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S O U T H   A U S T R A L I A

Report

of the

Auditor-General

for the

Year ended 30 June 2000

Tabled in the House of Assembly and ordered to be published, 4 October 2000

Fourth Session, Forty-Ninth Parliament

PART B

Volume I

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2000

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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 and III 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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ACCOUNTS OF PUBLIC AUTHORITIES

INTRODUCTION

Part B - Volumes I, II and III of the Report of the Auditor-General contains the financial statements of, and comments concerning, the operations of those public sector agencies that I am required by law to audit and that are defined by the *Public Finance and Audit Act 1987* as 'public authorities'. Where appropriate, graphs and tables have been used to illustrate selected information.

Consistent with last year, Audit comment and the financial statements of agencies, are presented on a ministerial portfolio responsibility basis.

AGENCIES NOT INCLUDED IN THIS REPORT

In preparing this Report every effort is made to ensure that only matters which are relevant, appropriate and timely are included. Subsection 36(2) of the *Public Finance and Audit Act 1987* provides the Auditor-General with a discretionary power to choose which agencies are excluded from this Report.

The following factors are taken into consideration in determining which agencies are to be included in this Report:

- materiality of financial operations;
- materiality of any impact on the public finances;
- consolidation of the financial operations in the Parent Entity's Financial Statements included in this Report;
- timeliness of information;
- materiality of issues arising from the audit;
- public interest.

A number of the agencies excluded from the Report are required to prepare an annual report in accordance with the requirements of the *Public Sector Management Act 1995*. In addition, Treasurer's Instruction 19 requires that each Chief Executive Officer must ensure that the annual report which is required to be submitted to the responsible Minister in accordance with the *Public Sector Management Act 1995* and Regulations or other legislation includes the general purpose financial statements in the form in which they were presented to the Auditor-General, together with a copy of the report of the Auditor-General on the statements.

SUPPLEMENTARY REPORT

There are also agencies 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 following agencies will be included in a Supplementary Report to be presented to Parliament later in this financial year.

- Country Fire Service Board
- Emergency Services Administrative Unit
- Police Superannuation Scheme
- River Murray Catchment Water Management Board
- South Australian Asset Management Corporation
- South Australian Metropolitan Fire Service

AUDIT OF THE AUDITOR-GENERAL'S DEPARTMENT

The *Public Finance and Audit Act 1987* requires that the accounts of the Auditor-General's Department be audited by an auditor appointed by the Governor. The audit for the financial year ended 30 June 2000 was conducted by Pannell Kerr Forster, Chartered Accountants, who have issued an unqualified Independent Audit Report.

QUALIFIED AUDIT OPINION REPORTS

The expression of an opinion on an organisation's annual financial statements by an independent professional auditor adds credibility to those statements and ensures that an appropriate level of financial disclosure has been exercised.

For those agencies that I am required to audit, I issue an Independent Audit Report on the financial statements in accordance with professional requirements and standards. The opinion expressed in that Report is usually unqualified but, where, in my opinion, circumstances so warrant, a qualified opinion is expressed. In extreme cases it may be necessary to decline to express an opinion.

In all cases where a qualified opinion (or no opinion) is given, full reasons are stated in the Independent Audit Report that is issued.

For the financial year ended 30 June 2000 qualified opinions were expressed on the financial statements of the following agencies:

- Administrative and Information Services — Department for
- Education, Training and Employment — Department of
- Environment and Heritage - Department for
- Justice Information System Services
- South Australian Motor Sport Board
- South East Catchment Water Management Board
- Water Resources — Department for

CONTROLS OPINION

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* requires the Auditor-General to advise Parliament whether in his opinion the controls exercised by the Treasurer and by public authorities in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Treasurer and public authorities have been conducted properly and in accordance with law.

In accordance with that requirement a Controls Opinion has been expressed for each agency.

REFERENCES TO MATTERS OF SIGNIFICANCE

Matters which have arisen from the audit of agencies during this financial year are commented on in Volumes I, II and III of Part B of this Report. Those issues that are regarded as either serious in nature or of public interest importance are listed separately under the heading 'References to Matters of Significance' immediately after the Table of Contents in each Volume.

