CASH AT 1 JULY	173	12 953
CASH AT 30 JUNE	978	173

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives

The Targeted Voluntary Separation Package Scheme was established in March 1993 to assist agencies in meeting budget targets set by Cabinet to meet the Government's deficit and debt outcomes. The Scheme takes account of workforce reduction requirements and human resource management aspects of contracting out and restructuring of agency operations.

The current Targeted Voluntary Separation Package Scheme will operate for a period from 12 August 2002 to 8 September 2003 with the period during which packages may be offered by agencies ending on 11 August 2003.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The accounts have been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historic cost principles except where stated.

(b) The Reporting Entity

The financial arrangements of the Targeted Voluntary Separation Package Scheme are administered by, but not controlled by, the Department of the Premier and Cabinet through a Special Deposit Account titled 'Targeted Voluntary Separation Package Scheme' (the Account). The Account's principal source of funds consists of monies appropriated by Parliament to the Treasurer - Other Items line entitled 'Funding for Targeted Voluntary Separation Package Scheme'.

(c) Appropriations

Appropriations are recognised as revenue when the Fund obtains control over the assets comprising the contribution. Control over appropriation is normally obtained upon their receipt.

(d) Cash

For the purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis.

3. Targeted Voluntary Separation Packages

	2003	2002
	\$'000	\$'000
Agencies receiving reimbursements for the year are:		
Department of Transport and Urban Planning	866	6 799
Department of Human Services	2 699	16 051
Department of Education and Children's Services	-	43 888
Department for Administrative and Information Services	1 054	6 374
Department of Justice	631	6 368
Department of Primary Industries and Resources	819	3 805
Department for Environment and Heritage	1 187	3 834
Department of Business, Manufacturing and Trade	1 217	-
Other agencies	1 150	4 031
	<u>9 623</u>	<u>91 150</u>

4. Other Expenses from Ordinary Activities

Expenses incurred in administering the Scheme are reimbursed to the following:

Department of the Premier and Cabinet	172	182
Audit Fees	13	7
	<u>185</u>	<u>189</u>

5. Payments due to external parties

Unreimbursed TVSP payments due to external parties
 Payment due to Government Workers Rehabilitation and Compensation Scheme
 Accrued administration costs due to external parties
 Accrued audit fees due to the Auditor-General's Department

	387	-
	150	-
	172	-
	13	7
	<u>722</u>	<u>7</u>

6. Accumulated Surplus

Balance at the beginning of the financial year
 Increase (Decrease) in net assets resulting from operations

Balance at the end of the financial year

	214	9 389
	42	(9 175)
	<u>256</u>	<u>214</u>

7. Reconciliation of Net Cash provided by (used in) Operating Activities to Net Surplus (Cost) of Services

(a) Net cash provided by (used in) operating activities
 Cash flows from Government
 Change in operating assets and liabilities:
 Increase (Decrease) in receivables
 (Increase) Decrease in creditors

	805	(12 780)
	(10 000)	(84 064)
	(48)	48
	(715)	3 557

(b) Net Cost of Services

(9 958) (93 239)

GOVERNMENT WORKERS REHABILITATION AND COMPENSATION FUND

ADMINISTERED RESPONSIBILITY

The Government Workers Rehabilitation and Compensation Fund (the GWRC Fund) is administered by, but not controlled by, the Department of the Premier and Cabinet.

Costs associated with the Fund are processed through a non-interest bearing Special Deposit Account titled 'Government Workers Rehabilitation and Compensation Fund'. The payments processed through the account include all lump-sum claim payments and costs associated with administering the Fund. The principal source of funds consists of monies appropriated to the Fund by Parliament through the Department of the Premier and Cabinet.

OBJECTIVES OF THE FUND

The GWRC Fund was established to provide funding of the rehabilitation programs and payments of workers compensation benefits for government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury and disease suffered as a result of work.

SIGNIFICANT FEATURES

- The net result of the GWRC Fund was an increase in net liabilities of \$4.4 million (\$4.4 million) reflecting the funding arrangements, whereby appropriations are principally for claim payments, and do not reflect the increasing liability for outstanding claims.
- There was a deficiency of net assets of \$23.1 million (\$18.6 million) as at 30 June 2003.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Government Workers Rehabilitation and Compensation Fund for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Government Workers Rehabilitation and Compensation Fund 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

The major focus of audit was with respect to financial reporting, including valuations undertaken of the Fund's liabilities and assets, where applicable. The audit also included the review of controls over the claims management system.

Audit Communications to Management

No material issues were formally communicated to management during the year. Matters raised during the course of the audit were satisfactorily addressed by the Department.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable accounting standards and other mandatory professional reporting requirements, the financial position of the Government Workers Rehabilitation and Compensation Fund as at 30 June 2003 and the results of its financial performance and cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Government Workers Rehabilitation and Compensation Fund in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Government Workers Rehabilitation and Compensation Fund have been conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Outstanding Claims

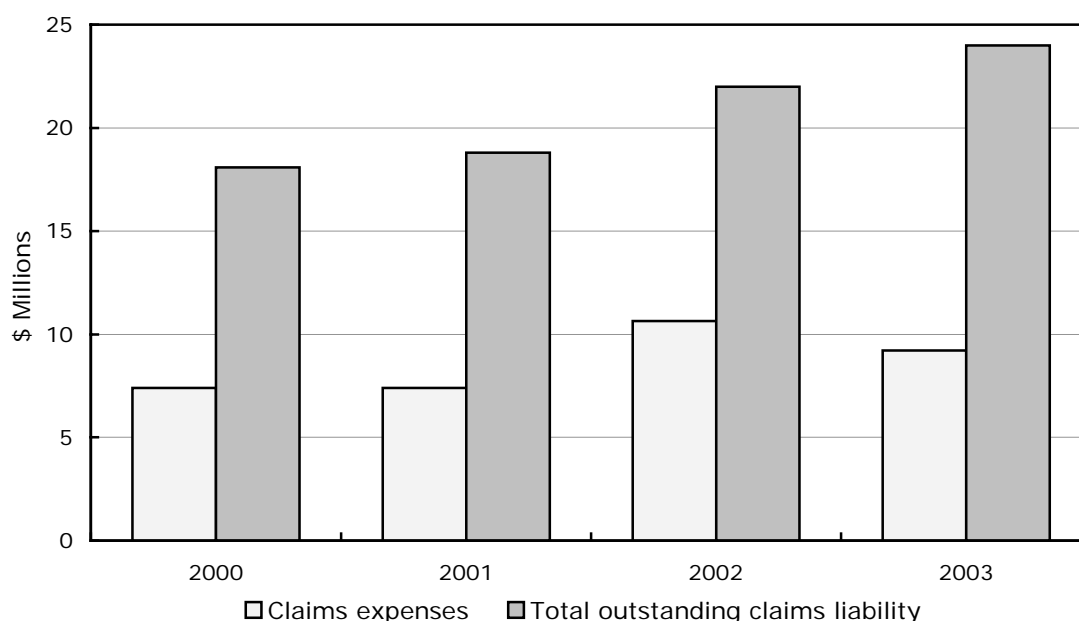
The GWRC Fund's Statement of Financial Position is dominated by the provision for outstanding claims, which by its nature is a highly subjective number. As a result, an independent actuary is appointed to undertake an analysis of the outstanding claims liability for the whole-of-government.

The outstanding claims liability is based on the number of claims reported and payments for each payment type during each accident period. The actuary then uses a statistical model to estimate the total outstanding claims, including 'incurred but not reported' claims. The liability is adjusted for several factors, including inflating and discounting of the claims to their present value and an estimate of the cost of administering the outstanding claims.

Unlike the requirements for private sector funds, no prudential margin is provided to give additional assurance that the estimate will be sufficient to meet future claim payments. The actuary has indicated that this approach is similar to that adopted by similar government funds in other jurisdictions.

With respect to the GWRC Fund, the outstanding claim liability as at 30 June 2003 was \$24 million (\$22 million).

The following chart shows the movement in the annual claims expense and the total outstanding claims liability for the four years to 2003.



GOVERNMENT WORKERS REHABILITATION AND COMPENSATION FUND

Statement of Financial Performance for the year ended 30 June 2003

		2003	2002
	Note	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Claims expenses	3	9 208	10 651
Repayment of funding to the Treasurer	4	1 000	-
Other expenses from ordinary activities	5	287	228
Total Expenses		10 495	10 879
 REVENUE FROM ORDINARY ACTIVITIES:			
Transfer from Targeted Voluntary Separation Package Scheme		150	1 900
Other revenues from ordinary activities	6	598	26
Total Revenues		748	1 926
NET COST OF SERVICES	11(b)	(9 747)	(8 953)
REVENUES FROM GOVERNMENT:			
Grants and subsidies		5 322	4 534
Total Revenues from Government		5 322	4 534
DECREASE IN NET ASSETS RESULTING FROM OPERATIONS		(4 425)	(4 419)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(4 425)	(4 419)

**Statement of Financial Position
as at 30 June 2003**

	Note	2003	2002
		\$'000	\$'000
CURRENT ASSETS:			
Cash		1 834	3 333
Receivable from Targeted Voluntary Separation Package Scheme		150	-
Receivables	7(a)	28	21
Total Current Assets		2 012	3 354
NON-CURRENT ASSETS:			
Receivables	7(b)	94	77
Total Non-Current Assets		94	77
Total Assets		2 106	3 431
CURRENT LIABILITIES:			
Payables	8	1 174	54
Outstanding claims liability	9(a)	5 956	5 891
Total Current Liabilities		7 130	5 945
NON-CURRENT LIABILITIES:			
Outstanding claims liability	9(b)	18 051	16 136
Total Non-Current Liabilities		18 051	16 136
Total Liabilities		25 181	22 081
NET DEFICIENCY		(23 075)	(18 650)
EQUITY:			
Retained deficit	10	(23 075)	(18 650)
TOTAL DEFICIENCY		(23 075)	(18 650)

Statement of Cash Flows
for the year ended 30 June 2003

	2003	2002
	Inflows	Inflows
	(Outflows)	(Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
PAYMENTS:		
	Note	
Lump sum settlements	(6 136)	(7 417)
Repayment of funding to the Treasurer	(1 000)	-
Other payments from ordinary activities	(259)	(213)
Total Payments	(7 395)	(7 630)
RECEIPTS:		
Other receipts from ordinary activities	574	29
Transfer from Targeted Voluntary Separation Package Scheme	-	1 900
Total Receipts	574	1 929
CASH FLOWS FROM GOVERNMENT:		
Grants and subsidies	5 322	4 534
Total Cash Flows from Government	5 322	4 534
Net Cash used in Operating Activities	(1 499)	(1 167)
	11(a)	
NET DECREASE IN CASH HELD	(1 499)	(1 167)
CASH AT 1 JULY	3 333	4 500
CASH AT 30 JUNE	1 834	3 333

NOTES TO AND FORMING PART OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

1. Objectives

The Government Workers Rehabilitation and Compensation Fund (the Fund) was established to provide for the funding of rehabilitation programs and payment of workers compensation benefits for Government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury and disease suffered as a result of work.

2. Summary of Significant Accounting Policies

(a) **Basis of Accounting**

The accounts have been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historical cost principles except where stated.

(b) **The Reporting Entity**

The financial report encompasses all activities transacted through a Special Deposit Account titled 'Government Workers Rehabilitation and Compensation Fund'. The Fund is administered by, but not controlled by, the Department of the Premier and Cabinet.

The Fund's principal sources of funding consists of:

- monies appropriated to the Department of the Premier and Cabinet for the Fund by Parliament;
- monies reimbursed from the Targeted Voluntary Separation Package Schemes Special Deposit Account for the settlement of outstanding workers compensation claims, which is a pre-requisite of the separation process;
- recoveries from third parties, mainly in regard to motor vehicle accidents.

(c) **Claims Expenses Met from the Fund**

The following expenses for claims are met by the Fund:

- Lump sum settlements for small and certain medium sized government agencies covered by the Fund.
- A portion of lump sum settlements to larger government agencies.
- Income maintenance, legal costs and other costs for three specific agencies.

(d) **Appropriations**

Appropriations are recognised as revenue when the Fund obtains control over the assets comprising the contribution. Control over appropriations is normally obtained upon their receipt.

(e) **Receivables**

Funding is obtained by recoveries from third parties. The level of receivables in relation to third party recoveries has been established on the basis of an independent actuarial assessment of the estimated revenue expected from recovery action against third parties. The actuarial assessment includes the separation of the receivables into current and non-current.

(f) **Cash**

For purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis.

(g) **Outstanding Claims Liability**

The provision for outstanding liability of the Fund covers those claims expenses stated in Note 2(c) as being met from the Fund.

A liability for outstanding claims is recognised in respect of claims incurred but not yet paid, claims incurred but not reported, and the anticipated direct and indirect costs of settling those claims.

The liability for outstanding claims has been established on the basis of an independent actuarial assessment of the estimated costs of settlement of claims, inflated for the anticipated effects of inflation and other factors, and discounted to a present value at balance date.

(h) **Financial Instruments**

The Fund's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at year end, are as follows:

Financial Assets

Cash at bank includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis. Cash deposits are non-interest bearing.

Receivables (Note 7) include client debtors and other debtors and are reported at amounts due.

Financial Liabilities

Payables (Note 8) are raised for amounts billed but unpaid and are normally settled within 30 days.

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value.

3. Claims Expense Claims expense comprised of:	Operating Payments		Movement in Outstanding Liability		Total Expense	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Lump sum settlements	785	903	1 833	3 063	2 618	3 966
Income maintenance	5 844	5 958	147	172	5 991	6 130
Legal costs	2	14	-	-	2	14
Other	597	541	-	-	597	541
	7 228	7 416	1 980	3 235	9 208	10 651

The movement in the outstanding liability has been allocated on an apportionment basis of the total current and non-current claims liability.

4. **Repayment of Funding to the Treasurer**

In 2000-01 and 2001-02 funds totalling \$1 million were received by the Government Workers Rehabilitation and Compensation Fund to obtain catastrophe insurance coverage for workers compensation costs for government agencies. In June 2003, it was determined that the proposal would not be implemented and as such the funding was repaid to the Treasurer.

5. **Other Expenses from Ordinary Activities**

	2003 \$'000	2002 \$'000
WorkCover exempt employer levy	176	124
Consultants ⁽ⁱ⁾	58	60
Audit fees	17	10
Other	36	34
	287	228

(i) The consultant expenses relate to the services provided by the Actuary (Taylor Fry Consulting Actuaries).

6. **Other Revenue from Ordinary Activities**

	2003	2002
Recoveries from third parties	25	24
Recoveries from general government	572	-
Sundry revenue	1	2
	598	26

7. **Receivables**

The Fund's third party recoveries receivable was determined by an independent actuary valuation performed by Taylor Fry Consulting Actuaries.

(a) Current:		
Third party recoveries	28	21
(b) Non-Current:		
Third party recoveries	94	77
(c) Total:		
Third party recoveries	122	98
	122	98

8. **Payables**

Consultant fees	51	44
Lump sum settlements	1092	-
Other	31	10
	1 174	54

The payables figure for 30 June 2002 has been disaggregated to reflect the amount payable to consultants.

9. **Outstanding Claims Liability**

The Fund's liability reflects an actuarial assessment of the government workers compensation liability as outlined in Note 2(c) according to the experience of claim numbers and payments over the period 1 July 1987 to 30 June 2003. The whole-of-government estimate can be found in a report prepared by Taylor Fry Consulting Actuaries, dated 29 August 2003 and submitted to the Department of the Premier and Cabinet. This report conforms to the WorkCover Guidelines for Actuaries, Accounting Standard AASB 1023 'Financial Reporting of General Insurance Activities', and Professional Standard PS 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance Activities' of the Institute of Actuaries of Australia. The whole-of-government estimate in relation to this Fund is detailed below.

	2003 \$'000	2002 \$'000
(a) Current:		
Income maintenance	285	341
Lump sum settlements	5 552	5 354
Other	119	196
	5 956	5 891
(b) Non-Current:		
Income maintenance	1 356	837
Lump sum settlements	16 198	14 809
Other	497	490
	18 051	16 136

9. Outstanding Claims Liability (continued)	2003	2002
(c) Total:	\$'000	\$'000
Income maintenance	1 641	1 178
Lump sum settlements	21 750	20 163
Other	616	686
	24 007	22 027
10. Retained Deficit		
Balance at 1 July	(18 650)	(14 231)
Decrease in net assets resulting from operations	(4 425)	(4 419)
Balance at 30 June	(23 075)	(18 650)
11. Reconciliation of Net Cash used in Operating Activities to Net Cost of Services		
(a) Net cash (used in) operating activities	(1 499)	(1 167)
Cash flow from Government	(5 322)	(4 534)
Change in operating assets and liabilities:		
Increase (Decrease) in receivables	174	25
Decrease (Increase) in payables	(1 120)	(16)
(Decrease) Increase in prepayments	-	(27)
Decrease (Increase) in claims liability	(1 980)	(3 234)
(b) Net Cost of Services	(9 747)	(8 953)

SOUTH AUSTRALIAN FILM CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Film Corporation was established pursuant to the *South Australian Film Corporation Act 1972*.

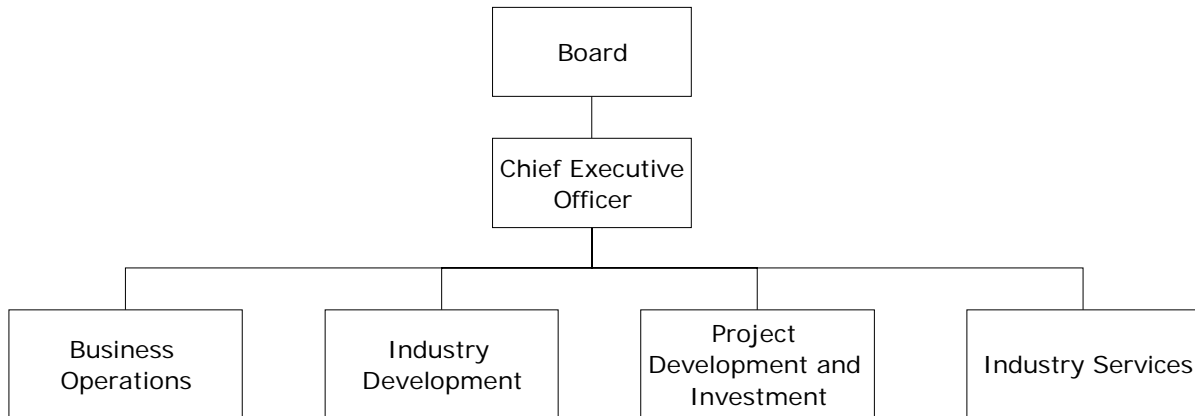
Functions

The functions of the Corporation are:

- Development of the South Australian film industry.
- Provision of financial assistance to film producers by way of grants, loans and investment capital.
- Provision of studio facilities to film producers.

Structure

The structure of the Corporation is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(2) of the *South Australian Film Corporation Act 1972* and subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the South Australian Film Corporation for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the South Australian Film Corporation 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including studio hire, cash receipting and banking
- provision of grants and loans
- disbursement of film returns.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive Officer. Responses to the management letters were considered to be satisfactory. Major matters raised with the Corporation and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the South Australian Film Corporation as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the South Australian Film Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the South Australian Film Corporation have been conducted properly and in accordance with law.

Significant Matters Raised with Agencies

Risk Management

Consistent with previous years, Audit commented that the Corporation had not established a formal process for identifying, assessing and managing risk as required by the Financial Management Framework, but did identify and manage risks through the implementation of internal controls.

The Corporation responded that it will establish a risk management policy and plan.

Delegations of Authority

Last year Audit identified that the Corporation's delegations of authority had not been amended since 1995 and recommended they be reviewed regularly.

The Corporation have revised the delegations and have submitted the revised delegations to the Minister.

Disbursement Service

The Corporation provides a disbursement service to film producers to distribute film returns to investors. Matters raised in relation to the Disbursement Service are as follows.

Internal Audits

In accordance with the Distribution Agreements with film producers, the Corporation engages an external firm to conduct audits to provide producers with assurance that monies have been received on a timely basis, are completely and accurately recorded, and the Corporation has correctly calculated and disbursed monies received.

Audit noted that the external firm was not engaged in a timely manner to perform the internal audits for 2001-02.

The Corporation responded that the internal audits will be performed annually and in a timely manner.

Independent Checking

Audit observed a lack of segregation of duties and insufficient independent checking with respect to the operation of the disbursement service.

The Corporation responded that changes to investor details and disbursement rules would be checked by a Manager and consideration would be given to segregating some duties.

Monthly Reporting

Audit noted that while the disbursement activity has increased significantly there has been no monthly reporting of that activity to the Chief Executive Officer or Board.

The Corporation responded that a monthly report on disbursement activity would be provided to the Chief Executive Officer and also to the Finance and Audit subcommittee of the Board.

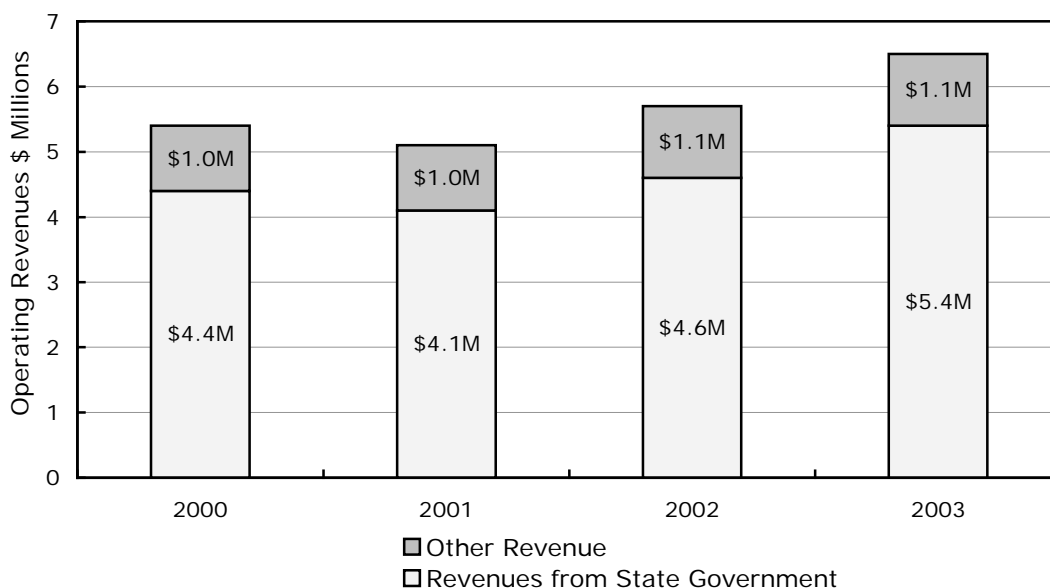
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS**Highlights of Financial Statements**

	2003 \$'million	2002 \$'million	Percentage Change
<i>OPERATING REVENUE</i>			
Revenues from State Government	5.4	4.6	17
Other revenue	1.1	1.1	0
Total Operating Revenue	6.5	5.7	14
<i>OPERATING EXPENDITURE</i>			
Depreciation and amortisation	2.2	1.7	29
Employment benefits	1.1	1.0	10
Other expenses	2.2	1.7	29
Total Operating Expenses	5.5	4.4	25
Surplus (Deficit)	1.0	1.3	(23)
Net Cash Flows from Operations	1.3	1.1	18
<i>ASSETS</i>			
Current assets	7.7	6.1	26
Non-current assets	1.8	2.4	(25)
Total Assets	9.5	8.5	12
<i>LIABILITIES</i>			
Current liabilities	0.5	0.3	67
Non-current liabilities	0	0.2	(100)
Total Liabilities	0.5	0.5	0
<i>EQUITY</i>	9.0	8.0	13

Statement of Financial Performance***Operating Revenues***

Revenues from State Government comprise approximately 80 percent of operating revenue and increased by \$0.8 million or 17 percent in 2002-03. Refer Notes 4 and 20.

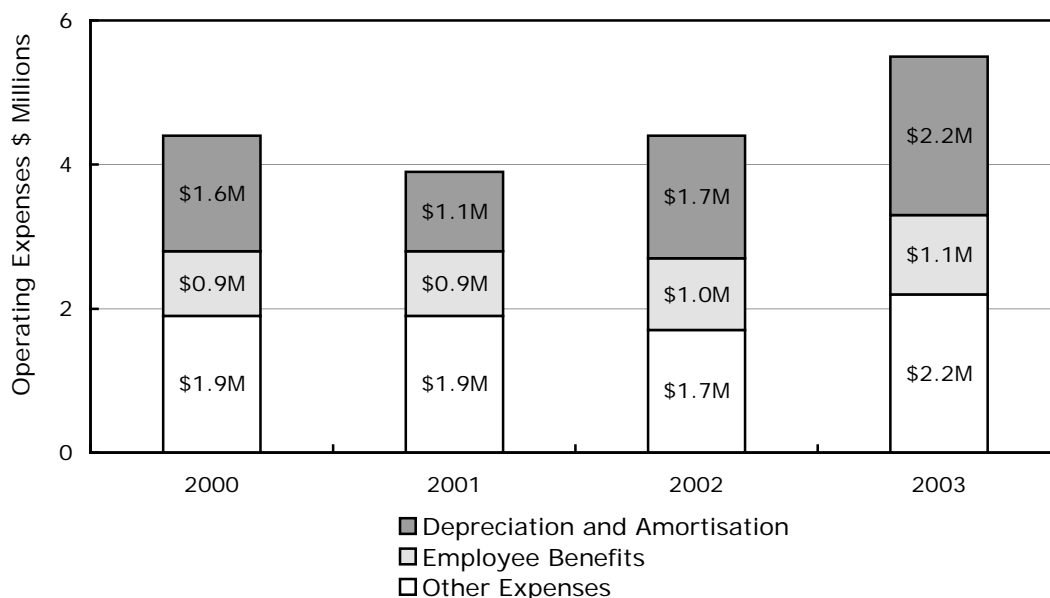
For the four years to 2003 a structural analysis of operating revenues for the Corporation is presented in the following chart.