MINISTER FOR GOVERNMENT ENTERPRISES; MINISTER FOR INFORMATION ECONOMY; MINISTER FOR ADMINISTRATIVE AND INFORMATION SERVICES; MINISTER FOR WORKPLACE RELATIONS

PORTFOLIO – ADMINISTRATIVE AND INFORMATION SERVICES

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:

- Minister for Government Enterprises
- Minister for Information Economy
- Minister for Administrative and Information Services
- Minister for Workplace Relations

The agencies included herein relating to the portfolio of Administrative and Information Services are:

- Administrative and Information Services - Department for
- Industrial and Commercial Premises Corporation
- Land Management Corporation
- Lotteries Commission of South Australia
- South Australian Ports Corporation
- South Australian Totalizator Agency Board
- South Australian Water Corporation
- State Supply Board

DEPARTMENT FOR ADMINISTRATIVE AND INFORMATION SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment of the Department

The Department for Administrative and Information Services (DAIS) is an Administrative Unit under the *Public Sector Management Act 1995*. The Department was established on 23 October 1997 and incorporates the activities of the following Administrative Units which were abolished on 23 October 1997, namely:

- former Department for State Government Services;
- former Department for Information and Technology Services;
- former Department for Industrial Affairs (excluding the Human Resources Management Division which was transferred to the Department of the Premier and Cabinet);
- Land Services Group of the former Department of Environment and Natural Resources;
- Forestry Division of the former Department of Primary Industries.

Role and Structure of the Department

The Department is the portfolio based agency for the Ministerial Portfolio of Administrative and Information Services. It has responsibility for a diverse range of government activities including:

- project risk management, building asset management, procurement and contract services;
- capital building works and major projects delivery;
- information technology policy, support and management services;
- internal services to government, for example forensic services and fleet management;
- land valuation, survey and registration;
- forestry operations and management;
- workplace registration and regulation and industrial relations services.

Note 1 to the Department's financial statements includes a diagrammatic representation of the organisation structure and Note 32 provides a breakdown of financial information in relation to the business unit operations of the Department.

SIGNIFICANT FEATURES

- The Department received funds appropriation in 1999-2000 of $157.8 million, comprising $91 million towards operations and $66.8 million as an equity contribution towards certain capital projects.
- Total assets employed at 30 June 2000 were $1.5 billion ($1.4 billion).
- The operations of South Australian Government Commercial Properties and South Australian Government Employee Residential Properties were consolidated into the accounts for the first time in 1999-2000. Comparative figures have been amended to reflect this.
- $94 million was made available from Department funds towards reducing that part of the State's past service superannuation liability in respect of both past and present employees of the Department. Note 5.2 to the financial statements refers. The Department's contribution of $94 million represented a material item in the context of the final budget result of the South Australian Government for 1999-2000.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

In undertaking the audit of the Department recognition was given to the diverse and self contained nature of the activities of a number of the functional areas of the Department. This acknowledged that separate financial accounting systems and processes were generally maintained in respect of the functional areas of each of the predecessor abolished Departments, particularly at the subsidiary system level.

In this regard the scope of audit in respect of the various functional areas of the Department was directed at ensuring financial systems and accounting record keeping processes and controls were at a level that provided assurance as to the integrity of processing of financial transactions and preparation of financial statement information. The reviews of the specific functional areas of the Department are, however, not undertaken in isolation of the recognition that the Department is required to operate within an overall financial management and accountability framework through consideration and appropriate application of the Financial Management Framework (FMF).

In this context specific audit attention to each functional area that was subject to review involved consideration of the:

- diverse nature and risks of those areas;

- integrity of the stand alone and subsidiary financial systems;

- materiality of the financial operations of that area with respect to the Department's overall operations and associated implications in regard to financial statement reporting on the Department's operations;

- requirements of the Financial Management Framework.