Operating Expenses

Depreciation and amortisation expense comprises approximately 40 percent of operating expenses with amortisation expense on film investments and loans reflecting 35 percent of operating expenses.

For the four years to 2003 a structural analysis of the main operating expense items for the Corporation is shown in the following chart.



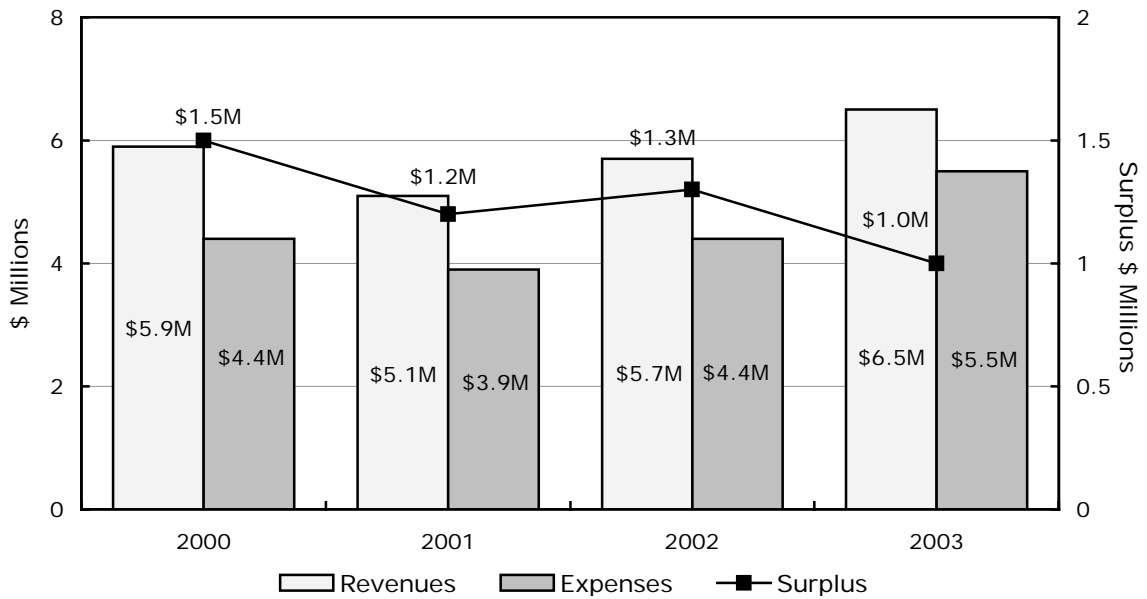
Amortisation Expense

The Corporation invests in film and television productions in return for a share of the sales proceeds after their release to the market. The Corporation also provides unsecured film development loans in return for interest payments and principal repayments upon the projects going into production. In recognition of the prospect that projects may not go into production or succeed in the market, and consequently that proceeds may not eventuate, the Corporation amortises its production investments and unsecured loans. This amortisation is reflected as an expense within the Statement of Financial Performance. Amortisation expense on Film Investments and Loans in 2002-03 increased by \$428 000 to \$1.9 million.

Operating Result

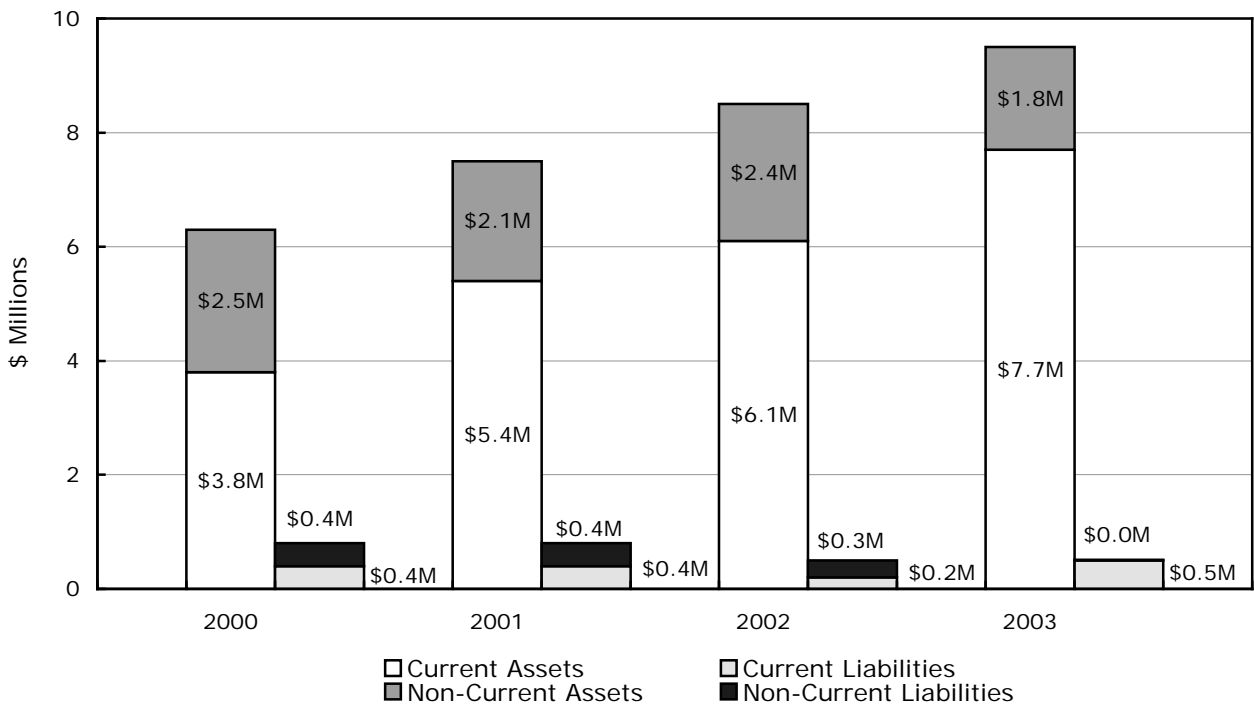
Revenues from the State Government have been approximately equal to operating expenses, with revenues from other sources creating a surplus for the current and preceding three years.

The following chart shows the operating revenues, operating expenses and surpluses for the four years to 2003.

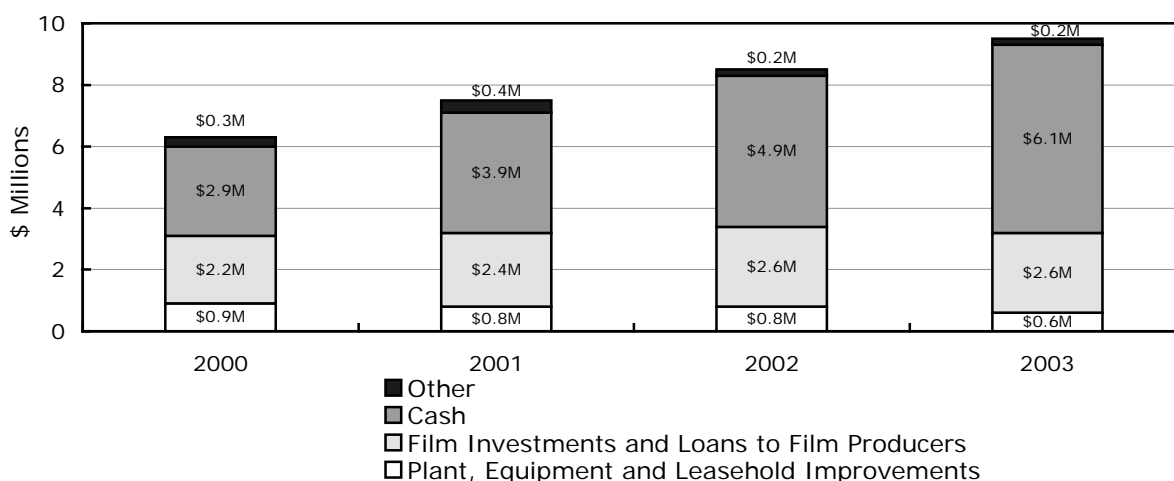


Statement of Financial Position

A structural analysis of assets and liabilities for the current year and the three preceding years is shown in the following chart. The increase in assets is due mainly to increases in cash.



A structural analysis of the Corporation's assets for the last four years as shown in the following chart indicates that the amortised balance of film investments and loans to film producers has been relatively constant while cash has accumulated.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	1.3	1.1	1.2	1.6
Investing	(0.1)	(0.1)	0	0
Financing	0	(0.1)	(0.1)	(0.2)
Change in Cash	1.2	0.9	1.1	1.4
Cash at 30 June	6.1	4.9	4.0	2.9

The increase in cash is due to the three Funds identified in Note 4 to the Financial Statements. The principal source of cash for these Funds is Government grants. In 2002-03 the Funds received \$3.8 million in Government grants and spent \$1.6 million on cash expenses. The Corporation had commitments of \$3.9 million (\$2.1 million) against the \$5.2 million (\$4.7 million) cash balance of the Funds.

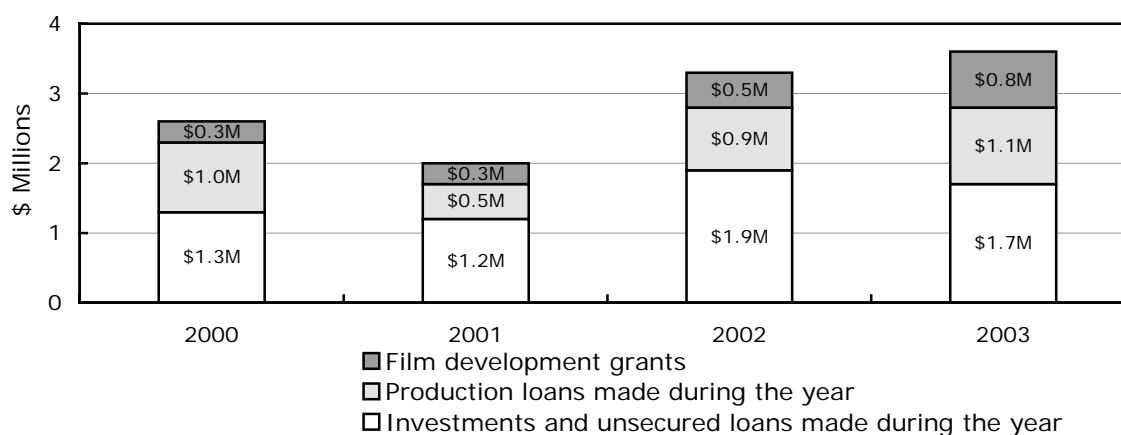
Administered Item

The Corporation provides a disbursement service to film producers and receives an administration fee for distributing film returns to investors. Disbursements decreased by \$2.4 million to \$1 million. (Refer to Note 25 to the Financial Statements).

FURTHER COMMENTARY ON OPERATIONS

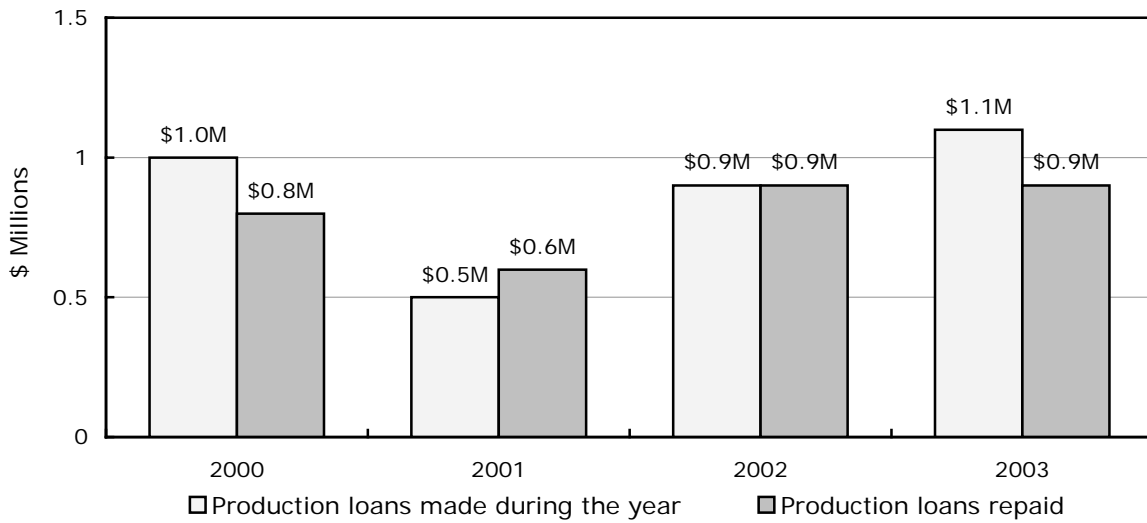
Provision of Financial Assistance to Film Producers

The following chart reflects the growth in the Corporation's function as a provider of financial assistance to film producers over the last four years.



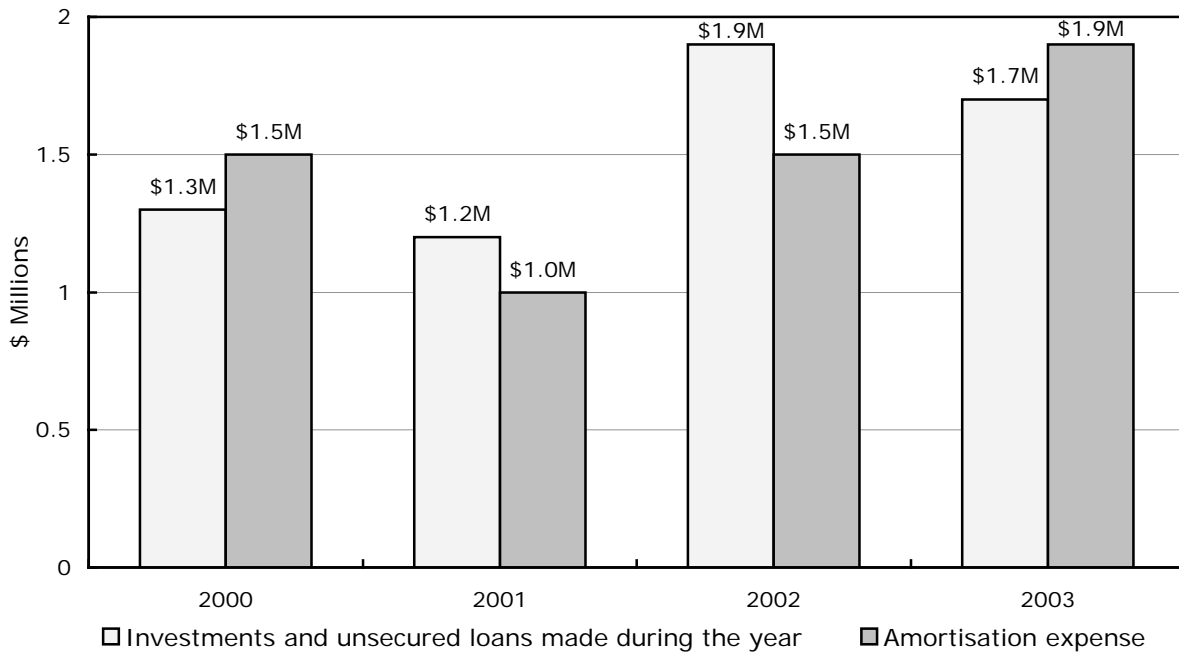
Production Loans

The chart below identifies the value of production loans provided each year to film producers and production loans repaid each year for the last four years and indicates that loans are generally being repaid in a timely manner. Production loans are secured by a combination of a charge over the producer’s assets from the film, including the right to receive income, and a charge over the gross proceeds from the exploitation of the film.



Unsecured Loans and Film Investments

The chart below identifies the value of unsecured loans and film investments provided each year to film producers and the associated annual amortisation expense.



**Statement of Financial Performance
for the year ended 30 June 2003**

	Note	2003 \$'000	2002 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Operating Revenues:			
Studio hire		350	499
Interest	5	325	299
Film distribution returns		326	172
Other income	6	115	76
Total Revenues		1 116	1 046
EXPENSES FROM ORDINARY ACTIVITIES:			
Operating Expenses:			
Depreciation and amortisation	7	2 163	1 669
Goods and services	8	1 029	976
Employee benefits	9	1 123	973
Industry development program grants	4	774	535
Education film production costs	4	220	172
Location promotions costs	4	95	-
Board fees and related expenses	10	95	82
Total Expenses		5 499	4 407
NET COST OF SERVICES		(4 383)	(3 361)
REVENUES FROM STATE GOVERNMENT	12	5 394	4 625
INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES		1 011	1 264
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		1 011	1 264

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	13	6 107	4 907
Receivables	14	155	216
Inventories		10	10
Production loans	15	1 434	975
Total Current Assets		7 706	6 108
NON-CURRENT ASSETS:			
Production loans	15	26	250
Investments and unsecured loans	16	1 144	1 413
Plant, equipment and leasehold improvements	17	592	755
Total Non-Current Assets		1 762	2 418
Total Assets		9 468	8 526
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	18	393	220
Provision for employee benefits	19	47	44
Total Current Liabilities		440	264
NON-CURRENT LIABILITIES:			
Provision for employee benefits	19	10	5
Other provisions	20	-	250
Total Non-Current Liabilities		10	255
Total Liabilities		450	519
NET ASSETS		9 018	8 007
EQUITY:			
Capital contribution from State Government		8 460	8 460
Accumulated surplus (deficit)	21	558	(453)
TOTAL EQUITY		9 018	8 007
Commitments	22		
Contingent Liabilities	23		

Statement of Cash Flows for the year ended 30 June 2003

		2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
RECEIPTS:			
Studio, film development, film investment and documentary sales income		860	984
Interest		368	285
Repayment of Production Loans		862	926
Other		132	27
GST refunded by Australian Taxation Office		191	227
Cash flows from State Government		5 144	4 625
PAYMENTS:			
Employee benefits		(1 115)	(970)
Programs and suppliers		(5 173)	(4 978)
Net Cash provided by Operating Activities	24(b)	1 269	1 126
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS:			
Payments for purchases of plant, equipment and leasehold improvements		(69)	(97)
Proceeds from sale of plant, equipment and leasehold improvements		-	2
Net Cash used in Investing Activities		(69)	(95)
CASH FLOWS FROM FINANCING ACTIVITIES:			
PAYMENTS:			
Repayment of borrowings		-	(75)
Net Cash used in Financing Activities		-	(75)
NET INCREASE IN CASH HELD		1 200	956
CASH AT 1 JULY		4 907	3 951
CASH AT 30 JUNE	24(a)	6 107	4 907

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objective and Funding

The principal objective of the South Australian Film Corporation (the Corporation) is to develop the South Australian film industry through provision of studio facilities and financial assistance to film producers.

The Corporation provides financial assistance by way of grants, loans and investment capital.

The Corporation's sources of funds are State Government grants, investment income and revenue from studio hire.

2. Economic Dependency

The ongoing activities of the Corporation are dependent on the annual provision of grants from the State Government.

3. Summary of Significant Accounting Policies**(a) Basis of Accounting**

The general purpose financial report has been prepared on the basis of historic cost and is in accordance with Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*, and applicable Australian Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The accrual method of accounting has been used.

The financial statements do not take into account changing money values or, except where stated, the current valuations of non-current assets.

(b) The Reporting Entity

All funds through which the Corporation controls resources to perform its functions have been included in this financial report.

In the process of reporting on the Corporation as a single entity, all internal transactions have been eliminated.

Consolidated financial statements have not been prepared in respect of the wholly owned controlled entity SAFC Productions Ltd (detailed in Note 16(c)), as its operations are considered immaterial.

Administered Item: Disbursement Returns Account

The Corporation provides to film producers a service for disbursing investment returns to investors. The Corporation does not have control or discretion to apply the undisbursed investment returns towards achieving the Corporation's objectives, therefore, the disbursement activities are not recognised in the financial statements but have been reflected in Note 25.

(c) Revenue Recognition

Government grants and film distribution returns are recognised on receipt. Interest revenues are recognised as they accrue. Other revenue is recognised after the service has been provided.

(d) Depreciation and Amortisation*Depreciation*

Plant and equipment items with an initial cost greater than \$500 are depreciated over their estimated useful lives using the straight line method and the following rates.

Production, projection, editing and sound equipment	Percent 10-20
Office furniture and equipment	10-40

Depreciation rates and methods are reviewed annually.

Amortisation of Leasehold Improvements

Leasehold improvements are amortised over the lease term or estimated useful life, whichever is the shorter, using the straight line method.

Amortisation of Film Production Investments and Film Development Unsecured Loans

The Corporation acknowledges the high level of risk and low rate of return on film investments and loans and accordingly reviews annually its portfolio of investments and unsecured loans made under the Film Development Program and uses its professional judgement to determine the level of amortisation required.

Amortisation of Marketing Expenses

The Corporation annually reviews outstanding marketing expenses recoverable relating to the Corporation's own productions which have been previously capitalised in its Statement of Financial Position and uses its professional judgement to determine the level of amortisation required. Production marketing expenses that have been fully amortised are written-off.

(e) Provisions*Doubtful Debts*

The collectability of trade debts is assessed annually and provision is made for any doubtful debts.

Employee Benefits

Provision has been made in the financial statements, where stated, for the Corporation's liability for employee benefits arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees (superannuation, payroll tax and workers compensation insurance) have been included in payables.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates.

Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. Liabilities in respect of these entitlements have been calculated at nominal amounts based on current salary and wages rates and include related on-costs. The Department of Treasury and Finance have advised that a benchmark of seven years can be used for a short hand estimation of long service leave liability in accordance with the provisions of Australian Accounting Standard AASB 1028 'Employee Benefits'. This advice has been adopted and the long service leave liability has been calculated on that basis.

Sick Leave

No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

(f) Inventories

Inventories are valued at their average cost. Obsolete inventories are written-off.

(g) Superannuation

The Corporation contributes to an externally managed fund in respect of the provision of future retirement benefits for its employees. Pursuant to the Commonwealth Government's Superannuation Guarantee legislation payments were made at a rate of 9 percent of eligible earnings.

The Corporation does not guarantee the performance of the fund.

These contributions are treated as an expense when they occur (refer Note 9). There is no liability for payments to beneficiaries as they have been assumed by the fund. The only liability outstanding at balance date relates to any contribution due but not yet paid to the fund.

(h) Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that :

- the amount of GST incurred by the Corporation as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of cash flows arising from investing activities, which are recoverable from, or payable to the Australian Taxation Office have however been classified as operating cash flows.

(i) Tax Status

The activities of the Corporation are exempt from Commonwealth income tax but subject to other Commonwealth taxes such as fringe benefits tax, goods and services tax and other State taxes (including payroll tax).

(j) Rounding

All amounts are rounded to the nearest thousand dollars.

4. Program Funds

The Corporation receives specific purpose Funds from the State Government on the condition they be used for the following purposes.

Industry Development Program Fund

The Industry Development Program Fund provides investments, unsecured loans and grants to film producers and script writers. A fee for the administration of the program is deducted from these funds.

Educational Film Fund

The Educational Film Fund (formerly the Government Film Fund) provides funds and an executive production service for non-print communication resources to meet the South Australian Government's requirements.

Revolving Fund

The Revolving Fund provides loans to film and television production companies. The loans are repaid from guarantees applicable to the film project and are secured by a combination of :

- (a) a charge over the producer's assets from the film, including the right to receive income; and
- (b) a charge over the gross proceeds from exploitation of the film.

Loans are provided on an interest bearing basis, with due regard to the credit worthiness of the producer and the distributors providing the distribution guarantees. A fee for the administration of the program is deducted from the Fund.

Specific Purpose Funds

Specific purpose grants of \$400 000 (Note 12) were received in 2002-03 from the Office of Economic Development for a Location Promotion Initiative and an SBS Independent Production Boost Initiative.

The Location Promotion Initiative grant of \$200 000 was received to provide services and implement initiatives aimed at showcasing South Australia's diverse locations and film related capabilities to attract an increased level of film production to the State. Locations promotions costs of \$95 000 were incurred to 30 June 2003.

The SBS Independent Production Boost Initiative grant of \$200 000 will provide investment towards a feature film to be commissioned by SBS Independent for the 2005 Adelaide Film Festival.

The financial performance and position of each Fund is as follows:

	Industry Development Program Fund		Educational Film Fund		Revolving Fund	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Balance at 1 July	3 422	2 435	529	446	3 378	3 255
Revenues from Ordinary Activities:						
Investment income	-	-	-	-	197	161
Total Revenues	-	-	-	-	197	161
Expenses from Ordinary Activities:						
Administration fees	(528)	(365)	(12)	(15)	(38)	(38)
Grants	(774)	(535)	-	-	-	-
Amortisation (Note 7)	(1 931)	(1 503)	-	-	-	-
Production costs	-	-	(220)	(172)	-	-
Transfer between funds	-	(45)	-	-	-	-
Total Expenses	(3 233)	(2 448)	(232)	(187)	(38)	(38)
Revenues from State Government:						
Grants from Arts SA (Note 12)	3 417	3 435	200	200	-	-
Contributions from other State Government Agencies (Note 12)	-	-	137	15	-	-
Transfer between funds	-	-	-	45	-	-
Transfer from Operating Account	-	-	-	10	-	-
Total Revenues from State Government	3 417	3 435	337	270	-	-
Balance at 30 June	3 606	3 422	634	529	3 537	3 378
Represented by:						
Production Loans (Note 15)	-	-	-	-	1 460	1 225
Film Production Investments and unsecured loans (Note 16)	1 144	1 403	-	-	-	-
Cash assets	2 462	2 019	634	529	2 070	2 153
Receivables	-	-	-	-	7	-
	3 606	3 422	634	529	3 537	3 378
Program Funds Commitments not recognised in the Financial Statements at 30 June (Note 22)	2 441	1 261	464	445	983	350
Cash Assets Uncommitted 30 June	21	758	170	84	1 087	1 803
5. Interest					2003 \$'000	2002 \$'000
Deposits with SA Government Financing Authority					292	220
Production Loans					31	71
Film projects					2	8
					325	299
6. Other Income					18	16
Loan administration fees					27	16
Disbursement Service administration fee					70	44
Sundry income					115	76
7. Depreciation and Amortisation						
Depreciation:						
Production, projection, editing and sound equipment					135	101
Office furniture and equipment					64	38
Amortisation:						
Film investments and loans					1 931	1 503
Marketing expenditure					-	14
Leasehold improvements					33	13
					2 163	1 669

14. Receivables				2003	2002
				\$'000	\$'000
Trade debtors				213	222
Less: Provision for doubtful debts				109	84
				<u>104</u>	<u>138</u>
Accrued revenue				24	48
Sundry debtors and prepayments				27	30
				<u>155</u>	<u>216</u>
15. Production Loans					
Movements in production loans provided from the Revolving Fund (detailed in Note 4) were:					
Balance at 1 July				1 225	1 289
Add: Loans during the year				1 097	862
Less: Loans repaid during the year				862	926
Balance at 30 June				<u>1 460</u>	<u>1 225</u>
Classified as:					
Current Assets				1 434	975
Non-Current Assets				26	250
				<u>1 460</u>	<u>1 225</u>
16. Investments and Unsecured Loans					
Film production investments				1 144	1 403
Film development unsecured loans (fully amortised)				-	-
SAFC Productions Ltd				-	10
				<u>1 144</u>	<u>1 413</u>
Comprising:					
(a) Film Production Investments					
Balance at 1 July				9 682	8 057
Add: Investments during the year				1 243	1 625
				<u>10 925</u>	<u>9 682</u>
Less: Accumulated amortisation				9 781	8 279
Balance at 30 June				<u>1 144</u>	<u>1 403</u>
(b) Film Development Unsecured Loans					
Balance at 1 July				2 792	2 460
Add: Loans during the year				429	332
				<u>3 221</u>	<u>2 792</u>
Less: Accumulated amortisation				3 221	2 792
Balance at 30 June				<u>-</u>	<u>-</u>
(c) SAFC Productions Ltd					
SAFC Productions Ltd was incorporated on 31 March 1983 for the purposes of financing and producing films and is dormant. Its issued share capital is wholly owned by the Corporation.					
17. Plant, Equipment and Leasehold Improvements					
	Leasehold	Production,	Office	2003	2002
	Improve-	Editing & Sound	Furniture &	Total	Total
	ments	Equipment	Equipment	\$'000	\$'000
Historic Cost:	\$'000	\$'000	\$'000		
Opening balance	1 659	1 640	594	3 893	3 964
Additions	5	18	46	69	97
Sales	-	-	-	-	(6)
Scrapped	(2)	(23)	(107)	(132)	(162)
Adjustment	-	81	(81)	-	-
	<u>1 662</u>	<u>1 716</u>	<u>452</u>	<u>3 830</u>	<u>3 893</u>
Less: Accumulated Depreciation/Amortisation:					
Opening balance	1 592	1 123	423	3 138	3 151
Depreciation/amortisation	33	135	64	232	152
Sales	-	-	-	-	(3)
Scrapped	(2)	(23)	(107)	(132)	(162)
Closing Balance	<u>1 623</u>	<u>1 235</u>	<u>380</u>	<u>3 238</u>	<u>3 138</u>
Net Written Down Value	<u>39</u>	<u>481</u>	<u>72</u>	<u>592</u>	<u>755</u>
18. Payables				2003	2002
				\$'000	\$'000
Trade Creditors				105	54
Other Payables				288	166
				<u>393</u>	<u>220</u>

19. Provision for Employee Benefits		2003	2002
Current Liability:		\$'000	\$'000
Provision for annual leave		47	44
Non-Current Liability:			
Provision for long service leave		10	5
		<hr/> <hr/>	<hr/> <hr/>
20. Other Provisions			
On 28 January 1999 Cabinet approved a special allocation of \$500 000 for the television series Chuck Finn. A condition of this allocation was that the Corporation would guarantee to repay \$250 000 to the Department of Treasury and Finance on or before 30 June 2007 from investment returns for the series. The Corporation therefore made a provision of \$250 000 for the required recoupment to the Department of Treasury and Finance. The Corporation considers that it is highly unlikely that an obligation will arise under this guarantee and has de-recognised the liability during the current year (Note 12).			
21. Accumulated Surplus		2003	2002
		\$'000	\$'000
Accumulated (deficit) at 1 July		(453)	(1 717)
Less: Net increase in assets resulting from ordinary activities		1 011	1 264
Accumulated Surplus (Deficit) at 30 June		558	(453)
		<hr/> <hr/>	<hr/> <hr/>
22. Commitments			
(a) Operating Lease			
Not later than one year		164	156
Later than one year but not later than five years		-	160
Total Operating Lease Commitments (including GST)		164	316
		<hr/> <hr/>	<hr/> <hr/>
Operating lease commitments are not recorded as a liability in the financial statements.			
The operating lease is in respect of premises at Hendon which has a right of renewal for a further term.			
(b) Program Funds (Refer Note 4)			
Program Fund commitments to approved applicants, not recognised in the financial statements at 30 June 2003, were \$3 888 000 (\$2 056 000).			
23. Contingent Liabilities			
The Corporation has no material contingent liabilities.			
24. Notes to the Statement of Cash Flows			
(a) Reconciliation of Cash			
For the purposes of the Statement of Cash Flows, cash consists of cash on hand and at bank and investments in money market instruments.			
Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:			
		2003	2002
		\$'000	\$'000
Cash assets		6 107	4 907
		<hr/> <hr/>	<hr/> <hr/>
(b) Reconciliation of Net Cost of Services to Net Cash provided by Operating Activities			
Net cost of services		(4 383)	(3 361)
Revenues from State Government		5 394	4 625
Non-cash flows:			
Depreciation and amortisation		2 163	1 669
Provision for doubtful debts		25	(7)
Expense on sale of plant and equipment		-	2
Write off of productions and projects in progress		-	25
Changes in assets and liabilities:			
(Increase) Decrease in inventories		-	(1)
Decrease in receivables		36	121
(Increase) in investments and unsecured loans		(1 662)	(1 957)
(Increase) Decrease in production loans		(235)	64
Increase (Decrease) in payables		173	(57)
Increase in provision for employee benefits		8	3
(Decrease) in other provisions		(250)	-
Net Cash provided by Operating Activities		1 269	1 126
		<hr/> <hr/>	<hr/> <hr/>
25. Administered Item: Disbursement Returns Account			
Balance at 1 July		531	175
Add: Receipts:			
Royalties, distribution advances, etc		897	3 853
Less: Expenditure:			
Disbursements to and on behalf of investors		1 037	3 481
Disbursement fees		27	16
Balance at 30 June		364	531
		<hr/> <hr/>	<hr/> <hr/>

STATE OPERA OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The State Opera of South Australia (State Opera) is a body corporate established pursuant to subsection 5(1) of the *State Opera of South Australia Act 1976*. The State Opera is responsible to the Minister for the Arts.

Functions

The functions of the State Opera are as follows:

- To promote the art of opera and related theatrical arts by presenting performances.
- Commissioning the scoring and writing of operas.
- Training people concerned in operatic presentations.
- Establishing and conducting educational programs.

Structure

The State Opera operates with a permanent staff of five including a Chief Executive Officer, Finance Director, Production Manager, Office Administrator and Head of Wardrobe. Permanent employees are supplemented by temporary staff during peak periods.

Changes to Functions and Structure

The State Opera Ring Corporation was established pursuant to the *Public Corporations Act 1993*, as a subsidiary of the State Opera. Its primary functions were to produce and stage in Adelaide during November and December 1998, four major Wagner operas comprising *Der Ring des Nibelungen* (The Ring) and to market and promote The Ring within and outside the State.

A decision to wind up the State Opera Ring Corporation (SORC), was made on 31 May 2000. The process of legally winding up SORC was finalised in February 2003.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 23(3) of the *State Opera of South Australia Act 1976* provides for the Auditor-General to audit the accounts of the State Opera for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the State Opera 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including cash receipting and banking
- general ledger processing
- project and contract management

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive Officer. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the State Opera and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the State Opera of South Australia as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the State Opera 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 outlined under 'Significant Matters Raised with Agencies', is sufficient to provide reasonable assurance that the financial transactions of the State Opera have been conducted properly and in accordance with law.

Significant Matters Raised with Agencies

Budget Approval by the Minister

Audit identified that the State Opera's budgeted revenue and expenditure for 2002-03 was not provided to the Minister before 31 August 2002 as required by section 26(1) of the *State Opera of South Australia Act 1976*.

Whilst Audit was advised that State Opera had provided a copy of its 2002-03 budget to Arts SA well before the legislated date (on the expectation that Arts SA would forward a copy to the Minister), Audit noted that responsibility for ensuring that the Minister receives a copy of the budget by 31 August each year rests with the State Opera.

The State Opera responded that State Opera's budget for 2003-04 had been provided to Arts SA on 20 June 2003 and that the Minister had approved State Opera's budget for 2003-04 on 30 June 2003.

Risk Management

Audit observed that the State Opera had not developed a risk management plan to ensure that the requirements of its risk management policy were being met. Specifically, Audit noted that State Opera had not initiated a formal process to identify, analyse, assess, treat and monitor potential risks.

State Opera responded that a formal process would be started as part of the development of the next five year business plan commencing 1 July 2003.

Production Evaluation and Approval

Review of documentation supporting the Board decision to schedule a 2004-05 production of *Der Ring des Nibelungen* (The Ring) concluded that the State Opera did not have a formal process for the evaluation and approval of major operatic productions.

Specifically, Audit were unable to locate documentation which supported a conclusion that a Board decision to schedule the 2004-05 production of *The Ring* was made based on full review and evaluation of the relevant merits of the production.

The State Opera responded that whilst the pre-production process for *The Ring* did not follow a usual pattern, the evaluation and approval for the 2004-05 production was influenced by the:

- impact of the economic and financial success of the 1998 *Ring* production;
- feasibility study undertaken in 1999 commissioned by Arts SA;
- need for State Opera to receive significant Commonwealth Government funding in order to stage the 2004-05 production;
- endorsement of State Opera as a specialist company as recommended by the Nugent Report into the performing arts.

Relationship with the State Supply Board

Audit noted instances where the contracting and procurement activities associated with the construction of sets for the 2004-05 production of *The Ring* had not been undertaken in accordance with policies of the State Supply Board.

In particular State Opera were unable to clarify what delegation of authority had been vested in State Opera from the State Supply Board for contracting and procurement. Audit recommended that State Opera seek written clarification from the State Supply Board regarding its accredited purchasing delegation threshold and obtain appropriate ratification from the State Supply Board for procurement and contracting activities already carried out.

State Opera responded that they would seek clarification with the State Supply Board regarding their accredited purchasing and contracting delegation thresholds.

Designer Performance Agreement

In July 2001 the State Opera entered into an agreement with a designer for the development of a design for the 2004-05 production of *Der Ring des Nibelungen* (*The Ring*). As part of this agreement the designer was required to deliver completed designs (including costumes, sets and special effects) within a budget of \$1.9 million, on 12 December 2002.

Discussions with management concluded that the designer failed to meet certain obligations in that final costing information for critical special effects designs were not delivered by the agreed date. Review of the agreement with the designer by Audit revealed that there were no penalty clauses within the agreement for failure by the designer to meet contractual obligations.

Audit communicated to management that the inclusion of penalty clauses within major contracts would improve State Operas bargaining position in negotiations with contractors who fail to meet their contractual obligations.

State Opera responded that the inclusion of penalty clauses was not practical and not a realistic option in the broader arts industry.

Project Timeframes and Milestone Reporting

Audit observed that the State Opera Board did not receive formal regular reporting on the achievement of documented key timeframes or milestones for the 2004-05 production of *The Ring*.

State Opera responded that the Board would be provided with copies of the confirmed rehearsal schedule and other information that shows how the production process will progress over the final 18 months.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2003 \$'million	2002 \$'million	Percentage Change
OPERATING REVENUE			
Government grants	2.44	2.99	(18)
Box office and production revenue	1.45	1.81	(20)
Other revenue	0.68	1.22	(44)
Total Operating Revenue	4.57	6.02	(24)
OPERATING EXPENDITURE			
Production expenses	2.93	4.12	(29)
Administrative expenses	0.61	0.78	(22)
Total Operating Expenses	3.54	4.90	(28)
Surplus	1.03	1.12	(8)
 Net Cash Flows from Operations	 1.97	 0.62	 218
ASSETS			
Current assets	3.84	2.26	70
Non-current assets	1.99	0.23	-
Total Assets	5.83	2.49	134
LIABILITIES			
Current liabilities	0.63	0.82	(23)
Non-current liabilities	2.89	0.40	-
Total Liabilities	3.52	1.22	189
EQUITY	2.31	1.27	82

Statement of Financial Performance

Operating Revenues

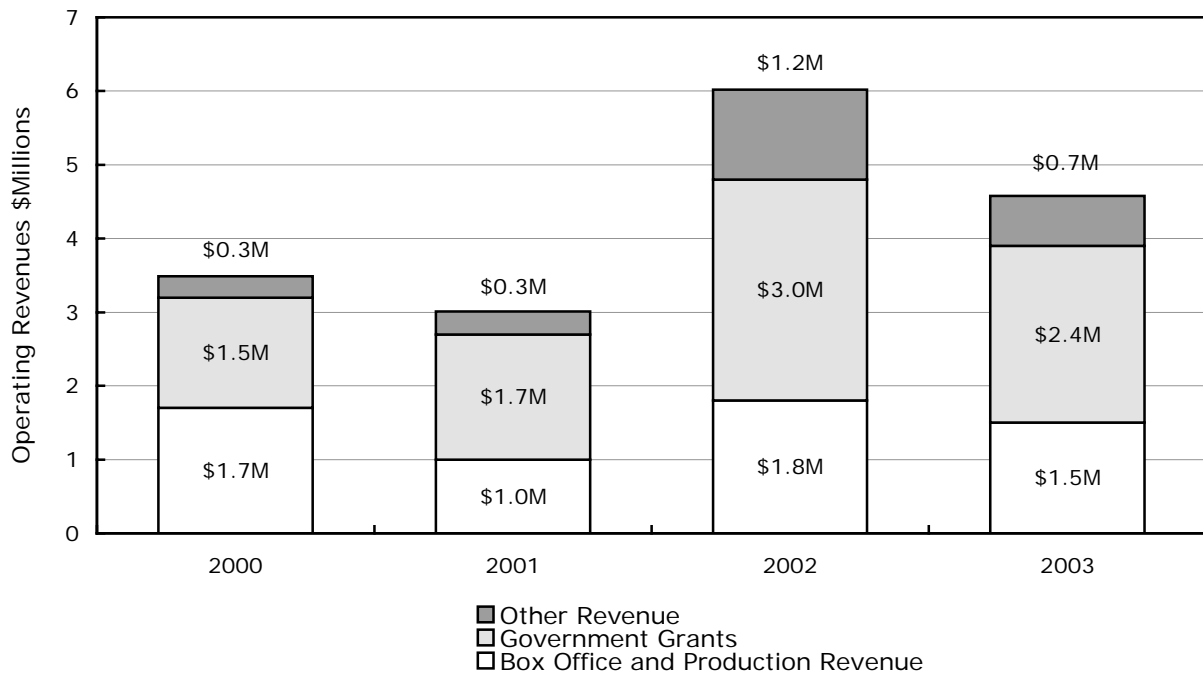
Box office and production revenue decreased by 20 percent to \$1.45 million reflecting the decrease in the number and scale of performances staged in 2002-03.

Revenues from State and Commonwealth grants (net of payments to the Adelaide Symphony Orchestra) decreased by 18 percent to \$2.44 million mainly as a result of special purpose funding received in 2001-02 from the State Government for the opera *Parsifal* (\$200 000).

Special purpose funding of \$667 000 received in 2002-03 includes \$417 000 provided by the Australia Council under a funding agreement between the Australia Council and the State Opera for the production of Wagner's *Der Ring des Nibelungen* (Wagner's Ring Cycle) in 2004-05. Contributions provided by the Australia Council pursuant to this agreement have been provided on the basis that, if for any reason whatsoever the State Opera fails to carry out the 2004-05 Wagner Ring Cycle, any unexpended money's provided by the Australia Council for this opera must be refunded.

State and Government grants represent 53 percent of total revenues and indicate the extent of the economic dependency of the State Opera on government grants. The Australia Council and Arts South Australia have, through a funding agreement with the State Opera, agreed to maintain grants at their current levels or better for the period 1 January 2001 to 31 December 2003.

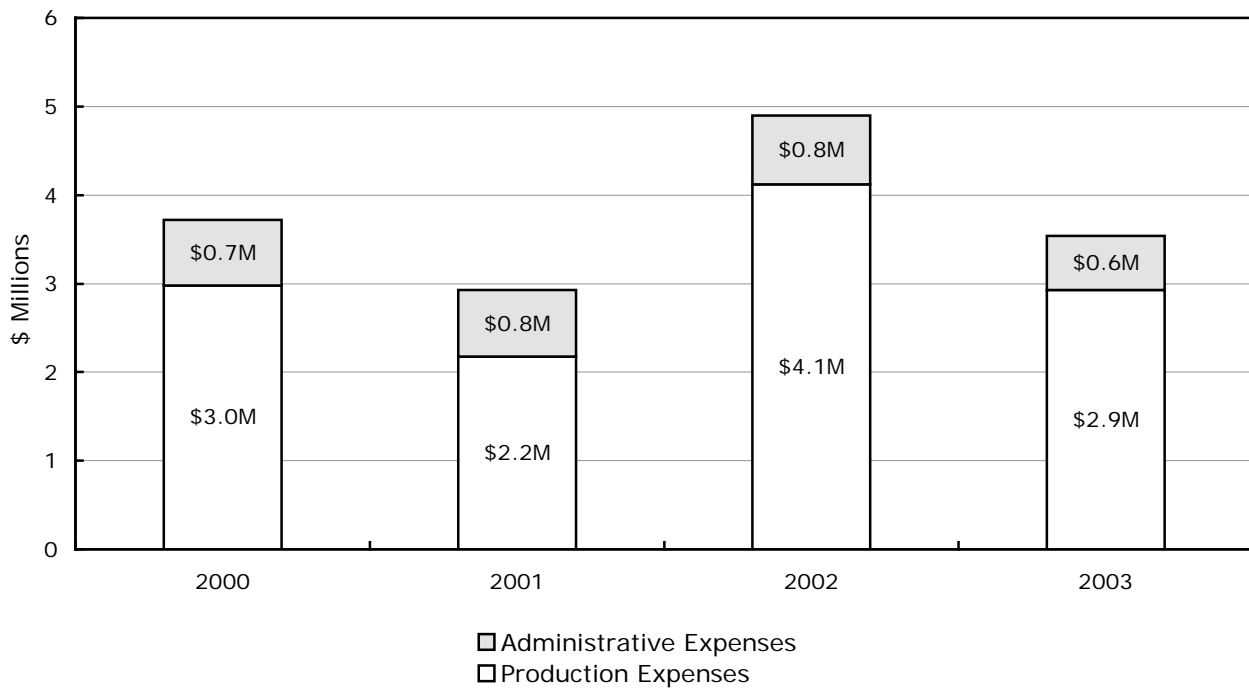
For the four years to 2003 a structural analysis of operating revenues for the State Opera is presented in the following chart.



Operating Expenses

Production expenses, which represent 83 percent of total operating expenses, have decreased by 29 percent to \$2.93 million reflecting the decrease in the number of major performances in 2002-03.

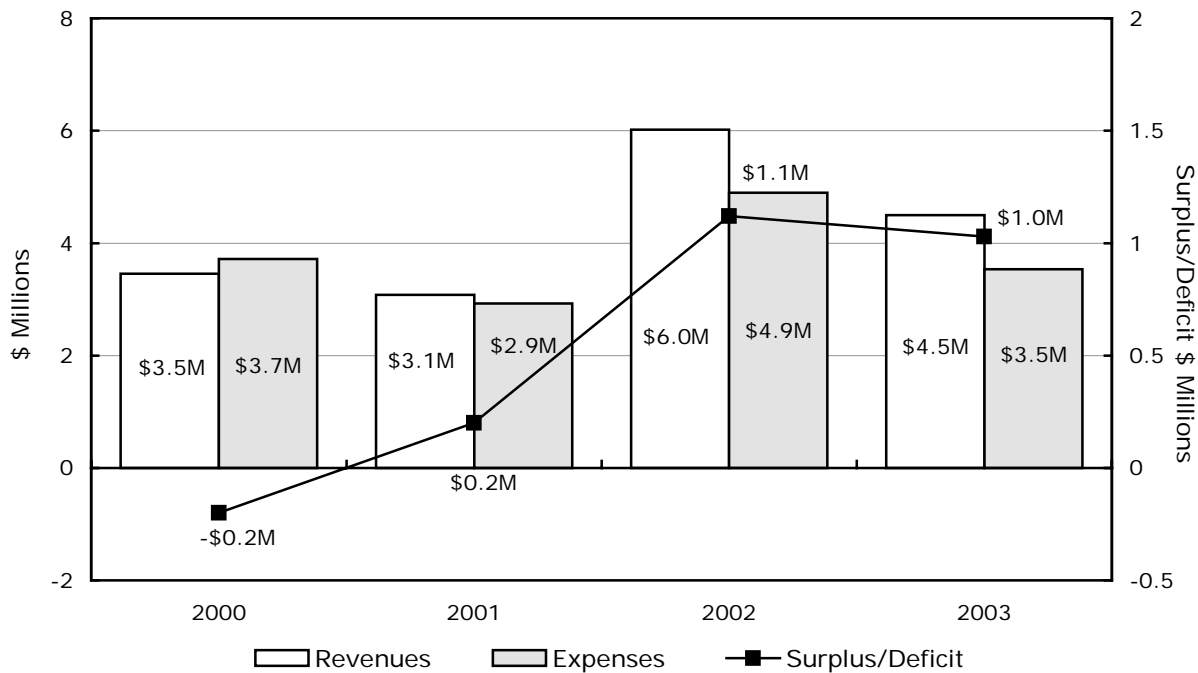
For the four years to 2003 a structural analysis of the main operating expense items for the State Opera is shown in the following chart.



Operating Result

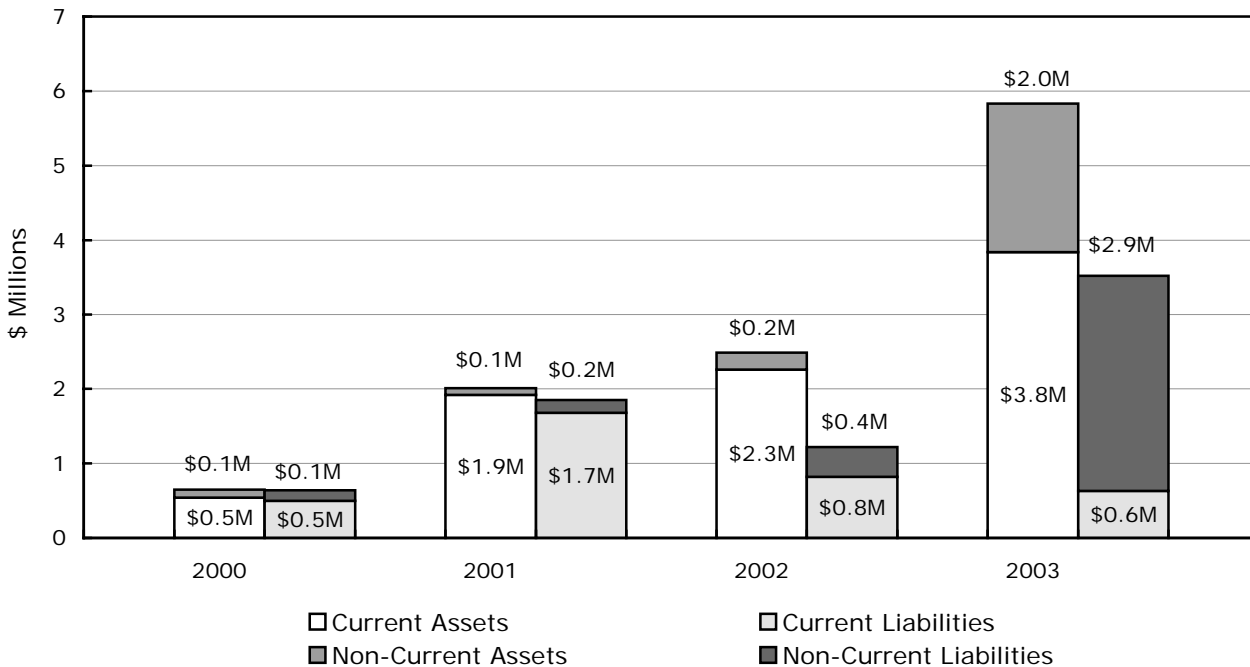
After experiencing small operating results in 2000 and 2001, the State Opera has recorded large operating surpluses in 2002 and 2003. The surpluses in 2002 and 2003 reflect the accumulation of funds by State Opera to be spent on the 2004-05 production of Wagner's Ring Cycle.