In more specific terms the scope of the audit included a review of the following areas of financial activity:

- revenue collection, accounts payable, and personnel/payroll functions
- maintenance of the general ledger and associated reconciliations and subsidiary systems
- asset and liability identification, valuation and management
- tendering and contract management processes
- procurement and distribution operations
- residential and commercial property management
- Forestry operations
- motor vehicle fleet management
- management of whole-of-government contracts, including maintenance and information technology
- management and financial reporting.

Audit Communications to Management

All significant matters identified during the course of the audit of the various functional areas of the Department, including financial accounting functions, systems and processes, were communicated in Audit Management letters to the Department. The letters outlined the scope of the audit and findings and recommendations emanating from the reviews. Responses received have been satisfactory. The commentary which follows in 'Audit Findings and Comments' hereunder provides an update on issues reported on last year and issues arising from the current years audit activity.

AUDIT FINDINGS AND COMMENTS

Financial Management Framework

The Financial Management Framework (FMF) provides agencies of government with guidance on critical processes and controls to be put into place to enable the exercise of good financial management. The five basic components of the FMF are planning and analysis, reporting, asset and liability management, transaction processing and control. The FMF was issued by the Department of Treasury and Finance, effective from 1 July 1998.

As mentioned previously the external audit activity of DAIS has not been executed in isolation of the review of DAIS adherence with the requirements of the FMF. During the 1999-2000 financial year audit process, Audit has noted the progress within DAIS in reference to the application of some important aspects of the prescribed elements of the FMF. Audit observations and comments arising from an understanding of the status of the application of some of the key elements of the FMF are outlined below.

Planning and Analysis

DAIS has an established strategic planning process. The process established by DAIS involves elements consistent with those of the FMF. The matter of strategic and business planning and it's linkage to the annual budget process and documents is to receive Audit review attention in the 2000-2001 financial year.

Reporting

This component of the FMF covers elements of good quality reporting, both of an internal (management) and external (statutory and financial statement reporting) nature.

Audit has to date primarily focused on the external reporting requirements of DAIS to produce annually quality statutory financial statements. Audit has noted progressive improvement in the efficiency of preparation by DAIS of the annual statutory financial statements.

Asset and Liability Management

The issue of control over the assets of the Department was raised in last year's Report to Parliament, specifically in relation to the maintenance and reconciliation of the Fixed Asset Register. This matter is again the subject of further comment later on in this section of the Report.

Transaction Processing

This element of the FMF focuses on transaction processing in relation to the expenditure and revenue business cycles. As in the past, Audit's approach to the review of the business cycles (eg, Accounts Payable, Accounts Receivable etc) has addressed the majority of typical/traditional control matters relating to these two cycles. Where appropriate, Audit has forwarded during the year, separate Audit Management letters outlining the scope and findings arising from the reviews of the various business transaction cycles. These have been responded to by the Department in a satisfactory manner.

Control

This component of the FMF is both integral to the FMF and to the annual opinion assessment of the Auditor-General on the reasonableness of controls exercised by DAIS in the conduct of it's financial affairs.

The following provides comments in respect of some important aspects associated with the control component of the FMF.

Risk Management

The implementation of the FMF from 1 July 1998 meant that a structured risk management practice is now formalised as an integral part of an overall effective agency management and control process.

In relation to DAIS, developments have proceeded since 1997-98 that align with certain requirements for risk management practice under the FMF. These developments have included the formulation of a Risk Management Policy, appointment of a Principal Adviser Risk Management and Audit Services, and the completion of a Risk Management Scoping Study of DAIS in February 2000.

Last year's Report to Parliament indicated that the Risk Management Scoping Study had been initiated and that its early completion would provide the critical basis for the preparation of an on-going Risk Management Plan. Such a Plan is described in the FMF as the central plank to risk management practice.

Although the abovementioned developments represent positive directions the Risk Management Policy and Risk Management Scoping Study are draft documents. It is considered important for DAIS to formalise endorsement of the documents (with any appropriate amendments) and to determine next actions (eg preparation of a Risk Management Plan and process regarding it's maintenance and monitoring).