For the four years to 2003 the following chart shows the operating revenues, operating expenses and surpluses/deficits.



Statement of Financial Position

For the four years to 2003 a structural analysis of assets and liabilities is shown in the following chart.



The increase in assets and liabilities in 2003 recognises increased financial activity associated with the 2004-05 production of The Ring. This reflects State Opera’s accounting policy whereby ticket sales for, and production costs of, future productions are carried forward as liabilities and prepayments until the period in which the relevant opera has been performed, when they are then recognised as revenues and expenses.

Statement of Cash Flows

For the four years to 2003 the following table summarises the net cash flows.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	1.97	0.62	0.83	(0.18)
Investing	(0.03)	(0.16)	(0.01)	(0.01)
Financing	-	-	-	-
Change in Cash	1.94	0.46	0.82	(0.19)
Cash at 30 June	3.53	1.59	1.13	0.31

The significant increase in cash flows from operating activities in 2003 are predominately the result of the advanced ticket sales for production of The Ring in 2004-05.

FURTHER COMMENTARY ON OPERATIONS

Production Statistics

Unaudited statistical details on major productions for the last three years, as provided by the State Opera, are presented in the following table:

	2002-03 Numbers	2001-02 Numbers	2000-01 Numbers
Number of major productions	3	5	3
Number of performances	14	23	16
Total seat capacity	25 144	22 900	28 700
Number of seats sold*	17 162	17 800	21 300
Average number of seats sold per performance	1 230	770	1 330
	\$	\$	\$
Production costs per seat sold**	140	210	80
Box office and production revenue per seat sold	85	99	45
Subsidy per seat sold***	55	111	35

* Seats sold exclude complimentary tickets.

** Excludes Opera Conference support and other production costs.

*** Subsidy per seat sold represents the amount of government grants, private sponsorship and donations received by the State Opera per seat sold.

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
State Government grants		1 059	1 427
Less: Payment to Adelaide Symphony Orchestra		<u>(230)</u>	<u>(230)</u>
	3	829	1 197
Commonwealth Government grants	3	1 606	1 791
Box office and production revenue	4	1 449	1 813
Donations	5	450	635
Sponsorship		88	547
Interest and sundry revenue		146	36
Total Revenues		<u>4 568</u>	<u>6 019</u>
EXPENSES FROM ORDINARY ACTIVITIES:			
PRODUCTION COSTS:			
Performers and employee entitlements		1 339	1 864
Theatre hire and related expenses		663	709
Advertising		212	183
Opera conference support		163	158
Travel and accommodation		146	348
Costumes and sets		125	540
Shipping and freight		48	48
Other expenses		<u>232</u>	<u>269</u>
	6	<u>2 928</u>	<u>4 119</u>
ADMINISTRATION, MARKETING AND FINANCIAL:			
Employee entitlements		284	366
Rental accommodation and service expenses		149	150
Subscription and marketing costs		-	78
Other expenses		<u>174</u>	<u>186</u>
Total Expenses		<u>607</u>	<u>780</u>
OPERATING SURPLUS		<u>1 033</u>	<u>1 120</u>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER			
		<u>1 033</u>	<u>1 120</u>

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	7,15	3 530	1 592
Prepayments		233	604
Receivables		66	51
Inventories		16	16
Total Current Assets		3 845	2 263
NON-CURRENT ASSETS:			
Prepayments		1 745	-
Investments		159	159
Plant and equipment	8	84	73
Total Non-Current Assets		1 988	232
Total Assets		5 833	2 495
LIABILITIES:			
CURRENT LIABILITIES:			
Advance box office		197	468
Creditors		299	219
Advance sponsorship		27	76
Accruals		77	29
Provision for employee entitlements	9	34	28
Total Current Liabilities		634	820
NON-CURRENT LIABILITIES:			
Advance box office		2 140	-
Advance sponsorship	2	600	300
Provision for employee entitlements	9	149	98
Total Non-Current Liabilities		2 889	398
Total Liabilities		3 523	1 218
NET ASSETS		2 310	1 277
EQUITY:			
Reserves	10	2 242	1 245
Accumulated surplus	10	68	32
TOTAL EQUITY		2 310	1 277
Commitments and Contingent Liabilities	11		

Statement of Cash Flows
for the year ended 30 June 2003

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Grants - State and Commonwealth Government		2 579	3 198
Box office and production		3 290	1 485
Sponsorship		427	568
Donations		450	565
Interest and sundries		146	30
Goods and Services Tax refund		121	13
PAYMENTS:			
Performers and employee entitlements		(1 566)	(2 229)
Production, administration, marketing and other payments		(3 481)	(3 009)
Net Cash provided by Operating Activities	16	1 966	621
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for investments		-	(159)
Payments for plant and equipment		(28)	(4)
Net Cash used in Investing Activities		(28)	(163)
NET INCREASE IN CASH HELD		1 938	458
CASH AT 1 JULY		1 592	1 134
CASH AT 30 JUNE	15	3 530	1 592

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. State Opera of South Australia Objectives and Funding

The State Opera of South Australia (the Company) objectives are to:

- promote and develop The State Opera of South Australia as one of Australia's most exciting and innovative performing arts companies.
- reinforce, through the Company's activities, South Australia's reputation both nationally and internationally as a State recognised for its rich cultural life and artistic excellence.
- be recognised nationally and internationally as a forward-thinking performing arts company that 'does it differently'.
- be renowned nationally and internationally as the performing arts company that makes Adelaide a 'Wagner City'.

The State Opera of South Australia's principal source of funds are State Government appropriations, Commonwealth Government grants (through the Australia Council) and box office and production revenues.

2. Statement of Significant Accounting Policies

The significant accounting policies adopted by the Company are stated in order to assist in a general understanding of the financial report. These policies have been consistently applied except as otherwise indicated.

Basis of Accounting

The general purpose financial report has been prepared on the basis of historical cost and in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Department of Treasury and Finance Accounting Policy Statements and the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*. The accrual method of accounting has been used. The financial statements do not take into account changing money values or, except where stated, the current valuations of non-current assets.

Employee Entitlements

Employee entitlements include entitlements to salaries, wages, long service leave, annual leave and superannuation benefits.

Long service leave and annual leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. Liabilities in respect of these entitlements have been calculated at nominal amounts based on current salaries and wages rates and include related on-costs. The Department of Treasury and Finance has advised that a benchmark of seven years can be used for a shorthand estimation of the long service leave liability in accordance with the provisions of Australian Accounting Standard AASB 1028 'Employee Benefits'. This advice has been adopted and the long service leave liability has been calculated on that basis.

The superannuation expense comprises contributions to accumulation style superannuation schemes for performers and employees. In addition, in accordance with employment agreements, amounts are payable to externally managed funds. The schemes have the responsibility for meeting benefit payments, in accordance with scheme rules.

Sick leave is not provided for as it is non-vesting, however, entitlements are accumulated.

The State Opera of South Australia pay workers compensation insurance premiums to the WorkCover Corporation, and as such no liability for workers compensation has been reflected in the financial report.

Depreciation of Non-Current Assets

Depreciation of plant and equipment is calculated using the straight line method of allocation and is recognised in the financial report from 1 July following acquisition. All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner, which reflects the consumption of their service potential. Useful lives are reviewed annually. The expected useful lives are as follows:

	Years
Computer equipment	3
Office furniture and equipment	5
Production equipment	10

Result of Operations

Ticket sales for, and production costs of, future productions are carried forward as accruals and prepayments and are not included in revenues and expenses for the year.

Rounding

All amounts are rounded to the nearest thousand dollars.

Operating Grants

The State Government and Australia Council grants are based on the Company's cash flows and as such do not take into account accrued expenses and amounts set aside for depreciation and future employee entitlements.

Economic Dependency

The normal business activities of the State Opera of South Australia are dependent on the continuation of grants from the State Government and the Australia Council at an appropriate level. The State Opera of SA, Arts South Australia and the Australia Council have entered into a formal agreement which maintains funding at current levels or better until 31 December 2003.

Financial Instruments

The Company's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2003, are as follows:

Financial Assets

Cash at bank (Note 7) comprises deposits at call with the Commonwealth Bank of Australia. No interest is earned on this account.

Short term deposits (Note 7) comprises deposits at call with the:

- South Australian Government Financing Authority (SAFA)
- Commonwealth Bank - Thora and Frank Pearce Opera Foundation
- Adelaide Bank and Adelaide Managed Funds- Diana Ramsay Fund.

Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 3.2 percent and 4.8 percent for the year ended 30 June 2003 (between 3.5 percent and 4.9 percent in 2001-02).

Receivables are reported at amounts due, less provision for doubtful debts.

Investments comprise equity shares and are brought to account at cost and dividends are credited to revenue when they are declared. The fair value of investments as at 30 June 2003 was \$160 000.

Financial Liabilities

Creditors are raised for amounts billed but unpaid and are normally settled within 30 days.

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value, with the exception of investments.

Revenue Recognition

Government grants and other revenue are recognised on receipt. Interest revenues are recognised as they accrue. Box office, production and sponsorship revenue is recognised after the service has been provided.

Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of the UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)' revenues, expenses and assets are recognised net of the amount of GST except that:

- The amount of GST incurred by the State Opera of South Australia as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expenses; and
- Receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of cash flows arising from investing activities, which are recoverable from, or payable to the Australian Taxation Office have however been classified as operating cash flows.

Tax Status

The activities of the State Opera of South Australia are exempt from Commonwealth income tax but subject to other Commonwealth taxes such as Fringe Benefits Tax, Goods and Services Tax and other State taxes (including payroll tax).

3.	Grant Revenues comprise:	2003	2002
	State Government:	\$'000	\$'000
	From Arts SA for:		
	General	829	997
	Special purpose relating to the opera <i>Parsifal</i>	-	200
	Orchestral services	230	230
		1 059	1 427
	Less: Payment to Adelaide Symphony Orchestra	230	230
		829	1 197
	Commonwealth Government:		
	From Australia Council for:		
	General	736	871
	Special purpose relating to the 2004-05 operas Wagner Ring Cycle*	667	703
	Opera conference	163	158
	Special purpose relating to Artist Support	40	-
	Special purpose relating to seed funding	-	59
		1 606	1 791

* Includes Special purpose funding of \$417 000 provided under a separate funding agreement for the production of Wagner's Der Ring des Nibelungen (Wagner Ring Cycle) in 2004-05.

Contributions received from the Australia Council under this agreement have been provided on the basis, that if for any reason whatsoever the State Opera fails to carry out the 2004-05 Wagner Ring Cycle any unexpended monies provided must be refunded.

4. Box Office and Production Revenue	2003
Comprises revenue for operas and other events staged during the year:	\$'000
Opera:	
<i>Cavalleria Rusticana & I Pagliacci</i>	549
<i>Sweeney Todd</i>	493
<i>Don Giovanni</i>	423
<i>La Boheme - Regional Tour</i>	48
	1 513
Less: BASS ticket service charges	64
	1 449

In 2001-02 there were five operas staged which generated revenue of \$1 813 000.

5. Donations	2003	2002
This comprises money received from:	\$'000	\$'000
Patrons specifically for 2004-05 Wagner Ring Cycle	297	109
Diana Ramsay Fund	50	200
Patrons	97	256
Thora and Frank Pearce Opera Foundation	6	70
	450	635

6. Production Costs	2003
Production costs which can be directly attributed to operas, staged during the year, other events and other production costs, are as follows:	\$'000
Opera:	
<i>Sweeney Todd</i>	872
<i>Cavalleria Rusticana & I Pagliacci</i>	849
<i>Don Giovanni</i>	676
<i>La Boheme - Regional Tour</i>	79
Contribution to the Opera Studio Workshop for <i>Home</i>	30
Contribution to Opera Studio Young Artists Program	27
Opera conference support	163
Other production costs	232
	2 928

In 2001-02 there were four operas staged and one concert at a production cost of \$4 119 000.

7. Cash Assets	2003	2002
Cash assets comprise:	\$'000	\$'000
Short term deposits	3 527	1 563
Cash at bank	1	27
Cash on hand	2	2
	3 530	1 592

8. Plant and Equipment	2003	2002
	\$'000	\$'000
Production equipment - At cost	132	115
Less: Accumulated depreciation	66	57
	66	58
Office furniture and equipment - At cost	56	56
Less: Accumulated depreciation	52	50
	4	6
Computer equipment- At cost	56	45
Less: Accumulated depreciation	42	36
	14	9
	84	73

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Production Equipment \$'000	Office Equipment \$'000	Computer Equipment \$'000	2003 Total \$'000
Balance at 1 July	58	6	9	73
Additions	17	-	11	28
Disposals	-	-	-	-
Depreciation expense	(9)	(2)	(6)	(17)
Carrying Amount at 30 June	66	4	14	84

9. Provision for Employee Entitlements	2003	2002
Current:	\$'000	\$'000
Annual leave	34	28
Non-Current:		
Long service leave	149	98

10. Equity		2003	2002
Movements during the year were:		\$'000	\$'000
Reserves:			
Balance at 1 July		1 245	155
Net transfer from accumulated surplus		997	1 090
Balance at 30 June		2 242	1 245

Reserves are for 2004-05 Wagner Ring Cycle, Diana Ramsay Fund, the Thora and Frank Pearce Opera Foundation and future periods.

Accumulated Surplus:			
Accumulated Surplus at 1 July		32	2
Operating surplus		1 033	1 120
Net transfers to reserves		(997)	(1 090)
Accumulated Surplus at 30 June		68	32

11. Commitments and Contingent Liabilities

The Company, by the nature of its operations, has entered into contracts with artists and theatre proprietors for performances scheduled to take place subsequent to 30 June 2003. The terms and conditions of the contracts may also place a liability on the Company to pay some or all of these amounts should the artist not be engaged or the theatre, hired scenery, or costumes not be used.

These commitments have been made on the basis that ongoing funding will continue from the State and Federal Governments at an appropriate level.

	Due within 1 year \$'000	Due within 1-5 years \$'000	2003 Total \$'000	2002 Total \$'000
Performers' salaries, etc	607	2 193	2 800	3 275
Construction and hire agreements	930	-	930	301
	1 537	2 193	3 730	3 576

12. Related Party Information

The Board members who have held office during the financial year are:

Mr Ian Kowalick (Chair)	Lady Neal
Mr Terry Evans	Mr Robert Pontifex
Ms Patricia Lange	Mrs Jeanette Sandford-Morgan OAM
Ms Deborah Morgan	Mr Christopher Stone

No Board member received any remuneration from the Company during the 12 months to 30 June 2003 (\$Nil). All Board members have waived the basic sitting fees as a contribution to the Company. Members of the Board of Management use the services of the Company no more favourably than members of the public, except for the provision of tickets to each staged production.

13. Remuneration of Employees

Remuneration includes salary and other employee entitlements and benefits that form the total remuneration package for an employee. The Company has one employee whose normal remuneration fell within the band \$130 000-\$140 000. Total remuneration paid to that employee was \$139 000 (\$135 000).

14. Auditors' Remuneration

The amount received or due and receivable by the Auditor-General for auditing the accounts was:	2003 \$'000	2002 \$'000
	18	18

The auditor provided no other services.

15. Reconciliation of Cash

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

Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

State Opera - Cash on hand	3 343	1 474
Trust funds - Cash on hand (refer Note 18)	187	118
	3 530	1 592

16. Reconciliation of Operating Surplus to Net Cash provided by Operating Activities

Operating surplus	1 033	1 120
Depreciation of plant and equipment	17	22
(Increase) Decrease in receivables and prepayments	(1 389)	110
Decrease in stock on hand	-	2
Increase (Decrease) in advance box office sales and advanced sponsorship	2 120	(352)
Increase (Decrease) in creditors and accruals	128	(208)
(Decrease) in Trust funds (not controlled)	-	(74)
Increase in provisions	57	1
Net Cash provided by Operating Activities	1 966	621

17. Consultants

Total expenditure on one consultant amounting to \$47 000 for a development retainer was paid to Artefoglio Pty Ltd
Total amount paid

Total Cost of Consultants	
2003	2002
\$'000	\$'000
47	69

18. Trust Funds

The State Opera of South Australia holds funds in a trustee capacity. These funds are included in the financial statements as they are effectively controlled by the State Opera.

The State Opera administers the Thora and Frank Pearce Opera Foundation established in August 1999 and the Diana Ramsay Fund established in November 2001. The Foundation and the Fund are both financed by public donations. All funds are to be used exclusively for cultural purposes associated with opera.

The revenues and expenses of controlled Trusts reflected in the Statement of Financial Performance for the year ended 30 June 2003 were:

	Thora and Frank Pearce Opera Foundation \$'000	Diana Ramsay Fund \$'000	Total \$'000
Revenues from Ordinary Activities:			
Donations	6	50	56
Interest and sundry revenue	3	10	13
Expenses from Ordinary Activities:			
Other Expenses	-	-	-
	9	60	69
Represented by:			
Cash assets	83	104	187
Investments	-	159	159
	83	263	346

STATE THEATRE COMPANY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The State Theatre Company of South Australia (the Company) is a body corporate established pursuant to subsection 5(1) of the *State Theatre Company of South Australia Act 1972* (the Act).

Functions

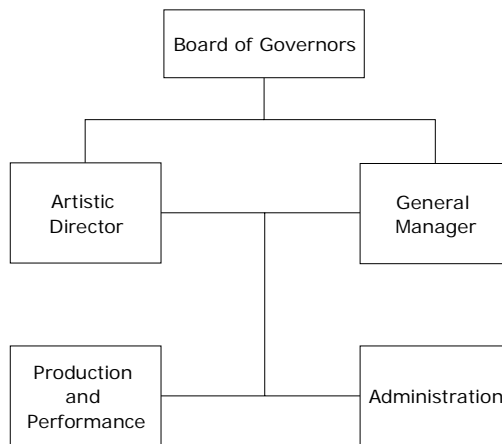
The functions of the Company are to:

- present theatrical performances to promote the art of the theatre;
- promote and commission the writing of works for theatrical performances;
- promote the training of people in the production, presentation and performance of theatrical works;
- promote public interest and participation in the art of the theatre;
- establish and conduct educational programs.

The Company uses the facilities of the Adelaide Festival Centre to stage theatrical performances and occupies workshops and offices within and adjacent to the Centre. The Adelaide Festival Centre Trust charges the Company for the use of the facilities and premises. The Company also makes and purchases costumes, props and sets for use in theatrical performances and stores them at rented premises located at Pennington. The items are available for hire to other theatrical companies and the public.

Structure

The structure of the Company is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 26(2) of the *State Theatre Company of South Australia Act 1972* and subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provide for the Auditor-General to audit the accounts of the Company in respect of each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the State Theatre Company of South Australia 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 and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including box office sales and grants received.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the General Manager. Responses to the management letters were received. Major matters raised with the Company and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the State Theatre Company of South Australia as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the State Theatre Company of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, is sufficient except for the matters outlined under Significant Matters Raised with Agencies, to provide reasonable assurance that the financial transactions of the State Theatre Company of South Australia have been conducted properly and in accordance with law.

Significant Matters Raised with Agencies

Delegations of Authority and Approval of Expenditure

Audit identified room for improving compliance with the prescribed elements of the Financial Management Framework relating to developing, documenting and implementing delegations of authority. Audit identified instances where expenditure was approved outside the delegations and noted a lack of formality by the Company in approving, documenting and communicating the delegations to staff.

The Company responded that Audit were advised during the conduct of the audit that the June 1999 delegations were not reflective of current practice and acknowledged that a delegation of authority document reflecting current practice required urgent drafting and Board approval.

The Company also advised that there were instances of officers approving invoices for amounts above the June 1999 delegations because the delegations were outdated and advised that the Finance Manager ensures that expenditure is appropriately authorised before payment is made.

Documentation of Policies and Procedures

In past Reports, Audit commented on the need for the Company to document its policies and procedures for all major activities as required by the prescribed elements of the Financial Management Framework.

Last year the Company advised that a policies and procedures manual was expected to be completed by the end of December 2002. Audit noted in June 2003 that the matter remained to be finalised.

The Company responded that a timetable prioritising the documentation of policies and procedures had been established and that an Accounting Policy and Procedure Manual would be completed by May 2004.

Leases

The Company rents its office premises from the Adelaide Festival Centre Trust and stores costumes, props and sets at rented premises located at Pennington. Excess floor space at the Pennington premises is sub-let by the Company to approximately 14 tenants.

Audit observed that leases had not been established for the office premises, Pennington premises and Pennington sub-tenancies.

The Company responded in July 2003 that the lease for the office premises had been drafted, the lease for the Pennington premises was being finalised and leases for the Pennington sub-tenancies had been established.

Audit observed in August 2003 that the lease for the office premises and most of the leases for the Pennington sub-tenancies were still being finalised.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS**Highlights of Financial Statements**

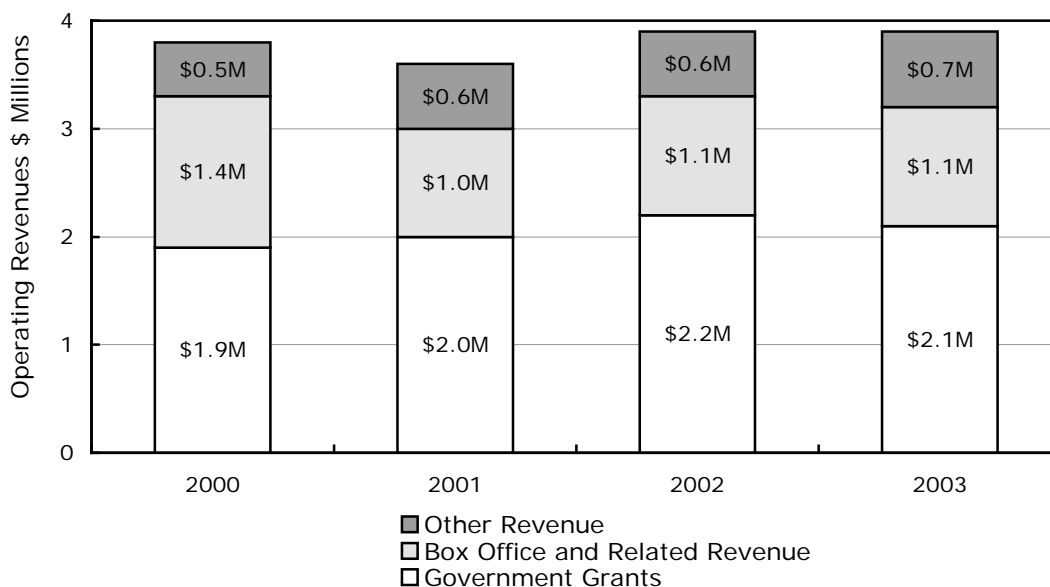
	2003 \$/million	2002 \$/million	Percentage Change
OPERATING REVENUE			
Government grants	2.1	2.2	(5)
Box office and related revenue	1.1	1.1	-
Other	0.7	0.6	17
Total Operating Revenue	3.9	3.9	-
OPERATING EXPENDITURE			
Employee benefits	2.2	2.1	5
Other expenses	1.7	1.8	(6)
Total Operating Expenses	3.9	3.9	-
Surplus (Deficit)	-	-	-
Net Cash Flows from Operations	0.1	0.1	-
ASSETS			
Current assets	0.9	0.7	29
Non-current assets	-	0.1	(100)
Total Assets	0.9	0.8	13
LIABILITIES			
Current liabilities	0.8	0.7	14
Non-current liabilities	0.1	0.1	-
Total Liabilities	0.9	0.8	13
EQUITY	-	-	-

Statement of Financial Performance

Operating Revenues

Revenues from State and Commonwealth Government grants represent 54 percent (56 percent) of operating revenues. The extent of the economic dependency of the Company on Government grants is reflected in Note 2(b) to the Financial Statements.

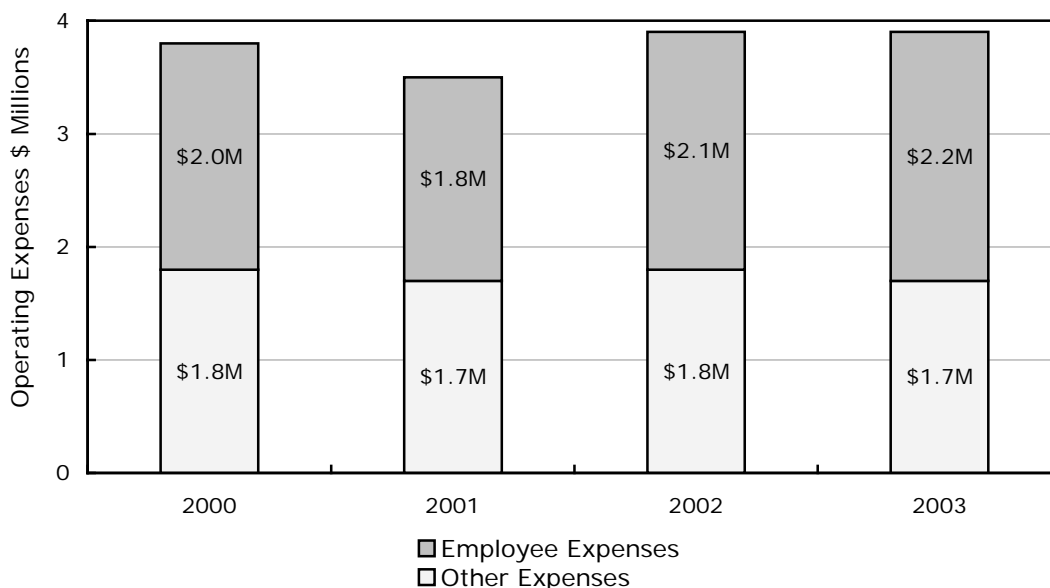
For the four years to 2003 a structural analysis of operating revenues for the Company is presented in the following chart.



Operating Expenses

Employment expenses represent 56 percent (54 percent) of operating expense.

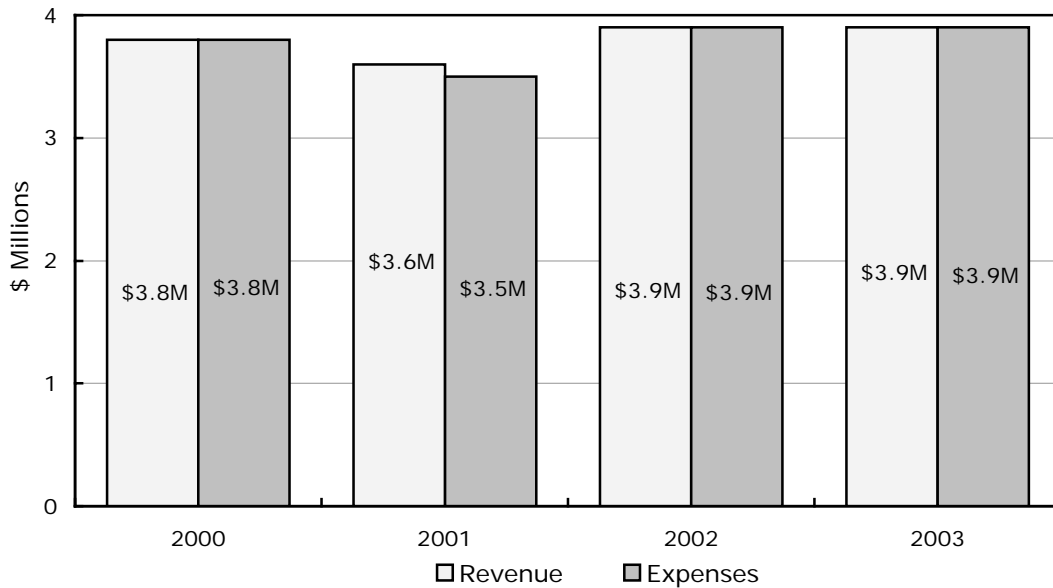
For the four years to 2003 a structural analysis of the main operating expense items for the Company is shown in the following chart.



Operating Result

The Company's reported Operating Result reflects its ongoing management of expenses within available funds from ticket sales and grants.

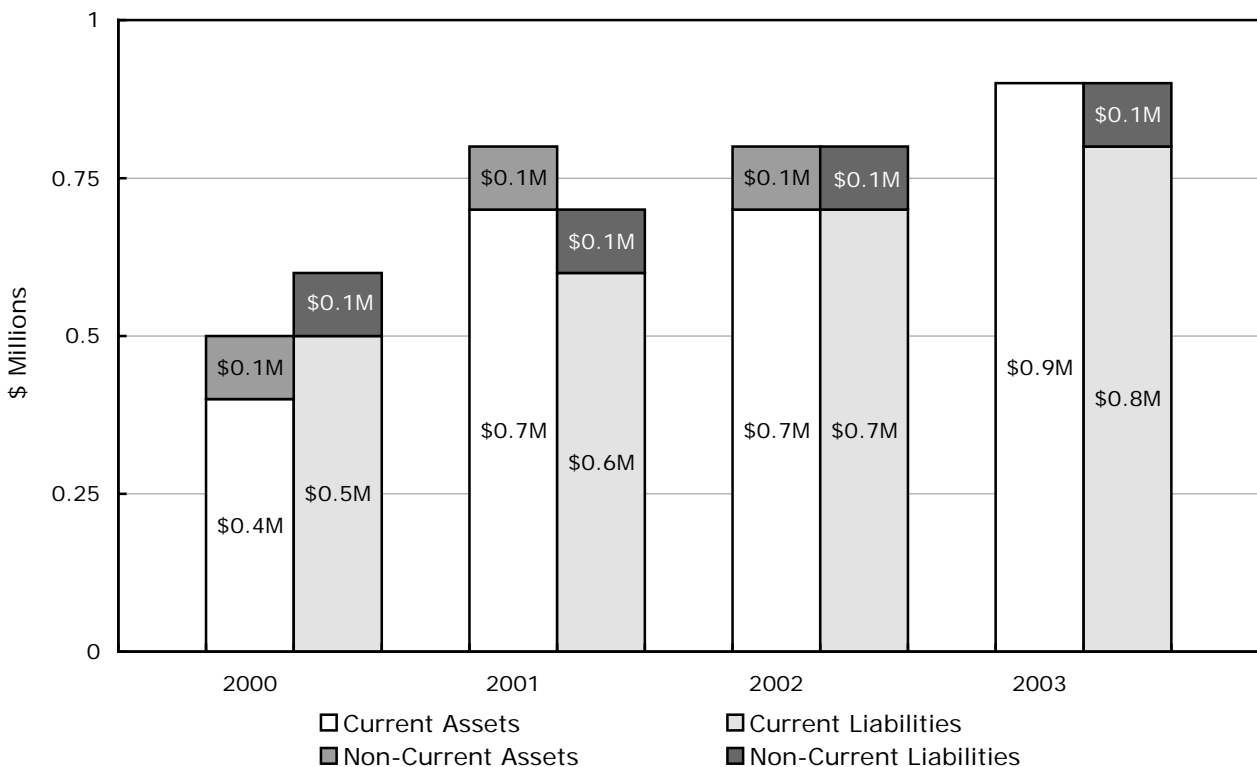
The following chart shows the operating revenues and operating expenses for the four years to 2003.



Statement of Financial Position

Review of the Company's financial position highlights that while the Company's current assets exceed liabilities it does not have significant equity. This assessment reinforces the relevance of the Company's observation in Note 2(b) that it is dependent on the continuation of grant funding.

For the four years to 2003 a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	0.1	0.1	0.2	(0.1)
Investing	-	-	-	-
Financing	-	-	-	-
Change in Cash	0.1	0.1	0.2	(0.1)
Cash at 30 June	0.6	0.5	0.4	0.2

The analysis of cash flows shows that the State Theatre Company of South Australia has gradually increased its cash assets.

FURTHER COMMENTARY ON OPERATIONS

	2002-03 Number	*2001-02 Number	2000-01 Number	1999-2000 Number
Number of productions	7	7	7	8
Number of performances	153	161	161	198
Number of seats sold	45 514	42 253	42 000	51 000

	2002-03 \$'000	*2001-02 \$'000	2000-01 \$'000	1999-2000 \$'000
Total expenses per seat sold	86	91	82	75
Box office and other internally generated revenue per seat sold	41	40	39	38
Subsidy per seat sold	45	51	43	37

* In 2001-02 the Company received grant funding of \$120 000 from Arts SA and the Australia Council to undertake a production, that had limited performances, as part of the Adelaide Festival Program. The grant funding is not included in box office and other internally granted revenue.

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants	3	2 063	2 184
Box office and related revenue	3	1 164	1 143
Private sector sponsorship and donations	3	508	343
Other revenue	3	215	222
Total Revenues		3 950	3 892
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	2(i)	2 162	2 059
Sales and sponsorship expenses		486	373
Theatre hire and charges		441	391
Rent		182	185
Ticket agency charges		93	60
Scenery, sound, lighting and special effects		85	127
Travel and accommodation		82	160
Royalties		79	116
Communications		49	84
Costume and props		48	38
Depreciation and amortisation	8	25	24
Other		217	244
Total Expenses		3 949	3 861
SURPLUS FROM ORDINARY ACTIVITIES	12	1	31
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		1	31

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash	5, 16.1	656	586
Receivables and prepayments	6	239	173
Stock on hand	7	26	3
Total Current Assets		921	762
NON-CURRENT ASSETS:			
Plant and equipment	8	52	63
Total Non-Current Assets		52	63
Total Assets		973	825
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	9	750	614
Employee benefits	10	86	76
Special funds	11	4	4
Total Current Liabilities		840	694
NON-CURRENT LIABILITIES:			
Payables	9	3	11
Employee benefits	10	71	60
Special funds	11	19	21
Total Non-Current Liabilities		93	92
Total Liabilities		933	786
NET ASSETS		40	39
TOTAL EQUITY:			
Accumulated surplus	12	40	39
TOTAL EQUITY		40	39
Commitments and Contingent Liabilities	15		

Statement of Cash Flows for the year ended 30 June 2003

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
PAYMENTS:			
Employee benefits		(2 141)	(2 119)
Suppliers		(1 808)	(1 648)
GST paid to suppliers		(184)	(194)
RECEIPTS:			
Grants from funding bodies		2 063	2 184
Box office and other receipts		1 940	1 689
Interest received		35	28
GST received		101	120
GST refunded by Australian Taxation Office		83	74
Net Cash provided by Operating Activities	16.2	89	134
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for plant and equipment		(14)	(32)
Proceeds from sale of plant and equipment		-	14
Net Cash used in Investing Activities		(14)	(18)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of finance leases		(3)	(16)
Net Cash used in Financing Activities		(3)	(16)
NET INCREASE IN CASH HELD		72	100
CASH AT 1 JULY		561	461
CASH AT 30 JUNE	16.1	633	561

Schedule of Company's Expenses for the year ended 30 June 2003

	Production and Performance \$'000	Administration \$'000	2003 Total \$'000	2002 Total \$'000
Employee benefits	1 925	237	2 162	2 059
Sales and sponsorship expenses	486	-	486	373
Theatre hire and charges	441	-	441	391
Rent	90	92	182	185
Ticket agency charges	93	-	93	60
Scenery, sound, lighting and special effects	85	-	85	127
Travel and accommodation	76	6	82	160
Royalties	79	-	79	116
Communications	1	48	49	84
Costume and props	48	-	48	38
Depreciation and amortisation	-	25	25	24
Other	62	155	217	244
	3 386	563	3 949	3 861

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Objectives and Funding**

The State Theatre Company of South Australia aims to establish itself as a parent body to innovation that is also successful in producing populist and commercial work that appeals to a broad audience. Our vision is to present, produce, manage and conduct theatrical performances, and be a Company that is driven by artists and ideas.

The State Theatre Company of South Australia's principal source of funds are State Government appropriations, Commonwealth Government grants and Box Office and related revenues.

2. **Statement of Significant Accounting Policies**

These policies are consistent with those adopted in the previous year.

(a) **Basis of Accounting**

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Department of Treasury and Finance Accounting Policy Statements and the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, and the historical cost convention using the accrual method of accounting.

(b) **Economic Dependency**

The normal business activities of the Company are dependent on the continuation of grants from the State Government and the Australia Council at appropriate levels. The State Government has advised that funding at current levels will be maintained through to 30 June 2004. Accordingly, this financial report has been prepared on a going concern basis.

(c) **Operating Grants**

The State Government and Australia Council grants are based on the Company's cash flow and do not take into account accrued expenses and amounts set aside for depreciation, amortisation and future employee entitlements.

In accordance with Department of Treasury and Finance Accounting Policy Statement APS 11, 'Contributions', grants received to fund expenses in the following financial year are recognised as revenues when received.

(d) **Result of Operations**

Ticket sales for, and production costs of, future productions and productions in progress at year end are carried forward as advance box office revenue and prepayments and are not included in revenues and expenses from ordinary activities for the year.

(e) **Stock on Hand**

In addition to the assets reported, the Company also holds stocks of costumes and theatre props. However, given the special purpose nature of these items, the Board of Governors does not believe it appropriate to bring the value of costumes and theatre props to account.

(f) **Provision for Doubtful Debts**

The Company established a provision for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off when they are identified.

(g) **Plant and Equipment**

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Useful lives are reviewed annually. The major asset categories and their expected useful lives are as follows:

	Years
Motor vehicles	5
Office equipment	5
Office fixtures (remainder of lease)	3
Computer equipment	4

Depreciation is calculated using the straight line method of allocation and is recognised in the financial statements from the date of acquisition. Acquisitions of \$1 000 or less are expensed.

(h) **Leased Assets**

Assets of the Company acquired under finance leases are capitalised. Leased assets are amortised over the life of the relevant lease, or where it is likely the Company will obtain ownership of the asset on expiration of the lease, the expected useful life of the asset.

(i) **Employee Benefits**

Employee benefits include entitlements to salaries, wages, long service leave, annual leave and superannuation benefits.

Long service leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. Liabilities in respect of these entitlements have been calculated at nominal amounts based on current salary and wages rates and include related on-costs. The Department of Treasury and Finance have advised that a benchmark of seven years can be used for a short hand estimation of long service leave liability in accordance with the provisions of Australian Accounting Standard AASB 1028 'Employee Benefits'. This advice has been adopted and the long service leave liability has been calculated on that basis.

(i) Employee Benefits (continued)

The superannuation expense comprises contributions to accumulation style superannuation schemes for employees. In addition, in accordance with employment agreements for employees and artists, amounts are payable to externally managed funds. The schemes have the responsibility for meeting benefit payments, in accordance with the rules.

The State Theatre Company of South Australia pays workers compensation insurance premiums to the WorkCover Corporation, and as such no liability for workers compensation has been reflected in the financial report.

Sick leave is not provided for as it is non-vesting, however, entitlements are accumulated.

(j) Tax Status

The activities of the State Theatre Company of South Australia are exempt from Commonwealth income tax but subject to other Commonwealth taxes such as fringe benefits tax, goods and services tax and other State taxes (including payroll tax).

(k) Financial Instruments

The Company's accounting policies, including the terms and conditions of each class of financial asset and financial liability, are as follows:

Financial Assets

Cash at bank comprises deposits at call with BankSA and are recorded at cost.

Interest revenues are recognised as they accrue. The interest rate for 2002-03 was 1 percent (1 percent in 2001-02).

Short term deposits (Note 5) includes deposits at call with the South Australian Government Financing Authority and are recorded at cost. Interest revenues are recognised as they accrue. Interest rates are at market rates of 4.65 percent for the year ended 30 June 2003 (fluctuated between 4.15 and 4.9 percent in 2001-02).

Trade Receivables (Note 6) are reported at amounts due.

Financial Liabilities

Trade Creditors (Note 9) are raised for amounts billed but unpaid and are normally settled within 30 days.

Finance leases (Notes 9 and 15) are recognised at the present value of the minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rates implicit in the leases. At the reporting date, the Company had two finance leases with terms of 2 months (1 year) and 2 years (3 years) and interest rates of 14 percent and 9 percent respectively. Lease liabilities are reduced by the principal component of lease payments and are secured by the lease assets. The interest component is charged as an operating expense.

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value.

(l) Revenue Recognition

Government grants and other revenue are recognised on receipt. Interest revenues are recognised as they accrue. Box Office and related revenue is recognised after the final performance of the production has concluded.

(m) Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by State Theatre Company of South Australia as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of cash flows arising from investing activities, which are recoverable from, or payable to the Australian Taxation Office have however been classified as operating cash flows.

(n) Rounding

All amounts are rounded to the nearest thousand dollars.

3. Operating Revenues Comprise

	2003	2002
	\$'000	\$'000
Grants from the:		
State Government:		
Operating	1 597	1 598
Special purpose	20	100
Australia Council:		
Operating	399	391
Special purpose relating to current period	47	95
Total Grants	2 063	2 184

3. Operating Revenues Comprise	2003	2002
	\$'000	\$'000
Box Office and related revenue	1 164	1 143
There were seven productions staged during the year and seven productions staged last year.		
Private sector sponsorship and donations	508	343
Other Revenue:		
Interest	35	28
Prop Shop income	94	83
Miscellaneous revenue	86	111
Total Other Revenue	215	222
4. Auditors' Remuneration		
Amount due and receivable by the auditors for auditing the financial report.	15	18
No other services were provided by the auditors.		
5. Cash Assets		
Short-term deposits	608	561
Cash at bank and on hand	48	25
	656	586
6. Receivables and Prepayments		
Prepayments for future productions	183	129
Trade receivables	58	46
Less: Provision for doubtful debts	2	2
	239	173
7. Stock on Hand		
Production materials	4	3
Major lottery prize (Peugeot)	22	-
	26	3
8. Plant and Equipment		
Production equipment - At cost	5	5
Less: Accumulated depreciation	5	5
	-	-
Motor vehicle - At cost	21	21
Less: Accumulated depreciation	7	3
	14	18
Office equipment - At cost	149	138
Less: Accumulated depreciation	136	129
	13	9
Computer equipment - At cost	166	163
Less: Accumulated depreciation	141	127
	25	36
Total	52	63

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year are as follows:

	Production Equipment \$'000	Motor Vehicles \$'000	Office Equipment \$'000	Computer Equipment \$'000	2003 Total \$'000
Balance as at 1 July	-	18	9	36	63
Additions	-	-	11	3	14
Disposals	-	-	-	-	-
Depreciation expense	-	(4)	(7)	(14)	(25)
Carrying Amount at 30 June	-	14	13	25	52

9. Payables	2003	2002
	\$'000	\$'000
Current Liabilities:		
Trade creditors	193	175
Advance box office revenue	451	368
Accruals and advances	75	59
Major lottery prize (Peugeot)	22	-
Finance leases	9	12
	750	614
Non-Current Liability:		
Finance leases	3	11

10. Employee Entitlements		2003	2002
Current Liabilities:		\$'000	\$'000
Annual leave		68	61
Long service leave		18	15
		86	76
Non-Current Liability:			
Long service leave		71	60
11. Special Funds			
The Company administers two special funds, the Adele Koh Scholarship Acting Fund and the Jill Blewett Playwright's Award, both of which are financed by public donations.			
		2003	2002
Adele Koh Scholarship Acting Fund:		\$'000	\$'000
Balance at 1 July		9	18
Interest		-	-
Less: Payments		3	9
Balance at 30 June		6	9
Jill Blewett Playwright's Award Fund			
Balance at 1 July		16	17
Interest		1	1
Less: Payments		-	2
Balance at 30 June		17	16
12. Accumulated Surplus			
Accumulated surplus at 1 July		39	8
Surplus from ordinary activities		1	31
Accumulated Surplus at 30 June		40	39

13. Related Party Information

Members of the Board of Governors who have held office during the year are:

	Attendances (10 meetings held)
Mr David Gray (Chair)	10
Ms Catherine Fitzgerald	7
Ms Julie Brennan	9
Ms Kaye Weeks	9
Mr Peter Vaughan	7
Ms Barbara Messenger	9
Ms Liz Wilson	10
Ms Georgina Legoe	7

No member of the Board of Governors received remuneration from the Company, during the reporting period ended 30 June 2003 (no members received remuneration in 2001-02). Members of the Board of Governors use the services of the Company no more favourably than members of the public, except for members receiving complimentary tickets to each production.

14. Remuneration of Employees

The number of employees whose total remuneration falls within the following bandwidth:

2003	2002
Number of	Number of
Employees	Employees
1	-

15. Commitments and Contingent Liabilities**Finance Leases**

Finance leases expenditure (excluding GST) contracted for is payable as follows:

	Note	2003	2002
		\$'000	\$'000
Not later than one year		11	14
Later than one year but not later than five years		3	13
		14	27
Less: Future finance charges		2	4
Net Finance Lease Liability		12	23

Current liability	9	9	12
Non-current liability	9	3	11
		12	23

Operating Leases

	2003	2002
	\$'000	\$'000
Operating leases commitments (excluding GST) contracted for are payable as follows:		
Not later than one year	7	52
Later than one year but not later than five years	11	18
	18	70

This commitment relates to a lease of a photocopier. Lease commitments for the year ended 30 June 2002 included a rental lease on the State Theatre Prop Shop building at Pennington which expired 1 March 2003. A new lease was drafted but not signed as at 30 June 2003.

Production Contracts

The Company, given the nature of its operations, has entered into contracts with artists and arrangements with interstate Theatre Companies for theatre performances scheduled to take place subsequent to 30 June 2003. The terms and conditions of the contracts and the arrangements may place a liability on the Company to pay some or all of these should the artists or the interstate Theatre Companies not be engaged.

Contracts and arrangements amounting to \$76 000 were entered into as at 30 June 2003 (\$273 000) and are all due for payment as follows:

	2003	2002
	\$'000	\$'000
Due within one year:		
Performers' salaries	76	257
Hire agreement	-	16
	76	273

16. Statement of Cash Flows**16.1 Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits, net of bank overdraft and cash held in trust. Cash as 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:

	2003	2002
	\$'000	\$'000
Cash assets	656	586
Less: Cash held in trust	23	25
	633	561

16.2 Reconciliation of Surplus from Ordinary Activities to Net Cash provided by Operating Activities

Surplus from ordinary activities	1	31
Adjustments for non-cash revenue and expense items:		
Depreciation and amortisation	25	24
(Revenue) from sale of plant and equipment	-	(3)
Changes in assets and liabilities:		
(Increase) in receivables	(12)	(33)
(Increase) decrease in prepayments	(54)	19
(Increase) in stock on hand	(23)	-
Increase in payables (excluding finance lease payables)	131	60
Increase in employee benefits	21	36
Net Cash provided by Operating Activities	89	134

**MINISTER FOR AGRICULTURE, FOOD AND FISHERIES;
MINISTER FOR MINERAL RESOURCES DEVELOPMENT;
MINISTER FOR ENERGY**

PORTFOLIO – PRIMARY INDUSTRIES AND RESOURCES

INTRODUCTION

This section of this Part of the Report contains the financial statements of, and comments concerning, the operations of those agencies under the direction and control of the Ministers, namely:

- Minister for Agriculture, Food and Fisheries
- Minister for Mineral Resources Development
- Minister for Energy
-

The agency included herein relating to the portfolio of Primary Industries and Resources is the Department of Primary Industries and Resources.

DEPARTMENT OF PRIMARY INDUSTRIES AND RESOURCES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

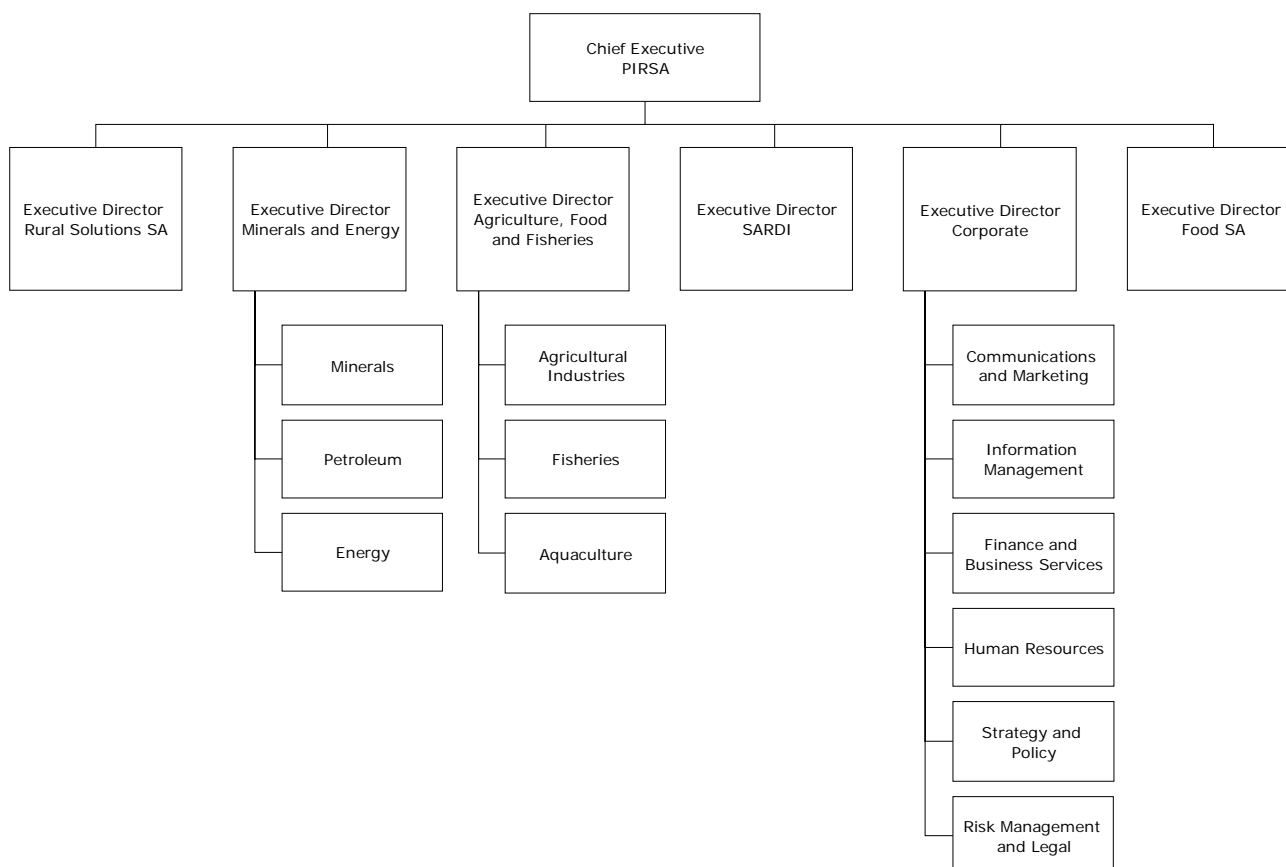
The Department of Primary Industries and Resources (PIRSA) is an Administrative Unit established under the *Public Sector Management Act 1995*.

Functions

The function of the Department of Primary Industries and Resources is to deliver services that increase the prosperity of South Australians and ensure the sustainable economic development of the State's resource base for future generations.

Structure

The structure of the Department of Primary Industries and Resources at 30 June 2003 is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department of Primary Industries and Resources for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess 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.

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- review of financial accounting and related processes covering:
 - accounts payable
 - corporate credit cards
 - personnel/payroll function
 - accounts receivable
 - receipting and banking
 - mining and petroleum rentals
 - rural finance and development grants and loans
 - fisheries licensing
 - administered items
 - trust funds
 - non-current assets (property, plant and equipment)
 - general ledger
- review of action taken by the Department in response to information technology matters raised by Audit during 2001-02.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive Officer. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Primary Industries and Resources as at 30 June 2003, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that 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 is 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.