Monitoring and Reporting

The FMF requires agencies of government to implement a mechanism for monitoring and reporting on the effectiveness of the internal controls of the agency and the manner in which the controls support the agency's overall objectives. The FMF suggests the important roles that an Audit Committee and internal audit activity can play in the area of monitoring and reporting.

DAIS has implemented elements consistent with these important requirements of the FMF. DAIS has an established Audit and Risk Management Advisory Committee. It has also appointed a senior Internal Auditor to assist the Principal Adviser Risk Management in the conduct of internal reviews of the operations of DAIS as identified in the DAIS Strategic Internal Audit Plan that was prepared in conjunction with the Risk Management Scoping Study.

Again, as with the Risk Management Policy and the Risk Management Scoping Study the Strategic Internal Audit Plan is a draft document awaiting official endorsement to formalise the approved direction of Internal Audit review activity in 2000-2001 and beyond.

Control Environment

The FMF also emphasises the importance of establishing and maintaining an effective control environment by, among other things, documenting and distributing policies and procedures covering all major activities.

The requirement to have in place up to date key policies and procedures has been raised in some Audit Management letters issued during the year in connection with Audit reviews undertaken of various activities of DAIS.

It is considered that DAIS may need to undertake some form of project review to establish the position status concerning the completeness and adequacy of policy and procedural documentation and to determine priority areas for upgrade (where applicable) and timeframes for completion of upgrades.

Summary of Observations

DAIS is cognisant of the requirements of the FMF and is demonstrating progress through implementation of certain significant elements of the FMF. Some of these important elements now require formalisation through endorsement by the Executive of the Department to demonstrate the Department's commitment to full and effective implementation. It is considered that the Department's Audit and Risk Management Advisory Committee will need to play a critical and facilitative role in this regard. It is also Audit's view that policy and procedural documentation should receive attention to improve its currency and relevancy.

General Control Environment

The audit work undertaken and the resultant audit findings reflected the diverse nature of the activities undertaken by the Department and associated financial operation arrangements.

Issues of an internal control nature arising from the audit process, where applicable, were conveyed in Audit correspondence to appropriate management staff of the functional areas of the Department and responses advising action taken have been received or are in the process of consideration by the Department. Some matters relating to internal control are further commented on below.

Computer Information Systems Environment

New Audit Methodology - Information Sought

The Auditor-General's Department is presently implementing a new audit methodology software product which represents a more advanced product to that previously used. The new audit product was introduced in respect of a number of agencies during 1999-2000 including DAIS.

The new audit product requires an extended Audit review and documentation focus on the agency's Information Systems and related Computer Processing Environments (CPE's), in acknowledgement of their importance in supporting agency operations, providing credible information for agency financial reporting and being integral to an overall effective internal control framework of the agency. In essence the use of the new audit software product requires Audit to more fully evaluate and document the risk/control attributes associated with Information Systems and the CPE's in forming opinions on agency internal controls and financial statements.

During 1999-2000, Audit obtained certain information from DAIS by way of an Audit Questionnaire in order to ascertain a more detailed understanding of the Key Financial Information Systems and CPE's of DAIS. During that information gathering process, a number of important observations were made by Audit which are commented on below.

Observations from the Information Gathering Process

The main Audit observations from the information gathering process were:

Information Technology Policies and Procedures

There is a need for DAIS to finalise and promulgate policy in regard to DAIS's internal operations in respect of Information Technology Policies and Procedures to ensure staff are aware of and adhere to the required standards.

Business Continuity Planning Arrangements

DAIS needs to finalise a formal documented plan to comprehensively address its on going Business Continuity arrangements for the financial and operational computer systems and relevant CPE's.

Access to Financial Information Systems Data and Report Writing Software

Audit noted that in relation to a computerised stock system and fleet management system, some user access levels to live production databases and Report Writing Software tools were in excess of the position responsibilities of the staff concerned.