Significant Matters Raised with Agencies

Financial Accounting and Related Processes

While findings in respect of the review of financial accounting and related processes were generally satisfactory, the review revealed a number of areas where internal controls could be improved and remedial action taken in respect of certain matters, including the need to:

- address certain matters relating to general ledger maintenance and preparation of the annual financial statements;
- tighten controls over bona fide certification in relation to payroll;
- review Time Off in Lieu (TOIL) balances at SARDI;
- address certain matters relating to leave records, arising from the implementation of the Complete Human Resource Information System (CHRIS);

- document policies and procedures in respect of payroll and personnel, accounts payable, mining and petroleum rentals, fisheries licensing and receipting and banking, consistent with the requirements of the Financial Management Framework and Treasurer's Instruction 2 'Financial Management Policies';
- review the relative frequency of disbursements made by electronic fund transfers and manual cheques;
- reconcile the Tenement Rental system to the Masterpiece Accounts Receivable system;
- transfer mineral and petroleum royalties received since 1 March 1999 to the Consolidated Account;
- address certain matters relating to the reconciliation of the fixed assets register to the general ledger;
- address certain matters relating to the revaluation of property, plant and equipment;
- maintain the Accounts Receivable Regional Invoicing System (ARRIS) invoice registers;
- follow-up ARRIS debtors outstanding for more than 90 days.

Action taken and/or proposed by the Department in response to these matters was considered satisfactory.

Follow up of 2001-02 Audit Matters

Last year Audit commented on a number of computer operation and control matters. These matters related to planning, policy, procedures, security and control arrangements that were considered in need of management attention to achieve a satisfactory control environment.

The Department advised it would address these matters during 2002-03.

Audit follow up of action taken by the Department revealed little progress had been achieved.

The Department plans to address the matters raised by December 2003.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2003 \$'million	2002 \$'million	Percentage Change
<i>OPERATING REVENUE</i>			
Appropriations from Government	111.3	115.6	(3.7)
User charges, fees and rentals	29.7	28.7	3.5
Advances and grants	30.1	32.7	(8.0)
Other	16.7	23.7	(29.5)
Total Operating Revenue	187.8	200.7	(6.4)
<i>OPERATING EXPENDITURE</i>			
Employee costs	82.2	80.8	1.9
Supplies and services	63.5	86.7	(27.0)
Grants	19.3	23.7	(18.6)
Other	14.6	10.5	43.1
Total Expenses	179.6	201.7	(10.9)
Surplus (Deficit)	8.2	(1.0)	(910.0)
<i>ASSETS</i>			
Current assets	75.7	76.3	(0.8)
Non-current assets	125.9	107.7	16.9
Total Assets	201.6	184.0	9.6
<i>LIABILITIES</i>			
Current liabilities	14.9	13.1	13.7
Non-current liabilities	31.5	34.0	(7.4)
Total Liabilities	46.4	47.1	(1.5)
<i>EQUITY</i>	155.2	136.9	13.4

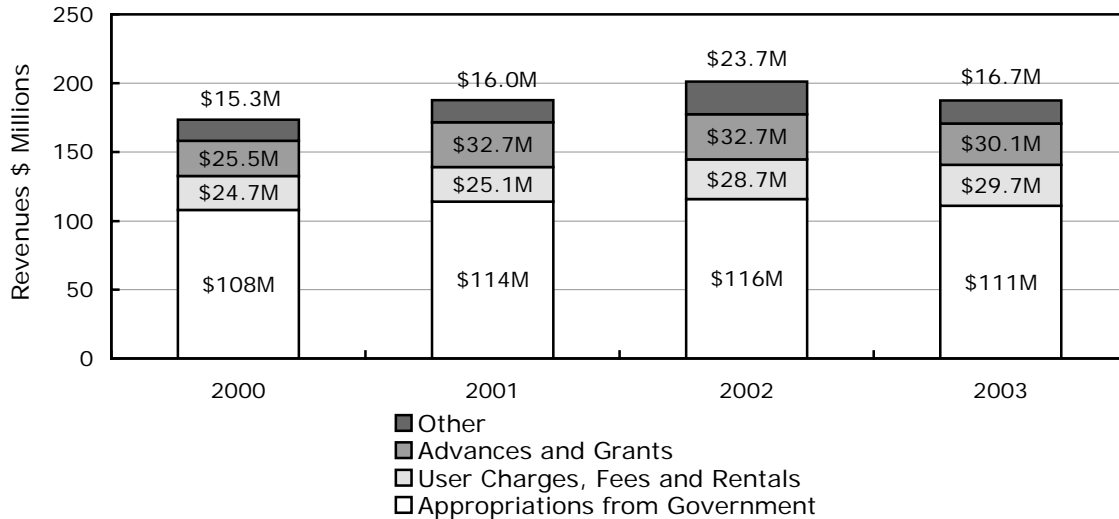
Statement of Financial Performance

A structural analysis of operating revenues for the Department for the four years to 2003 is presented in the following chart.

Operating Revenues

The \$12.9 million decrease in Total Revenue is due mainly to the reduction in Other Revenue from \$23.7 million in 2002 to \$16.7 million in 2003. This reduction was mainly the result of 2002 revenue items relating to functions transferred to the Department of Water, Land and Biodiversity Conservation on 1 May 2002. Refer Note 14.

A structural analysis of operating revenues for the Department for the four years to 2003 is presented in the following chart



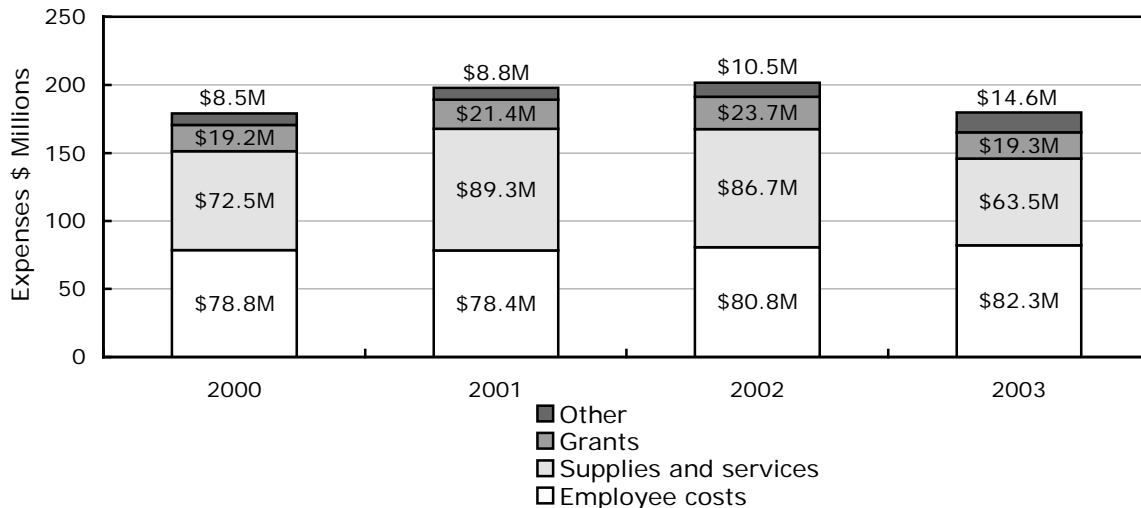
Operating Expenses

The \$22 million decrease in Total Expenditure is due mainly to the reduction in Supplies and Services expenditure from \$86.7 million in 2002 to \$63.5 million in 2003. This reduction was the result of:

- a \$5.6 million reduction in Professional Services expenditure;
- \$10.8 million in 2002 expenditure items relating to functions transferred to the Department of Water, Land and Biodiversity Conservation on 1 May 2002.

Refer Note 5 to the financial statements.

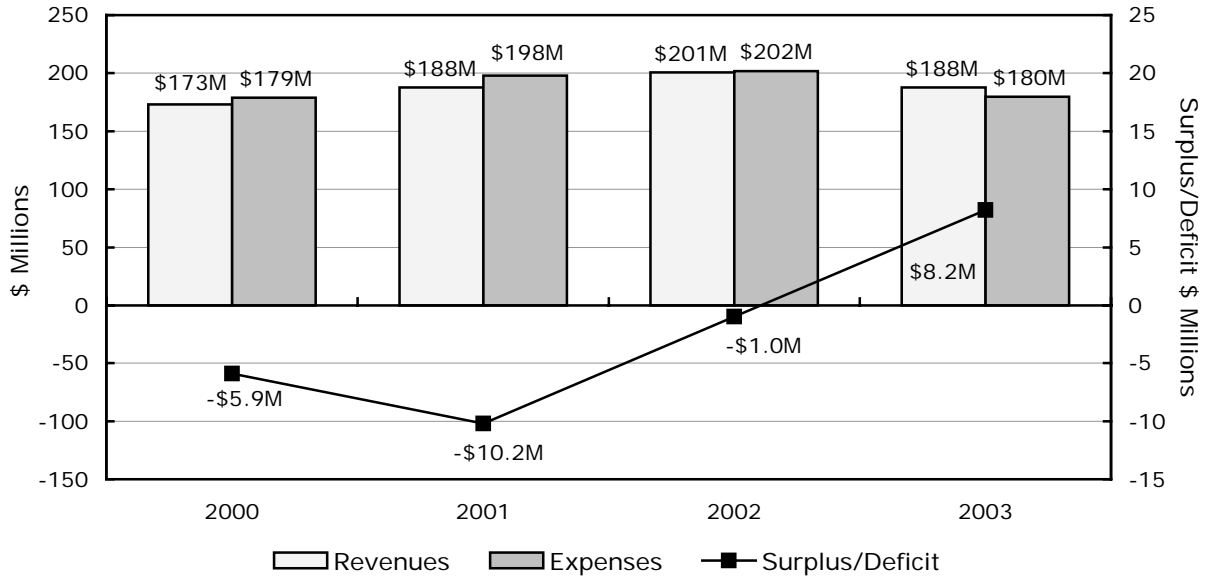
A structural analysis of the main operating expense items for the Department is presented in the following chart.



Operating Result

The \$8.2 million surplus in 2003 turns around deficits reported by the Department in the three preceding years.

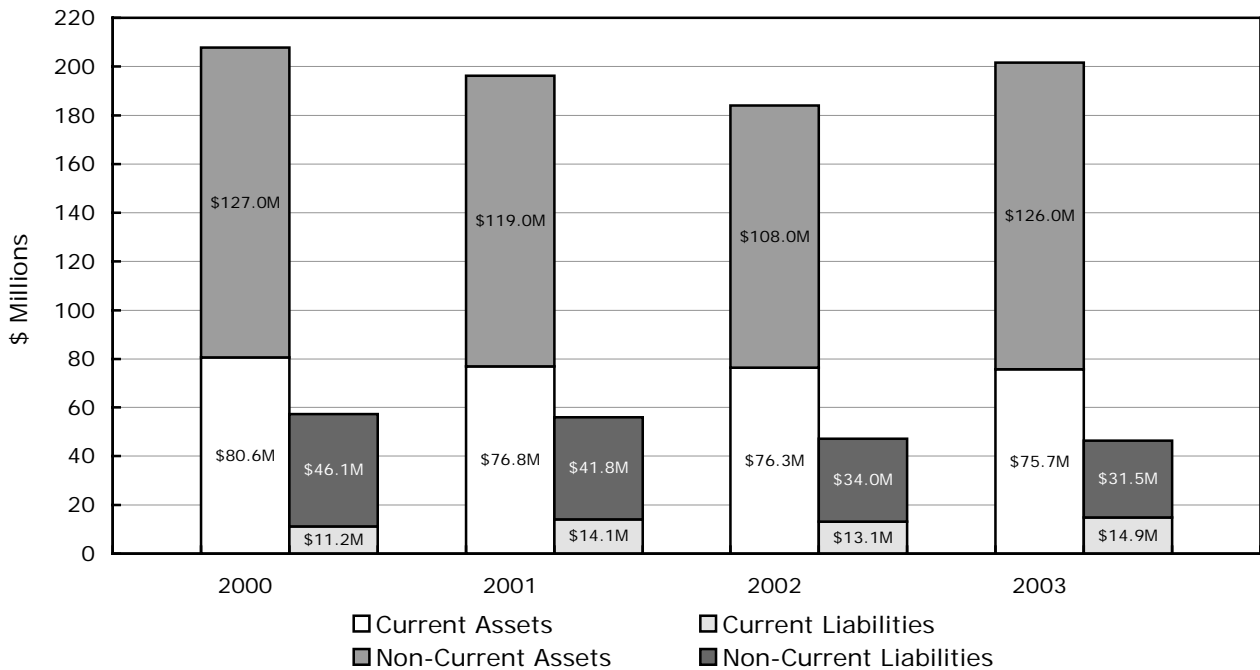
The following chart presents the revenues, expenses and surpluses/deficits for the current and preceding three years.



Statement of Financial Position

The Department is an asset intensive public sector agency. The increase in non-current assets in 2002-03 is attributable to the revaluation during the year. (Refer Note 21).

For the four years to 2003 a structural analysis of assets and liabilities is presented in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	22.6	(12.6)	(4.0)	(3.4)
Investing	(2.7)	2.3	1.8	0.3
Financing	(3.8)	(5.0)	(3.9)	(7.1)
Change in Cash	16.1	(15.3)	(6.1)	(10.2)
Cash at 30 June	64.5	48.4	63.7	69.8

The analysis of cash flows shows that the Department has reversed a trend of declining cash holdings for the preceding three years to report an increase in 2003.

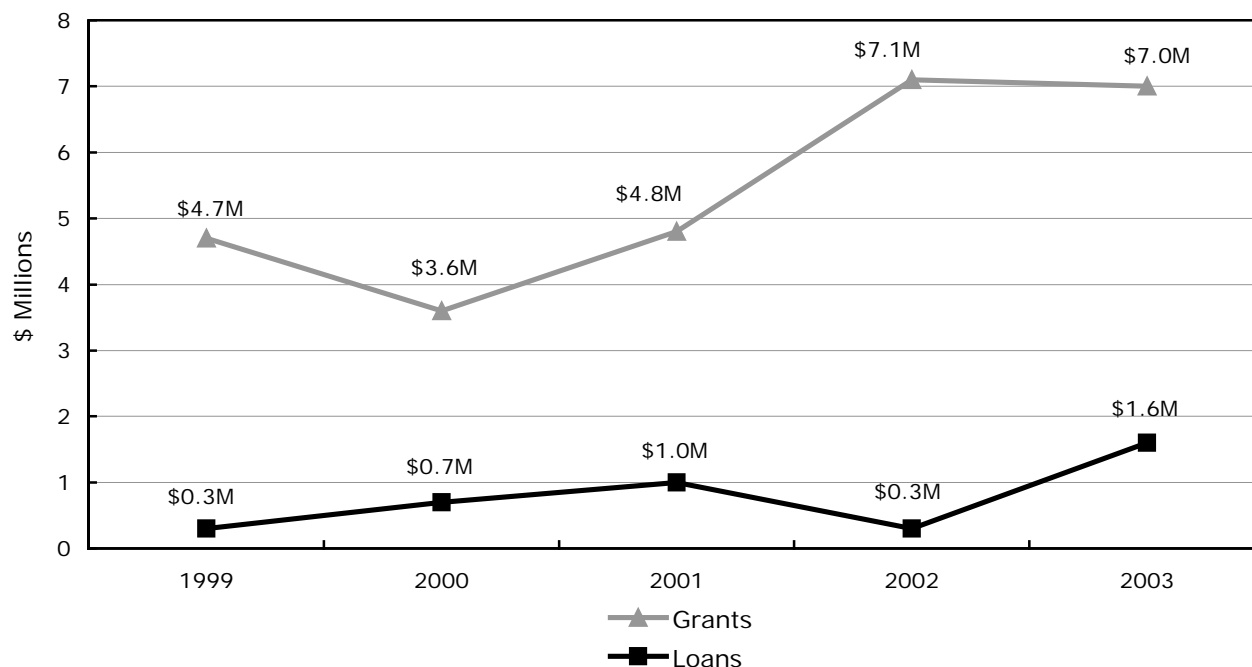
Administered Items

	2003 \$'million	2002 \$'million	Percentage Change
REVENUE			
Natural Gas Revenue	237.3	219.3	8.2
National Heritage Trust	0.0	19.2	(100.0)
Fisheries Licences	12.3	13.8	(10.9)
Royalties	81.6	82.6	(1.2)
SA Water Corporation Appropriation	81.5	78.5	3.8
Other	11.1	15.6	(28.8)
Total Revenue	423.8	429.0	(1.2)
EXPENDITURE			
Payment to Cooper Basin Producers	237.3	219.2	8.3
National Heritage Trust	0.0	15.2	(100.0)
Fisheries Licenses	10.8	14.0	(22.9)
SA Water Corporation Subsidy	81.3	78.5	3.6
Royalties Transferred to Consolidated Account	81.5	82.6	(1.3)
Other	10.3	13.6	(24.3)
Total Expenses	421.2	423.1	(0.4)
Revenue Less Expenses	2.6	5.9	(55.9)
ASSETS			
Current Assets	12.5	10.4	20.2
Non-Current Assets	-	-	-
Total Assets	12.5	10.4	20.2
LIABILITIES			
Current Liabilities	0.3	0.1	200.0
Non-Current Liabilities	2.5	0.1	2400.0
Total Liabilities	2.8	0.2	1300.0
NET ASSETS	9.7	10.2	(4.9)

Commentary on the more material administered items is included under 'Further Commentary on Operations'.

FURTHER COMMENTARY ON OPERATIONS**Rural Finance and Development****Assistance to Primary Producers**

The following chart presents the level of assistance provided to the rural sector over the last five years.



For the last two years assistance to the rural sector was \$8.6 million (\$7.4 million) comprising:

	2003	2002
	\$'000	\$'000
Grants ⁽ⁱ⁾	7 024	7 115
Loans	1 609	291
	8 633	7 406

(i) Includes:

- The FarmBis Programs \$3.5 million (\$4.4 million). The Programs, which are part of the Commonwealth Government's Agriculture - Advancing Australia package, are a \$38.5 million initiative which includes grants and support costs for farmers to improve their business management skills.
- The Riverland Rural Partnership Program \$820 000 (\$962 000). The Program develops and implements a range of targeted support measures for the sustainable economic development of the region. Producers will have opportunities to improve management practices, improve productivity and resource efficiency, improve quality of products and enhance current export opportunities.
- The Central North East Farm Assistance Program \$648 000 (\$435 000).
- The River Fishery Structural Adjustment \$789 000.

Refer to Note 6 to the financial statements.

Loans Outstanding by the Rural Sector

As at 30 June 2003 the rural sector had balances of loans outstanding totalling \$16 million (\$21.2 million). These loans have been made under various schemes and conditions.

The reduction in the loan portfolio can be attributed to the decision to cease to provide loans under the Commercial Rural Loans and the Rural Assistance schemes. The existing loans are being managed to completion. New loans continued to be provided under the loans to Co-operative Scheme and the Rural Industry Adjustment and Development Fund (RIADF).

Total advances for the year amounted to \$1.6 million (\$291 000) and \$5.6 million (\$6.9 million) was repaid.

Administered Funds

Included in the Schedule of Administered Revenues and Expenses for the 2002-03 financial year are the following:

Natural Gas Authority of South Australia

On 1 September 1995, the Natural Gas Authority of South Australia (NGASA) became operative pursuant to the provisions of the *Pipelines Authority (Sale of Pipelines) Amendment Act 1995*.

The principal activities of NGASA are:

- the purchase, sale and delivery of gas;
- administration of gas supply contracts with respect to the South Australian Cooper Basin, South West Queensland Cooper Basin and Katnook;
- the administration of downstream gas sale contracts for Terra Gas trader Pty Ltd and Origin Energy;
- gas price reviews, gas nominations, reserves and adequacy, take-or-pay and Trade Practice Commission issues;
- gas billing, gas quality and measurement.

Under the terms of the contracts, NGASA is responsible for invoicing and collecting payments from Terra Gas trader Pty Ltd and Origin Energy for gas purchased and the subsequent forwarding of those monies to the gas producers.

The transactions pertaining to this activity are processed through a Special Deposit Account. During 2002-03 receipts from the major customers were \$237.3 million (\$219.3 million) and payments to gas producers totalled \$237.3 million (\$219.2 million).

South Australian Water Corporation

Appropriation received in respect of subsidies to the South Australian Water Corporation for the Corporation's supply of water to country and rural areas increased by \$3 million to \$81.5 million during 2002-03.

Royalties

Royalties received in respect to mineral and petroleum production and gas licences decreased by \$1 million to \$81.6 million during 2002-03.

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	4	82 252	80 816
Supplies and services	5	63 452	86 651
Grants	6	19 336	23 663
Interest		870	1 208
Doubtful debts expense	7	(244)	379
Depreciation and amortisation	8	5 977	5 671
Other	9	7 979	3 248
Total Expenses		179 622	201 636
REVENUES FROM ORDINARY ACTIVITIES:			
User charges, fees and rentals	10	29 702	28 673
Advances and grants	11	30 124	32 706
Interest	12	4 086	4 673
Sales of goods	13	4 001	5 577
Other	14	8 628	13 462
Total Revenues		76 541	85 091
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		103 081	116 545
REVENUES FROM GOVERNMENT:			
Pursuant to <i>Appropriation Act 2002</i>		111 299	115 564
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES BEFORE RESTRUCTURING			
		8 218	(981)
Net expenditure from restructuring	15	(8 505)	(2 353)
DECREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER RESTRUCTURING			
		(287)	(3 334)
Increase in asset revaluation reserve		18 533	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		18 246	(3 334)

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS:			
Cash	33(b)	64 484	48 349
Receivables	16	6 050	22 052
Loans	17	1 464	2 441
Inventories	18	3 532	3 490
Other	19	140	14
Total Current Assets		75 670	76 346
NON-CURRENT ASSETS:			
Loans	17	13 893	16 602
Investments	20	1 625	-
Property, plant and equipment	21	110 375	91 012
Other	19	55	53
Total Non-Current Assets		125 948	107 667
Total Assets		201 618	184 013
CURRENT LIABILITIES:			
Payables	22	8 324	6 358
Borrowings	23	602	1 629
Employee benefits	24	5 935	5 083
Total Current Liabilities		14 861	13 070
NON-CURRENT LIABILITIES:			
Payables	22	1 726	1 552
Borrowings	23	11 742	14 521
Employee benefits	24	16 052	15 482
Lease incentive		2 019	2 416
Total Non-Current Liabilities		31 539	33 971
Total Liabilities		46 400	47 041
NET ASSETS		155 218	136 972
EQUITY:			
Accumulated surplus		121 725	120 922
Asset revaluation reserve		20 286	1 753
Committed grants reserve		11 207	12 297
General reserve		2 000	2 000
TOTAL EQUITY	25	155 218	136 972
Commitments	26		
Contingent Assets and Liabilities	27		

Statement of Cash Flows for the year ended 30 June 2003

		2003	2002
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
Payments to suppliers and employees		(141 860)	(169 019)
Grants paid		(19 336)	(23 663)
Restructuring payments		(8 772)	(1 268)
Interest paid on loans		(971)	(1 320)
Other		(7 429)	(3 147)
GST payments on purchases		(9 841)	(17 558)
Appropriations from Government		111 299	115 564
Receipts from customers		37 193	19 130
Grants received		30 124	32 706
Interest on loans to the rural sector		1 393	2 148
Interest on cash balances		2 690	2 886
Sales		4 001	5 930
Other		5 717	15 091
GST receipts on sales		6 048	2 228
GST receipts from taxation authority		12 363	7 644
Net Cash provided by (used in) Operating Activities	33 (c)	22 619	(12 648)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(5 758)	(4 077)
Loans advanced to the rural sector		(1 609)	(291)
Investments		(610)	-
Payment of lease liability		(397)	(397)
Loans repaid by the rural sector		5 633	6 858
Proceeds from sale of property, plant and equipment		63	239
Net Cash (used in) provided by Investing Activities		(2 678)	2 332
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings from Treasury		800	93
Principal repaid to Treasury/SAFA		(4 606)	(5 129)
Net Cash used in Financing Activities		(3 806)	(5 036)
NET INCREASE (DECREASE) IN CASH HELD		16 135	(15 352)
CASH AT 1 JULY		48 349	63 701
CASH AT 30 JUNE	33 (b)	64 484	48 349

Program Schedule of Departmental Expenses and Revenues for the year ended 30 June 2003

	2003				
	Information Services (\$'000)	State Resource Regulation Services (\$'000)	Coordin- ation & Advice (\$'000)	Facilitation Services (\$'000)	Information Services (Energy) (\$'000)
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee costs	43 537	16 686	5 590	11 910	314
Supplies and services	27 943	18 040	2 043	10 470	163
Grants	3 502	708	27	9 442	327
Interest	-	-	-	870	-
Doubtful debts expense	(18)	(33)	-	(193)	-
Depreciation and amortisation	3 172	1 354	444	946	4
Other	516	5 825	227	1 301	-
Total Expenses	78 652	42 580	8 331	34 746	808
REVENUES FROM ORDINARY ACTIVITIES:					
User charges, fees and rentals	10 883	12 576	174	2 147	1
Advances and grants	17 365	3 462	67	8 623	19
Interest	1	4	-	4 071	-
Sales of goods	3 921	61	-	4	-
Other	4 377	1 655	45	2 204	-
Total Revenues	36 547	17 758	286	17 049	20
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	42 105	24 822	8 045	17 697	788
REVENUES FROM GOVERNMENT:					
Pursuant to <i>Appropriation Act 2002</i>	45 461	26 801	8 686	19 108	851
SURPLUS FROM ORDINARY ACTIVITIES BEFORE RESTRUCTURING	3 356	1 979	641	1 411	63

**Program Schedule of Departmental Expenses and Revenues
for the year ended 30 June 2003 (continued)**

	State Resource Regulation Services (Energy)	Coordin- ation & Advice (Energy)	Facilitation Services (Energy)	2003 Total \$'000
EXPENSES FROM ORDINARY ACTIVITIES:				
Employee costs	2 291	622	1 302	82 252
Supplies and services	1 211	66	3 516	63 452
Grants	-	-	5 330	19 336
Interest	-	-	-	870
Doubtful debts expense	-	-	-	(244)
Depreciation and amortisation	31	8	18	5 977
Other	-	110	-	7 979
Total Expenses	3 533	806	10 166	179 622
REVENUES FROM ORDINARY ACTIVITIES:				
User charges, fees and rentals	2 917	-	1 004	29 702
Advances and grants	-	108	480	30 124
Interest	-	-	10	4 086
Sales of goods	-	-	15	4 001
Other	167	-	180	8 628
Total Revenues	3 084	108	1 689	76 541
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	449	698	8 477	103 081
REVENUES FROM GOVERNMENT:				
Pursuant to <i>Appropriation Act 2002</i>	485	754	9 153	111 299
SURPLUS FROM ORDINARY ACTIVITIES BEFORE RESTRUCTURING	36	56	676	8 218

Program Schedule of Departmental Expenses and Revenues for the year ended 30 June 2002

	2002				
	Information Services (\$'000)	State Resource Regulation Services (\$'000)	Coordin- ation & Advice (\$'000)	Facilitation Services (\$'000)	Information Services (Energy) (\$'000)
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee costs	40 477	15 980	5 406	14 940	268
Supplies and services	36 176	17 647	4 101	23 423	387
Grants	3 133	512	56	15 090	309
Interest	-	-	-	1 141	-
Doubtful debts expense	125	140	2	112	-
Depreciation and amortisation	2 856	1 105	388	986	22
Other	326	1 346	2	1 428	(5)
Total Expenses	83 093	36 730	9 955	57 120	981
REVENUES FROM ORDINARY ACTIVITIES:					
User charges, fees and rentals	11 901	10 516	190	2 426	-
Advances and grants	16 455	4 994	280	10 369	81
Interest	227	227	226	3 993	-
Sales of goods	4 084	389	-	1 104	-
Other	7 217	1 207	387	4 602	3
Total Revenues	39 884	17 333	1 083	22 494	84
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	43 209	19 397	8 872	34 626	897
REVENUES FROM GOVERNMENT:					
Pursuant to <i>Appropriation Act 2002</i>	41 785	18 946	8 660	35 884	884
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES BEFORE RESTRUCTURING	(1 424)	(451)	(212)	1 258	(13)

**Program Schedule of Departmental Expenses and Revenues
for the year ended 30 June 2002 (continued)**

	State Resource Regulation Services (Energy)	Coordin- ation & Advice (Energy)	Facilitation Services (Energy)	2002 Total \$'000
EXPENSES FROM ORDINARY ACTIVITIES:				
Employee costs	1 837	743	1 165	80 816
Supplies and services	1 553	245	3 119	86 651
Grants	-	-	4 563	23 663
Interest	-	-	67	1 208
Doubtful debts expense	-	-	-	379
Depreciation and amortisation	154	62	98	5 671
Other	(36)	199	(12)	3 248
Total Expenses	3 508	1 249	9 000	201 636
REVENUES FROM ORDINARY ACTIVITIES:				
User charges, fees and rentals	2 745	-	895	28 673
Advances and grants	-	116	411	32 706
Interest	-	-	-	4 673
Sales of goods	-	-	-	5 577
Other	11	5	30	13 462
Total Revenues	2 756	121	1 336	85 091
NET COST OF SERVICES FROM ORDINARY ACTIVITIES				
	752	1 128	7 664	116 545
REVENUES FROM GOVERNMENT:				
Pursuant to <i>Appropriation Act 2002</i>	741	1 111	7 553	115 564
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES BEFORE RESTRUCTURING				
	(11)	(17)	(111)	(981)

Schedule of Administered Revenues and Expenses for the year ended 30 June 2003

	2003					
	Sheep Industry Levy \$'000	Grains Industry Levy \$'000	Cattle Industry Fund \$'000	Gulf St Vincent Prawn Fishery \$'000	Swine Compens- ation Fund \$'000	Fisheries Research & Dvlpmnt \$'000
ADMINISTERED REVENUES:						
Natural gas revenue	-	-	-	-	-	-
Fisheries licences	-	-	-	44	-	12 219
Commonwealth levies	-	336	-	-	-	-
Commonwealth rebates	-	-	-	-	-	-
Stamp duties	2 612	-	250	-	176	-
Interest on cash balances	57	21	137	1	58	-
Royalties	-	-	-	-	-	-
Fees and Levies	-	-	-	-	-	-
Appropriation	-	-	-	-	-	200
Other	-	-	45	-	-	-
Total Revenues	2 669	357	432	45	234	12 419
ADMINISTERED EXPENSES:						
Payment to Cooper Basin						
Producers	-	-	-	-	-	-
Interest payment	-	-	-	44	-	-
Fisheries licences	-	-	-	-	-	10 754
Compensation payments	-	-	100	-	-	-
Commonwealth levies	-	1 099	-	-	-	-
Commonwealth rebates	-	-	-	-	-	-
Salaries costed to						
administered funds	4	-	5	-	-	-
Supplies and services	121	-	15	97	13	-
Grants	-	-	-	-	-	-
Subsidy	-	-	-	-	-	-
Payment to Consolidated						
Account	-	-	-	-	-	-
Other	1 562	-	402	-	66	-
Total Expenses	1 687	1 099	522	141	79	10 754
ADMINISTERED REVENUES LESS EXPENSES	982	(742)	(90)	(96)	155	1 665

**Schedule of Administered Revenues and Expenses
for the year ended 30 June 2003 (continued)**

	2003					
	Langhorne Creek Wine Industry Fund \$'000	Riverland Wine Industry Fund \$'000	Apiary Industry Fund \$'000	Marine Scalefish Industry Fund \$'000	Renewable Remote Power Generation Program \$'000	Photo- voltaic Rebate Program \$'000
ADMINISTERED REVENUES:						
Natural gas revenue	-	-	-	-	-	-
Fisheries licences	-	-	-	-	-	-
Commonwealth levies	-	-	-	-	-	-
Commonwealth rebates	-	-	-	-	1 634	2 316
Stamp duties	-	-	-	-	-	-
Interest on cash balances	3	15	6	1	-	-
Royalties	-	-	-	-	-	-
Fees and Levies	96	591	25	120	-	-
Appropriation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	99	606	31	121	1 634	2 316
ADMINISTERED EXPENSES:						
Payment to Cooper Basin producers	-	-	-	-	-	-
Interest payment	-	-	-	-	-	-
Fisheries licences	-	-	-	-	-	-
Compensation payments	-	-	-	-	-	-
Commonwealth levies	-	-	-	-	-	-
Commonwealth rebates	-	-	-	-	1 832	2 165
Salaries costed to administered funds	-	-	-	-	-	-
Supplies and services	3	3	11	2	-	-
Grants	97	543	-	50	-	-
Subsidy	-	-	-	-	-	-
Payment to Consolidated Account	-	-	-	-	-	-
Other	1	40	6	14	-	-
Total Expenses	101	586	17	66	1 832	2 165
ADMINISTERED REVENUES LESS EXPENSES	(2)	20	14	55	(198)	151

**Schedule of Administered Revenues and Expenses
for the year ended 30 June 2003 (continued)**

	Natural Gas Authority \$'000	Energy Mgmt Task Force \$'000	SA Water Corp \$'000	Royalties \$'000	Other \$'000	2003 Total \$'000
ADMINISTERED REVENUES:						
Natural gas revenue	237 324	-	-	-	-	237 324
Fisheries licences	-	-	-	-	-	12 263
Commonwealth levies	-	-	-	-	88	424
Commonwealth rebates	-	-	-	-	-	3 950
Stamp duties	-	-	-	-	-	3 038
Interest on cash balances	-	-	-	-	5	304
Royalties	-	-	-	81 565	-	81 565
Fees and Levies	-	-	-	-	25	857
Appropriation	-	-	81 320	-	-	81 520
Other	-	2 061	-	-	435	2 541
Total Revenues	237 324	2 061	81 320	81 565	553	423 786
ADMINISTERED EXPENSES:						
Payment to Cooper Basin producers	237 326	-	-	-	-	237 236
Interest payment	-	-	-	-	-	44
Fisheries licences	-	-	-	-	-	10 754
Compensation payments	-	-	-	-	-	100
Commonwealth levies	-	-	-	-	-	1 099
Commonwealth rebates	-	-	-	-	-	3 997
Salaries costed to administered funds	-	-	-	-	207	216
Supplies and services	-	1 477	-	-	157	1 899
Grants	-	-	-	-	-	690
Subsidy	-	-	81 320	-	-	81 320
Payment to Consolidated Account	-	-	-	81 520	-	81 520
Other	-	-	-	-	146	2 237
Total Expenses	237 326	1 477	81 320	81 520	510	421 202
ADMINISTERED REVENUES LESS EXPENSES	(2)	584	-	45	43	2 584

Schedule of Administered Revenues and Expenses for the year ended 30 June 2002

	2002					
	Sheep Industry Levy \$'000	Grains Industry Levy \$'000	Cattle Industry Fund \$'000	St Vincent Prawn Fishery \$'000	Gulf Action Plan Water & Salinity \$'000	National Industry Fund \$'000
ADMINISTERED REVENUES:						
Natural gas revenue	-	-	-	-	-	-
Natural Heritage Trust	-	-	-	-	-	-
National Action Plan for Water	-	-	-	-	2 522	-
Fisheries licences	-	-	-	188	-	-
Advances and grants	-	-	-	-	-	-
Commonwealth levies	-	1 498	-	-	-	-
Commonwealth rebates	-	-	-	-	-	-
Stamp duties	1 461	-	141	-	-	156
Interest on cash balances	42	20	126	1	6	46
Royalties	-	-	-	-	-	-
Appropriation	-	-	-	-	2 455	-
Other	2	-	20	1 195	-	4
Total Revenues	1 505	1 518	287	1 384	4 983	206
ADMINISTERED EXPENSES:						
Payment to Cooper Basin producers	-	-	-	-	-	-
Natural Heritage Trust	-	-	-	-	-	-
National Action Plan for Water	-	-	-	-	4 960	-
Interest payment	-	-	-	188	-	-
Fisheries licences	-	-	-	-	-	-
Compensation payments	-	-	68	-	-	-
Commonwealth levies	-	1 150	-	-	-	-
Commonwealth rebates	-	-	-	-	-	-
Salaries costed to administered funds	4	-	3	-	-	-
Supplies and services	107	-	-	-	-	2
Sitting fees	35	-	1	-	-	1
Grants	-	-	-	-	-	-
Subsidy	3	-	-	-	-	-
Payments to Consolidated Account	-	-	-	-	-	-
Other	1 443	-	8	-	-	-
Total Expenses	1 592	1 150	80	188	4 960	3
ADMINISTERED REVENUES LESS EXPENSES	(87)	368	207	1 196	23	203

Schedule of Administered Revenues and Expenses for the year ended 30 June 2002 (continued)

	Fisheries Research & Dvlpmnt \$'000	Riverland Wine Industry Fund \$'000	Apiary Industry Fund \$'000	Natural Heritage Trust \$'000	Renewable Remote Power Generation Program \$'000	Photo- voltaic Rebate Program \$'000
ADMINISTERED REVENUES:						
Natural gas revenue	-	-	-	-	-	-
Natural Heritage Trust	-	-	-	19 154	-	-
National Action Plan for Water	-	-	-	-	-	-
Fisheries licences	13 556	-	-	-	-	-
Advances and grants	-	-	101	-	-	-
Commonwealth levies	-	-	-	-	-	-
Commonwealth rebates	-	-	-	-	2 844	589
Stamp duties	-	-	-	-	-	-
Interest on cash balances	-	9	2	-	-	-
Royalties	-	-	-	-	-	-
Appropriation	-	-	-	-	-	-
Other	-	428	27	-	-	-
Total Revenues	13 556	437	130	19 154	2 844	589
ADMINISTERED EXPENSES:						
Payment to Cooper Basin producers	-	-	-	-	-	-
Natural Heritage Trust	-	-	-	15 182	-	-
National Action Plan for Water	-	-	-	-	-	-
Interest payment	-	-	-	-	-	-
Fisheries licences	14 004	-	-	-	-	-
Compensation payments	-	-	-	-	-	-
Commonwealth levies	-	-	-	-	-	-
Commonwealth rebates	-	-	-	-	2 766	615
Salaries costed to administered funds	-	-	-	-	-	-
Supplies and services	-	-	6	22	-	-
Sitting fees	-	-	2	-	-	-
Grants	-	338	-	-	-	-
Subsidy	-	-	-	-	-	-
Payments to Consolidated Account	-	-	-	-	-	-
Other	-	33	-	-	-	-
Total Expenses	14 004	371	8	15 204	2 766	615
ADMINISTERED REVENUES LESS EXPENSES	(448)	66	122	3 950	78	(26)

Schedule of Administered Revenues and Expenses for the year ended 30 June 2002

	Natural Gas Authority \$'000	Energy Mgmt Task Force \$'000	SA Water Corpor- ation \$'000	Royalties \$'000	Other \$'000	Total \$'000
ADMINISTERED REVENUES:						
Natural gas revenue	219 251	-	-	-	-	219 251
Natural Heritage Trust	-	-	-	-	-	19 154
National Action Plan for Water	-	-	-	-	-	2 522
Fisheries licences	-	-	-	-	6	13 750
Advances and grants	-	-	-	-	216	317
Commonwealth levies	-	-	-	-	89	1 587
Commonwealth rebates	-	-	-	-	-	3 433
Stamp duties	-	-	-	-	-	1 758
Interest on cash balances	-	-	-	-	7	259
Royalties	-	-	-	82 623	-	82 623
Appropriation	-	-	78 520	-	-	80 975
Other	-	1 243	-	-	356	3 275
Total Revenues	219 251	1 243	78 520	82 623	674	428 904
ADMINISTERED EXPENSES:						
Payment to Cooper Basin producers	219 246	-	-	-	-	219 246
Natural Heritage Trust	-	-	-	-	-	15 182
National Action Plan for Water	-	-	-	-	-	4 960
Interest payment	-	-	-	-	-	188
Fisheries licences	-	-	-	-	-	14 004
Compensation payments	-	-	-	-	-	68
Commonwealth levies	-	-	-	-	-	1 150
Commonwealth rebates	-	-	-	-	-	3 381
Salaries costed to administered funds	-	-	-	-	194	201
Supplies and services	-	1 339	-	-	65	1 541
Sitting fees	-	-	-	-	-	39
Grants	-	-	-	-	214	552
Subsidy	-	-	78 520	-	-	78 523
Payments to Consolidated Account	-	-	-	82 623	-	82 623
Other	-	-	-	-	-	1 484
Total Expenses	219 246	1 339	78 520	82 623	473	423 142
ADMINISTERED REVENUES						
LESS EXPENSES	5	(96)	-	-	201	5 762

Schedule of Administered Assets and Liabilities as at 30 June 2003

	2003					
	Sheep Industry Levy \$'000	Grains Industry Levy \$'000	Cattle Industry Fund \$'000	Gulf St Vincent Prawn Fishery \$'000	Swine Compen- sation Fund \$'000	Fisheries Research & Dvlpmnt \$'000
ADMINISTERED ASSETS:						
Current Assets:						
Receivables	2	-	11	-	5	42
Cash	909	245	2 904	20	1 333	3 044
Total Assets	911	245	2 915	20	1 338	3 086
ADMINISTERED LIABILITIES:						
Current Liabilities:						
Creditors and accruals	9	-	5	-	2	5
Total	9	-	5	-	2	5
Non-Current Liabilities:						
Borrowings	-	-	-	97	-	-
Provisions	2 437	-	-	-	-	-
Total	2 437	-	-	97	-	-
Total Liabilities	2 446	-	5	97	2	5
NET ASSETS	(1 535)	245	2 910	(77)	1 336	3 081

	2003					
	Langhorne Creek Wine Industry Fund \$'000	Riverland Wine Industry Fund \$'000	Apiary Industry Fund \$'000	Marine Scalefish Industry Fund \$'000	Renewable Remote Power Generation Program \$'000	Photo- voltaic Rebate Program \$'000
ADMINISTERED ASSETS:						
Current Assets:						
Receivables	-	-	-	-	-	-
Cash	22	88	145	57	99	355
Total Assets	22	88	145	57	99	355
ADMINISTERED LIABILITIES:						
Current Liabilities:						
Creditors and accruals	2	2	5	2	39	-
Total	2	2	5	2	39	-
Non-Current Liabilities:						
Borrowings	-	-	-	-	-	-
Provisions	-	-	-	-	-	-
Total	-	-	-	-	-	-
Total Liabilities	2	2	5	2	39	-
NET ASSETS	20	86	140	55	60	355

**Schedule of Administered Assets and Liabilities
as at 30 June 2003 (continued)**

	2003					2003
	Natural Gas Authority \$'000	Energy M'gmt Task Force \$'000	SA Water Corpor- ation \$'000	Royalties \$'000	Other \$'000	Total \$'000
ADMINISTERED ASSETS:						
Current Assets:						
Receivables	-	310	-	45	36	451
Cash	402	1 510	(146)	-	1 049	12 036
Total Assets	402	1 820	(146)	45	1 085	12 487
ADMINISTERED LIABILITIES:						
Current Liabilities:						
Creditors and accruals	-	196	-	-	12	279
Total	-	196	-	-	12	279
Non-Current Liabilities:						
Borrowings	-	-	-	-	-	97
Provisions	-	-	-	-	-	2 437
Total	-	-	-	-	-	2 534
Total Liabilities	-	196	-	-	12	2 813
NET ASSETS	402	1 624	(146)	45	1 073	9 674

**Schedule of Administered Assets and Liabilities
as at 30 June 2002**

	2002						
	Sheep Industry Levy	Grains Industry Levy	Cattle Industry Fund	2002 Gulf St Vincent Prawn Fishery	Pig Industry Fund	Fisheries Research & Dvlpmnt	Riverland Wine Industry Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED ASSETS:							
Current Assets:							
Receivables	-	-	-	137	-	-	-
Cash	522	987	2 990	19	1 177	1 416	66
Total Assets	522	987	2 990	156	1 177	1 416	66
ADMINISTERED LIABILITIES:							
Current Liabilities:							
Creditors and accruals	2	-	-	-	-	-	-
Total	2	-	-	-	-	-	-
Non-Current Liabilities:							
Borrowings	-	-	-	137	-	-	-
Total	-	-	-	137	-	-	-
Total Liabilities	2	-	-	137	-	-	-
NET ASSETS	520	987	2 990	19	1 177	1 416	66

	2002						
	Apiary Industry Fund	Renewable Remote Power Generation Program	Photo-voltaic Rebate Program	Natural Gas Authority	Energy Mgmt Task Force	Other	2002 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED ASSETS:							
Current Assets:							
Receivables	-	-	-	2	615	39	793
Cash	122	258	204	402	546	878	9 587
Total Assets	122	258	204	404	1 161	917	10 380
ADMINISTERED LIABILITIES:							
Current Liabilities:							
Creditors and accruals	-	-	-	-	121	8	131
Total	-	-	-	-	121	8	131
Non-Current Liabilities:							
Borrowings	-	-	-	-	-	-	137
Total	-	-	-	-	-	-	137
Total Liabilities	-	-	-	-	121	8	268
NET ASSETS	122	258	204	404	1 040	909	10 112

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Department Purpose and Funding

The Department of Primary Industries and Resources (the Department) is a key government agency focused on sustainable economic development.

The Department delivers specialist services and advice with the potential to increase the prosperity of South Australians, to improve their quality of life and to ensure the sustainable development of the State's resource base for future generations. The Department delivers these services through locations across South Australia.

The Department's business is to optimise the return on South Australia's natural assets by:

- fostering the sustainable development of new and existing industries across the food, fibre, minerals and energy sectors;
- facilitating global competitiveness and innovative solutions;
- building partnerships between industry, the community and government;
- providing information and knowledge to help people make the right decisions for themselves;
- regulating to preserve resources for future generations.

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) Basis of Accounting**

The financial statements represent the operations of the Department for the year 1 July 2002 to 30 June 2003.

This financial report is a general purpose financial report.

The accounts have been prepared in accordance with applicable Australian Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group Abstracts and Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The accounts have been prepared on the accrual basis of accounting. Except for certain assets which are at fair value, the accounts have been prepared in accordance with the historical cost convention.

(b) The Reporting Entity

All funds through which the Department controls resources to carry on its functions have been included in these financial statements.

In the process of reporting on the Department as a single unit, all internal transactions have been eliminated in full.

Administered Resources

The Department administers, but does not control, certain resources on behalf of the South Australian Government, the Commonwealth Government, private sector organisations and other State Government Departments. The Department 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. The Department acts only on behalf of the aforementioned bodies. The accrual basis of accounting has been used in accounting for administered resources.

Transactions and balances relating to these administered resources are not recognised as departmental revenues, expenses, assets or liabilities but are disclosed in the schedules of administered revenue, expenses, assets and liabilities.

Trust Funds

The Department has received monies in a trustee capacity for trusts as set out in Note 30. 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, they are not brought to account in the financial statements, but are shown in Note 30.

Transfer of Functions

The Office of Regional Affairs was transferred to the Department for Business, Manufacturing and Trade on 1 October 2002. These statements include the expenditure, revenue and cash flows of the Office of Regional Affairs for the period 1 July 2002 to 30 September 2002. The amounts of assets and liabilities transferred on 1 October 2002 are set out in Note 15.

The energy policy function of Energy SA was transferred to the Department of Treasury and Finance on 2 December 2002. These statements include the expenditure, revenue and cash flows of the functions that were transferred for the period 1 July 2002 to 1 December 2002. The amounts of assets and liabilities transferred on 2 December 2002 are set out in Note 15.

(c) User Charges, Fees and Rentals

User charges, fees and rentals controlled by the Department are recognised as revenues. User charges, fees and rentals are controlled by the Department where they can be deployed for achievement of departmental objectives.

User charges, fees and rentals collected by the Department but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Schedule of Administered Revenues and Expenses.

(d) Appropriations, Grants and Other Contributions

All appropriations, grants and other contributions are recognised as revenues when the Department obtains control over the assets, this would normally be upon receipt.

(d) Appropriations, Grants and Other Contributions (continued)

Amounts appropriated to the Department for transfer to eligible beneficiaries in accordance with legislation or other authoritative requirements are not controlled by the Department and therefore not recognised as revenues, but are reported as administered revenues in the Schedule of Administered Revenues and Expenses. Similarly, the amounts transferred, are not recognised as expenses, but are reported as administered expenses in the Schedule of Administered Revenues and Expenses.

(e) 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. Royalties have been classified as an administered item as the Department has no control over these monies and is unable to use the monies to achieve its own objectives. Amounts received and paid into Consolidated Account are disclosed in the Schedule of Administered Revenues and Expenses. These amounts were previously disclosed separately in the notes. The 2001-02 Schedule of Administered Revenues and Expenses has been amended to include royalties for comparative purposes.

(f) Non-Current Assets

Items of property, plant and equipment are recorded in the Statement of Financial Position as detailed below unless otherwise indicated:

(i) Land and Buildings

In accordance with Accounting Policy Statements issued by the Department of Treasury and Finance, the Department has applied Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' and the requirements of Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' and APS 6 'Land and Improvements'.

Land and buildings have been independently valued by Valcorp Australia Pty Ltd as at 30 June 2003, on the basis of fair value as defined in AASB 1041. Buildings include 'infrastructure' which represents roads, fencing, signage etc. Updated valuations are obtained every three years. The next valuation process is due to occur during 2005-06 and any variations to values will be reflected in the financial statements for the financial year ending 30 June 2006.

(ii) Plant and Equipment and Core Trays

In accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' issued by the Department of Treasury and Finance, plant and equipment with an acquisition cost in excess of \$1 million and with more than three years life, are valued at fair value by an independent valuer. At 30 June 2003 Core Trays were the only items that exceeded \$1 million and these were independently valued by Valcorp Australia Pty Ltd as at 30 June 2003 on the basis of fair value as defined in AASB 1041. All other plant and equipment are recorded at cost less accumulated depreciation.

Updated valuations are obtained every three years. The next valuation process is due to occur in 2005-06 and any variations to values will be reflected in the financial statements for the financial year ending 30 June 2006.

Generally, items of plant and equipment costing \$2 000 and greater are capitalised and amounts less than \$2 000 are expensed in the period incurred.

(iii) Depreciation

All buildings, plant and equipment having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. The estimated useful lives of buildings and items of plant and equipment valued in excess of \$1 million are reassessed every three years by an independent valuer as part of the valuation process described in (i) and (ii) above.

Depreciation is provided on a straight line basis. The major depreciation periods are:

	Years
Buildings	20 - 70
Plant and equipment	3 - 20
Infrastructure	30

(iv) Leasehold Improvements

Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

(v) Lease Incentives Under Non-Cancellable Operating Leases

On 1 August 1998, the Department, through the Department for Administrative and Information Services, entered into a 10 year non-cancellable operating lease over part of a property located at 101 Grenfell Street, Adelaide.

The fit-out costs for this leased property were met by the lessor. In accordance with Urgent Issues Group Abstract 3 'Lessee Accounting for Lease Incentives under a Non-Cancellable Operating Lease', this fit-out has been treated as a lease incentive giving rise to both an asset and a liability being the cost of the fit-out. The asset is amortised over the period of the lease and the liability is reduced through lease payments over the term of the lease.