Past Audit Reviews - Update

Audit has in recent years communicated to DAIS in respect of the findings of certain information technology activity and system audits, including those undertaken of key financial information systems and in related areas. DAIS has appropriately responded to those past communications indicating that certain remedial actions would be taken. A number of those matters now need to be progressed to a stage of finalisation.

Those matters which require attention are the formalisation and documentation of business continuity plans, change management and system development methodology, security administration procedures manual, and some security specification documentation requirements within Service Level Agreements with EDS.

Additionally, certain systems used within DAIS need formal audit trails of transactions to be produced and reviewed. Further, systems in which individual uses cannot be identified (through the use of shared user identifiers), require formal mechanisms to be put in place to identify specific users of the relevant systems.

The above matters were formally communicated to DAIS in August 2000. In relation to the Audit observations and matters raised in past reviews, DAIS response of August 2000 indicated action was under consideration or being implemented.

Procurement Arrangements

Prior years' Reports have referred to the role of the Department, through the Supply SA business unit (now Contract Services), in undertaking the process of tendering and management of contracts, including tendering and contract management on behalf of the State Supply Board. The Reports have also included comments on issues that have arisen from reviews of processes covering tendering and contracting performed by Contract Services.

The Procurement Reform initiative of government has resulted in changed roles and responsibilities of the State Supply Board, Contract Services and the ministerial portfolio government department agencies in regard to tender and contract management arrangement for the procurement of goods and services. In particular, the implementation of reforms has seen the devolution of certain tendering and contracting responsibilities to the government department agencies that were previously undertaken by Contract Services on behalf of the State Supply Board.

In recognition that the reform change was in full operational effect during 1999-2000 Audit undertook to review certain aspects of the change concurrent with a review of matters in relation to the administration of tender and contract arrangements associated with a category of medical and surgical supplies contracts.

Due to certain major developments within government that have required both immediate and focussed Audit examination (Electricity Assets Lease/Sales Program; Hindmarsh Soccer Stadium Project Examination) the intended review coverage has not been completed in its entirety.

Audit has finished a review of the legal and policy framework underpinning the procurement reform. The outcome of that review is discussed in Part A of this Report. Audit is now progressing the review associated with the tender/contract arrangements covering medical and surgical supplies contracts. This review is being undertaken within an overall context of examining other important aspects of the procurement reform change implemented within government.

Outsourcing of Warehouse Operations

Background

On 23 June 1999 the Minister for Administrative Services signed a Strategic Alliance Deed (the Contract) which outsourced the warehouse logistics operations of Supply SA. The Contract followed an October 1998 Cabinet submission that approved the contracting out of the warehousing operations that were previously undertaken by the Department. Financial analysis provided as an attachment to the Cabinet Submission suggested the operations to be outsourced had estimated annual receipts of approximately $20.5 million, and the restructured operations would reduce net operating expenditure by approximately $1 million per year.

During 1999-2000 Audit undertook a review of some salient matters associated with the changeover to the service provider including certain aspects of the contractual arrangements. The review revealed a number of significant matters with respect to contractual arrangements, stock management control and information systems arrangements. Audit considered that these issues needed to be resolved as a matter of priority, particularly as the warehousing arrangements involve ongoing private sector participation. The matters are outlined hereunder.

Auditor-General's Access

Audit noted that the contract arrangements for the Supply SA warehousing operations did not address the Auditor-General's requirements under the *Public Finance and Audit Act 1987*. The contract reserves the right of the Minister to audit the Contractor's performance of the logistics services. However, it was noted that the contract did not provide for access or audit rights to the Auditor-General.

It is important to note that the contractual arrangements have implications for the processing and security of Government information and systems, and extends to the contractor's responsibility over physical stock owned by the State. In the absence of an adequate contract clause for the Auditor-General to access and review the operations under the contract there is a potential limitation on the audit process and the ability of the Auditor-General to discharge responsibilities under the *Public Finance and Audit Act 1987*.

To facilitate future Audit review processes Audit recommended that DAIS formally communicate with the contractor advising the statutory audit position of the Auditor-General and informing the contractor that an annual review of systems and processes will be undertaken by the Auditor-General's Department.