(g) Employee Entitlements

(i) Salaries and Wages

A liability for unpaid salaries and wages is recognised and is measured at current pay rates. Expenses consequential to employment but which are not employee entitlements, for example payroll tax and superannuation on-costs, have been recognised as non-employee entitlement liabilities where the entitlement to which they relate has been recognised as a liability.

(ii) **Annual Leave**
A liability for annual leave is recognised and is measured as the amount unpaid at the reporting date at estimated future pay rates in respect of employees' services up to that date. Expenses consequential to employment but which are not employee entitlements, for example payroll tax and superannuation on-costs, have been recognised as non-employee entitlement liabilities where the entitlement to which they relate has been recognised as a liability.

(iii) **Long Service Leave**
A liability for long service leave is recognised, and is measured as the current value of payments to be made in respect of employees with seven or more years service up to the reporting date (previously eight or more years service). The change from eight to seven years service resulted in an increase in this liability in 2002-03. This base provides a reasonable approximation of the present value of the estimated future cash outflows to be made for these entitlements. Expenses consequential to employment but which are not employee entitlements, for example payroll tax and superannuation on-costs, have been recognised as non-employee entitlement liabilities where the entitlement to which they relate has been recognised as a liability.

(iv) **Superannuation**
The Department does not record a liability for the value of superannuation payments to be made to employees at preservation age, this liability is recorded by the SA Superannuation Board. The Department records a liability for any outstanding employer superannuation contributions payable to the SA Superannuation Board. The Department also recognises a non-employee entitlement liability for the superannuation on-cost on long service leave, annual leave and accrued salaries and wages.

During the year the Department paid \$8 million to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of its employees.

(v) **Workers Compensation**
The workers compensation liability is an actuarial estimate of the outstanding liability at 30 June 2003 provided by a consulting actuary engaged through the Government Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet. This actuarial estimate provides for the estimated cost of ongoing payments to employees as required under current legislation.

(h) **Inventory**
Inventories (other than self generating assets such as livestock and produce) are measured at the lower of cost and net realisable value on an item by item basis, as illustrated in Note 18. Where the net market value of an inventory item is less than cost, provision is made for the anticipated loss on realisation.

The Department controlled several types of assets at the reporting date that meet the definition of self-generating and regenerating assets as defined by Australian Accounting Standard AASB 1035 'Self-Generating and Regenerating Assets'. Livestock has been brought to account at net market value in the Statement of Financial Position. Crops, orchards and vineyards are grown primarily for research purposes but also have a commercial element and have been valued at net market value.

(i) **Provisions for Doubtful Debts**
Trade debts greater than 90 days in arrears at balance date are assessed each year and provision is made for any doubtful accounts.

In addition, a general doubtful debt provision amounting to 5 percent of the balance of the outstanding loan portfolio is provided for each year. This level was determined in 1997-98 by the Rural Finance and Development Steering Committee and it is reviewed each year. Reviews of individual loan balances are also undertaken and specific provisions are created where appropriate.

(j) **Goods and Services Tax (GST)**
The Department is required to comply with the requirements of the Goods and Services Tax (GST) legislation, *A New Tax System (Goods and Services Tax) Act 1999*.

Revenues, expenses and assets are recognised net of the amount of GST, except that receivables and payables are stated inclusive of GST and the amount of GST incurred that is not recoverable from the taxation authority is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

(k) **General Reserve**
The General Reserve for Rural Finance and Development was previously established to cover unforeseen losses which may arise from the RIADF loan portfolio. The Rural Finance and Development Steering Committee reviewed the need to recognise the reserve in 2002-03 and decided that the reserve continue to be recognised subject to annual review by the Committee.

(l) **Committed Grants Reserve**
The Committed Grants Reserve for Rural Finance and Development was established to provide for grant commitments which as at 30 June 2003 were committed but not advanced.

(m) **Comparative Figures**
Where additional disclosures are made in the current financial year, the prior year figures have been restated for comparative purposes.

3. Programs of the Department

(a) **General**
The Program Schedule provides details of expenses and revenues applicable to the programs of the Department. This replaces the previous presentation of output classes. Expenses and revenues for 2001-02 have been provided on a program basis for comparative purposes. Information about the Department's programs is set out in the Program Summary. The major change from the output class presentation is the separation of Energy SA and is consistent with Ministerial responsibilities and the portfolio structure

(b) Program Summary

Program 1 – Information Services

The focus for this class of service delivery is on services for generation, synthesis and dissemination of information and technology.

Program 2 – State Resource Regulation Services

The focus is on services that are required to regulate the use of and protect the State's natural and productive resources. These services are the responsibility of the Department through either legislative responsibilities or Cabinet policy.

Program 3 – Coordination and Advice

The focus is on coordination of whole-of-government initiatives or services as well as policy advice and development for and on behalf of the Minister.

Program 4 – Facilitation Services

This program class includes facilitation services that establish strategic alliances and strategies in the areas of wealth, health, welfare, safety, sustainability or self-reliance of industries, enterprises or communities.

Program 5 – Information Services (Energy)

The focus for this class of service delivery is on services for generation, synthesis and dissemination of information and technology for the Energy division of the Department.

Program 6 – State Resource Regulation Services (Energy)

The focus is on services that are required to regulate the use of and protect the State's natural and productive resources. These services are the responsibility of the Department through either legislative responsibilities or Cabinet policy for the Energy division of the Department.

Program 7 – Coordination and Advice (Energy)

The focus is on coordination of whole-of-government initiatives or services as well as policy advice and development for and on behalf of the Minister for the Energy division of the Department.

Program 8 – Facilitation Services (Energy)

This program class includes facilitation services that establish strategic alliances and strategies in the areas of wealth, health, welfare, safety, sustainability or self-reliance of industries, enterprises or communities for the Energy division of the Department.

4. Employee Costs⁽¹⁾	2003	2002
	\$'000	\$'000
Salaries and wages	66 668	69 081
Superannuation	7 522	7 081
Payroll tax	4 550	4 365
Annual and long services leave expenses ⁽²⁾	3 512	289
	82 252	80 816

(1) 2002-03 figures include costs of \$605 000 (\$1.3 million) for adverse events. Supply and service costs associated with these activities are disclosed in Note 5.

(2) Annual leave and long service leave expenses only include changes in the provision assessed at balance date. In service and lump sum payments are classified as salary expenses.

5. Supplies and Services	2003	2002
	\$'000	\$'000
Professional services	13 135	18 686
Operational and administrative costs	16 994	18 136
Utility and property costs	10 549	12 423
Computing costs	4 735	5 220
Travel	7 692	8 288
Vehicle and equipment operating costs	2 231	2 113
Adverse events ⁽¹⁾	4 767	6 535
Upper South-East Dryland Salinity and Flood Management ⁽²⁾	-	4 030
Telephone calls and rental	2 224	2 282
Loxton Irrigation Scheme ⁽²⁾	-	6 798
Staff training and development	1 764	1 790
Workers compensation expense ⁽³⁾	(808)	104
Other	169	246
	63 452	86 651

(1) Expenditure on ad-hoc emergencies that affect the agricultural and fisheries sectors (eg fruit fly and red imported fire ants). Employee costs associated with adverse events are disclosed in Note 4.

(2) These programs were transferred to the Department of Water, Land and Biodiversity Conservation on 1 May 2002.

(3) The reduction in the Workers compensation liability (refer Note 24) has resulted in the credit balance of \$808 000 at 30 June 2003.

6. Grants Paid	2003	2002
	\$'000	\$'000
Rural Finance and Development:		
Eyre Peninsula Regional Strategy	24	-
FarmBis	3 516	4 412
Central North East Farm Assistance Program	648	435
Rural counsellors	230	259
Project funding	243	192
Property management planning	-	630
South East Confined Aquifer Rehabilitation Scheme	3	101
Branched Broomrape	56	66
Kangaroo Island Ovine Johne's Disease	42	58
Riverland Rural Partnership Program	820	962
River Fishery Structural Adjustment	789	-
Drought Relief Assistance Scheme	468	-
Exceptional Circumstances Drought 2003	170	-
North Adelaide Plans	8	-
Indigenous Land Corporation	7	-
	7 024	7 115
Other State and Local Government Agencies:		
Animal and Plant Control Commission ⁽¹⁾	-	3 482
University of Adelaide	45	642
Roxby Downs Council	600	490
Dog Fence Board ⁽¹⁾	-	374
State Aboriginal Affairs	-	200
Other	207	326
	852	5 514
Private Sector:		
Remote Areas Energy Scheme	3 729	3 912
Collaborative Programs	2 329	1 650
Mount Lofty Ranges Catchment Program ⁽¹⁾	-	1 331
SA Food and Beverage Exporters Association	300	600
Soil Conservation Board ⁽¹⁾	-	433
Solar Hot Water Rebates	1 596	636
Virginia Horticulture Centre	65	157
Other	3 441	2 315
	11 460	11 034
Total Grants Paid	19 336	23 663

(1) These programs were transferred to the Department of Water, Land and Biodiversity Conservation on 1 May 2002.

7. Provision for Doubtful Debts		
Movements in the provision for doubtful debts (refer Note 2(i)) during the period were:		
Balance at 1 July	2 759	2 380
Less: Write-offs	1 217	-
	1 542	2 380
Add: Amount provided	(244)	379
Balance at 30 June	1 298	2 759

8. Depreciation and Amortisation Expenses		
Depreciation:		
Buildings	2 008	1 629
Plant and equipment	3 497	3 570
Core trays	59	59
	5 564	5 258
Amortisation:		
Leasehold improvements	397	397
Amdel loan	16	16
	413	413
Total Depreciation and Amortisation Expenses	5 977	5 671

9. Other Expenses		
Written down value of disposed assets	585	314
Guarantee fees	41	24
Contributions to external bodies ⁽¹⁾	4 070	2 594
Other	3 283	316
	7 979	3 248

(1) Contributions to external bodies includes \$2.5 million (\$1.4 million) for adverse events (eg red imported fire ants, Australian plague locusts and Newcastle disease).

	2003	2002
	\$'000	\$'000
10. User Charges, Fees and Rentals		
Fishing licences ⁽¹⁾	9 556	8 828
Mining and petroleum application fees	456	472
Pastoral rents	674	612
Gas and electricity licence fees	2 829	2 637
Remote Areas Energy Scheme electricity sales	1 002	1 022
Mining and petroleum rentals	4 970	3 781
Consultancy and service	8 247	9 329
Other licences	362	323
Seed analysis and certification	969	864
Inspection and registration	458	467
Other	179	338
	29 702	28 673

(1) Represents allocation of license fees from the Fisheries Research and Development Fund.

11. Advances and Grants

The Department received contributions from various funding sources as detailed below, expressly for the purpose of undertaking specific projects.

	2003			2002		
	Grants Received	Expenditure	Unexpended Grants	Grants Received	Expenditure	Unexpended Grants
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Commonwealth Grants						
Eyre Peninsula Regional Strategy	-	-	-	22	20	2
Riverland Rural Partnership Program	733	733	-	609	609	-
FarmBis	1 959	1 959	-	2 981	2 981	-
Exceptional Circumstances/ Drought Assistance	182	170	12	-	-	-
Central North East Farm Assistance Program	-	-	-	1 120	646	474
Natural Heritage Trust ⁽¹⁾	39	39	-	4 226	3 083	1 143
National Action Plan for Salinity and Water Quality ⁽¹⁾	245	243	2	1 698	13	1 685
Branched Broomrape	-	-	-	961	961	-
Murray Darling Basin Commission	247	247	-	-	-	-
Mt Lofty Ranges Catchment	285	285	-	-	-	-
Other	696	696	-	369	369	-
Total Commonwealth Grants	4 386	4 372	14	11 986	8 682	3 304
State Grants						
National Action Plan for Salinity and Water Quality ⁽¹⁾	-	-	-	1 798	113	1 685
National Gas Pipelines Advisory Committee	94	94	-	305	305	-
Animal and Plant Control Commission Regions	-	-	-	320	7	313
Ovine Johne's Disease	-	-	-	1 184	1 184	-
Government Radio Network	-	-	-	635	546	89
Department for Business, Manufacturing and Trade	350	350	-	-	-	-
Department of Water, Land and Biodiversity Conservation	-	-	-	274	-	274
Branched Broomrape	-	-	-	770	770	-
Regional Strategy Program	482	482	-	-	-	-
Cooper Basin Native Title Agreement	274	274	-	-	-	-
Revegetation Strategy	117	117	-	-	-	-
Food SA	125	125	-	-	-	-
Rural Solutions SA	300	300	-	-	-	-
Department of Industry and Trade	-	-	-	350	350	-
Other	2 093	1 772	321	1 023	1 023	-
Total State Grants	3 835	3 514	321	6 659	4 298	2 361
Industry Grants						
Dryland Salinity CRC-PBM	245	243	2	-	-	-
Fisheries RDC	1 522	906	616	564	564	-
Grains RDC	6 724	6 213	511	4 951	4 951	-
Horticulture RDC	1 765	1 765	-	2 242	1 568	674
Pig RDC	411	411	-	299	299	-
Rural Industries RDC	452	317	135	377	312	65
Meat RDC	217	190	27	65	65	-
Dairy RDC	263	263	-	185	185	-
International Wool Secretariat	342	338	4	353	232	121
SA Grains Industry Trust Fund	640	600	40	578	526	52
Co-operative RDC	316	316	-	44	44	-
Grape and Wine RDC	233	233	-	586	351	235

	2003			2002		
	Grants Received \$'000	Expenditure \$'000	Unexpended Grants \$'000	Grants Received \$'000	Expenditure \$'000	Unexpended Grants \$'000
Industry Grants (continued)						
CRC for Aquaculture	20	20	-	54	1	53
CRC for Beef	44	44	-	29	29	-
CRC for Viticulture	329	329	-	248	239	9
CRC for Value Added Wheat	244	222	22	150	112	38
Aquafin CRC	542	542	-	1 146	682	464
Sheep Industry Contributions	1 946	1 346	600	-	-	-
Australian Genomics Research Foundation	800	800	-	-	-	-
Other	4 848	4 848	-	2 190	2 190	-
Total Industry Grants	21 903	19 946	1 957	14 061	12 350	1 711
Total Grants Received	30 124	27 832	2 292	32 706	25 330	7 376

(1) Primary responsibility for these grants was transferred to the Department of Water, Land and Biodiversity Conservation on 1 May 2002.

12. Interest Revenue		2003	2002
		\$'000	\$'000
Loans to the rural sector		1 393	1 939
Deposits lodged with Treasury		2 693	2 734
		4 086	4 673
13. Sales of Goods			
Plants		8	858
Livestock		784	1 012
Publications, books, maps and compact discs		637	628
Milk		933	867
Fruit and vegetables		248	175
Cereals		625	753
Wool and skins		359	325
Other		407	959
		4 001	5 577
14. Other Revenue			
South-Eastern Water Conservation Drainage Board levies ⁽¹⁾		-	992
Loxton Irrigation external contributions ⁽¹⁾		-	2 060
Seed royalties		587	477
Government Employment Scheme recoups		198	174
Contribution from the Department for Water Resources ⁽¹⁾		-	1 417
Recognition of property, plant and equipment previously expensed		1 660	-
Reimbursements of salaries and project costs		2 671	3 371
Net receivable owing from Department of Water, Land and Biodiversity Conservation ⁽¹⁾		-	2 932
Revenue in-kind		1 183	-
Proceeds from disposal of assets		63	239
Other		2 266	1 800
		8 628	13 462

(1) Relates to functions transferred to the Department of Water, Land and Biodiversity Conservation on 1 May 2002.

15. Restructuring of Administrative Arrangements				
The net revenues relating to the restructuring of administrative arrangements recognised in the Statement of Financial Performance are shown below. The assets and liabilities of the Office of Regional Affairs were transferred to the Department for Business, Manufacturing and Trade (DBMT) on 1 October 2002 and the energy policy functions of Energy SA were transferred to the Department of Treasury and Finance (DTF) on 2 December 2002. In addition, cash held by the Department relating to functions transferred to the Department of Water, Land and Biodiversity Conservation (DWLBC) on 1 May 2002 was transferred on 1 July 2002. Plant and equipment assets are stated at net book value.				
		Transferred to DWLBC	Transferred to DBMT	Transferred to DTF
		1.07.02	1.10.02	2.12.02
		\$'000	\$'000	\$'000
Assets:				Total
Cash		8 650	122	-
Plant and equipment		-	38	4
Total		8 650	160	4
Liabilities:				
Payables		-	25	10
Employee entitlements		-	200	74
Total		-	225	84
Net Revenue (Expenditure)		(8 650)	65	80
				(8 505)

16. Receivables			2003	2002
			\$'000	\$'000
Trade accounts receivable			4 011	11 502
Less: Provision for doubtful debts			500	558
			3 511	10 944
GST receivable			1 733	10 305
Accrued interest on loans and deposits			806	803
			6 050	22 052
17. Loans		2003	2002	
(a)	Rural Sector - Rural Finance and Development:	\$'000	\$'000	\$'000
	Balance at 1 July		21 196	27 763
	Advances during the year	1 609		291
	Interest capitalised	1 547		2 148
			3 156	2 439
			24 352	30 202
	Less: Principal repayments	7 180		9 006
	Principal written off	1 218		-
			8 398	9 006
	Balance 30 June		15 954	21 196
	Other Loans:			
	Balance 1 July		48	64
	Advances during the year		168	-
	Less: Amortisation of loan		16	16
	Total Loan Balance 30 June		200	48
	Balance 30 June		16 154	21 224
(b)	Balance of Loans Classification:			
	Current assets		1 464	2 441
	Non-current assets		14 690	18 803
	Less: Provision for doubtful debts		797	2 201
			13 893	16 602
			15 357	19 043
18. Inventories			2003	2002
			\$'000	\$'000
Livestock (at net realisable value)			2 184	2 215
Publications and maps (At net realisable value)			540	556
Plants and related items (At cost)			22	-
Publications and other finished goods (At cost)			440	363
Other (At cost)			346	356
			3 532	3 490
19. Other Assets				
Current:				
Workers compensation recoveries			17	14
Prepayments			123	-
			140	14
Non-Current:				
Workers compensation recoveries			55	53
20. Investments				
Investments in shares			1 625	-
<p>During the year the Department purchased 1 624 680 \$1 ordinary shares in Australian Grain Technologies (AGT) Pty Ltd. The purchase consideration for these shares consisted of a mixture of cash, plant and equipment, and intellectual property rights transferred to AGT. The Department's shareholding in AGT does not give it a controlling interest in AGT. The Department's shareholding has been recognised at cost.</p>				
21. Property, Plant and Equipment			2003	2002
			\$'000	\$'000
Land:				
Land at independent valuation (30 June 1999)			-	9 675
Land at independent valuation (30 June 2003)			17 481	-
			17 481	9 675
Buildings:				
Buildings at independent valuation (30 June 1999)			-	91 683
Buildings at independent valuation (30 June 2003)			69 374	-
Buildings at cost			-	1 968
			69 374	93 651
Less: Accumulated depreciation			3 359	30 592
			66 015	63 059

25. Equity

Equity represents the residual interest in the Department's net assets. The South Australian Government holds the equity interest in the Department on behalf of the community.

	Accumulated Surplus	Asset Revaluation Reserve	Committed Grants Reserve	General Reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	120 922	1 753	12 297	2 000	136 972
Surplus from ordinary activities	8 218	-	-	-	8 218
Net expenditure from restructuring	(8 505)	-	-	-	(8 505)
Revaluation increment	-	18 533	-	-	18 533
Transfers to (from) reserves	1 090	-	(1 090)	-	-
Balance at 30 June	121 725	20 286	11 207	2 000	155 218

26. Commitments for Expenditure

	2003	2002
	\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than one year	4 273	3 766
Later than one year and not later than five years	12 427	13 152
Later than five years	524	2 466
Total Commitments for Expenditure	17 224	19 384

Operating lease commitments are not recognised in the financial report as liabilities.

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.

27. Contingent Assets and Liabilities

(a) Contingent Assets

The Department owns intangible assets consisting of intellectual property. These include core samples provided by the mineral and petroleum industries, which are stored by the Department, and research developed in house or in conjunction with industry. These assets are not recognised in the financial statements due to difficulties in determining reliable fair values.

(b) Contingent Liabilities

The nature of activities that the Department is involved in can create potential exposure to environmental, fisheries and petroleum 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 fishing licences, past mining practices, petroleum exploration and animal health matters. These matters include:

(i) Minerals and Energy

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 long 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 risk 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.

(ii) Fisheries

As at 30 June 2003, there was a judgement pending on a Full Court Appeal in relation to damages claimed for financial loss in the operation and ownership of fishing licences. The potential liability cannot be reliably assessed at this time.

28. Targeted Voluntary Separation Packages (TVSPs)

In accordance with Government policy to reduce the public sector workforce, 11 employees of the Department were paid TVSPs during the period.

These payments were met by the Department and as at 30 June 2003 all except one have been recovered from the Department of the Premier and Cabinet.

As at 30 June 2003 payments amounted to \$819 000 of which \$728 000 has been recovered. In addition to this \$408 000 was paid in accrued annual leave and long service leave entitlements to those employees who received a TVSP.

29. Consultants Costs

During the reporting period the Department incurred expenses of \$640 000 (\$1.1 million) on consultants. The cost of consultants does not include GST.

30. 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:

	Extractive Areas		Total	
	Pleuro Pneumonia \$'000	Rehabilitation Fund \$'000	2003 \$'000	2002 \$'000
Operations:				
Receipts	3	1 051	1 054	1 035
Less: Expenditure	6	828	834	1 181
Net Receipts (Expenditure)	(3)	223	220	(146)
Funds:				
Balance of funds 1 July	71	3 791	3 862	4 008
Add: Net receipts (expenditure)	(3)	223	220	(146)
Fund balance at 30 June	68	4 014	4 082	3 862
Less: Commitments	-	1 223	1 223	1 955
Balance of Funds Available	68	2 791	2 859	1 907

As the Department performs only a custodial role in respect of these monies and because the monies cannot be used for the achievement of the Department's objectives, they are not brought to account in the financial statements, but are shown here for information purposes.

31. Employee Remuneration Packages

The number of employees whose total remuneration package was \$100 000 or more in relation to the reporting period was as follows:

	2003 Number of Employees	2002 Number of Employees
\$100 000 - \$109 999	10	5
\$110 000 - \$119 999	5	4
\$120 000 - \$129 999	4	4
\$130 000 - \$139 999	4	3
\$140 000 - \$149 999	1	-
\$150 000 - \$159 999	-	1
\$160 000 - \$169 999	2	2
\$170 000 - \$179 999	1	2
\$180 000 - \$189 999	3	1
\$220 000 - \$229 999	-	1
\$250 000 - \$259 999	1	-
	31	23

Note - These figures do not take into consideration payments of separation packages or payments for accrued annual leave and long service leave on departure from the Department.

Total remuneration received by the above employees was \$4.1 million (\$3.3 million).

32. Audit Fees

These accounts include \$194 000 (\$219 000) paid or payable to the Auditor-General's Department during the period.

33. Notes to the Statement of Cash Flows**(a) Definition of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

The Department's appropriation from the Department of Treasury and Finance included an accrual component of \$423 000. As at 30 June 2003 this appropriation had not been expended. In accordance with a directive from the Department of Treasury and Finance this accrual appropriation has been classified as a deposit at call.

(b) 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:

	2003 \$'000	2002 \$'000
Cash	64 061	46 191
Deposits at call	423	2 158
	64 484	48 349

(c) Reconciliation of Net Cost of Services from Ordinary Activities to Net Cash provided by (used in) Operating Activities

Net cost of services from ordinary activities	(103 081)	(116 545)
Appropriation from Government	111 299	115 564
Restructuring payments	(8 772)	(108)
Proceeds from disposal of property, plant and equipment	(63)	(239)
Non-case items:		
Depreciation and amortisation	5 977	5 671
Written down value of disposed property, plant and equipment	585	314
Revenue in kind	(1 183)	-
Doubtful debts expense	(244)	379
Unearned revenue	-	(517)
SAFA capital loss	-	24

(c)	Reconciliation of Net Cost of Services from Ordinary Activities to Net Cash provided by (used in) Operating Activities (continued)	2003 \$'000	2002 \$'000
	Changes in assets and liabilities (net of restructure transfers):		
	(Increase) decrease in receivables	16 060	(14 983)
	(Increase) decrease in inventories	(42)	426
	(Increase) decrease in other assets	(128)	(5)
	Increase (decrease) in payables	2 175	(1 605)
	Increase (decrease) in employee benefits	1 696	(1 280)
	Net Cash provided by (used in) Operating Activities	22 619	(12 648)

34. Financial Instruments

(a) **Credit Risk**

The Department's maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position.

(b) **Interest Rate Risk**

The Department's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on those financial assets and financial liabilities, is as follows:

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Fixed interest maturing in			Non- Interest Bearing \$'000	2003 Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:							
Cash	4.60	64 464	-	-	-	20	64 484
Receivables	4.60	806	-	-	-	5 244	6 050
Investments	-	-	-	-	-	1 625	1 625
Loans to Rural Sector	7.21	-	7 175	6 880	1 102	-	15 157
Loans other	-	-	-	-	-	200	200
Total			65 270	7 175	6 880	5 629	87 516
Financial Liabilities:							
Borrowings RF&D	5.62	-	7 444	4 600	300	-	12 344
Payables	-	-	-	-	-	10 050	10 050
Total			-	7 444	4 600	300	10 050

(b) **Net Fair Value**

The carrying amounts of financial assets and liabilities at the reporting date all approximate their net fair values.

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