The Department advised its intention to amend the contract to specifically provide for Auditor-General access.

Due Diligence in the Pre-contractual Process

Audit noted that some intended conditions to apply in respect of the proposed outsourcing arrangements and which were considered by Cabinet and included in tender documents did not proceed to inclusion in the final outsourcing contract arrangement. This resulted from inadequate due diligence of some issues important to the proposed outsourcing arrangement prior to seeking Cabinet endorsement and formulation of tender and contract documentation.

The Department has acknowledged deficiencies in the due diligence process associated with the information of the final contract and indicated that a review will be undertaken to explore the nature of those deficiencies.

Stock Management Control

For a period of time there were limitations in the effective control exercised over warehousing stock prior to its transfer to the service provider.

Prior to the stock transfer, deficiencies were present in the stock system recording stock and stock movements. As a consequence uncertainty existed over the integrity of stock information recorded on the system. Although this unsatisfactory position existed, the transfer of stock from the Department to the service provider proceeded in October 1999 without a complete and formalised stocktake transfer process.

Stock variations between the service provider's records of stock takeover and the Department's system and records of stock holdings and transfers were not able to be adequately explained due to the deficiencies in the stock system and stocktake transfer process.

It was only in March 2000 that the Department and the service provider jointly undertook a formal stocktake to establish an agreed stockholding figure. The Department has indicated that the agreed stock holding coming out of the March 2000 stocktake has now been formally signed off by both parties. Formal policies have also been established with respect to stock losses.

Service Provider Stock Control System

The service provider is utilising a computerised stock control system to manage warehousing stock. In this regard the Department needs to be satisfied that the system is reliable both from an operation and control viewpoint. Audit raised with the Department a number of issues, including information system security and continuity planning arrangements, that required examination and actioning to obtain some assurance as to the ongoing reliability of information produced from the system and used by the Department.

The Department has indicated that the issues raised by Audit have been addressed or will receive attention.

Control Over Service Provider Costs

The cost to the State of the provision of services by the Contractor involves a management fee plus reimbursement for costs that are not subject to specific limits. Therefore, the ability of DAIS to restrict such reimbursable costs is effectively limited to ongoing negotiation with the Contractor.

In this regard Audit considered it important that the Department put in place regular key financial performance reviews of reimbursable costs through Key Performance Indicators, including the establishment of upper and lower limits over cost levels.

The Department has advised that it will pro-actively manage the contractual arrangement to ensure the appropriateness of costs subject to reimbursement.

Contract Management

In any contract where service provision is outsourced to the private sector, monitoring of compliance with contract conditions is of fundamental importance. Audit noted that monitoring processes had not been formalised, including the reporting protocol to senior levels of management in respect of the outcome of these monitoring processes.

The Department is developing a contract management plan involving a compliance checklist to be utilised in the monitoring of contract conditions.

Outsourcing of Building Maintenance Work

Background

In March and April 1998 the Department finalised outsourcing arrangements with respect to facilities management services provided in relation to selected Government agency assets. The overall arrangement provided for three private contractors (referred to as Facilities Managers) to supply building maintenance and minor works services, with each contractor being allocated service responsibilities to Government agencies within different geographical areas covering metropolitan Adelaide. The estimated value of work relating to the three contracts was $35 million. Building Maintenance Services of DAIS was retained to provide services to a fourth geographical region.

Concurrent with developments relating to the outsourced arrangements the Department, during 1997-98, proceeded to develop the Facilities Asset Management Information System (FAMIS) to be utilised by the Department, Facilities Managers and the relevant client Government agencies in the operational, financial and performance management of the outsourced maintenance activities.

Systems Operations and Control Issues

The 1998-99 review of the operations of FAMIS revealed certain matters, which were raised with the Department. Two matters that were still being addressed at the time of the Audit, following review in 1999-2000, were:

- The requirement to establish a check within FAMIS to ensure that all jobs are being charged at the correct rates, as outlined in the contracts.
- The need to clarify the existing status and obligations of all parties with respect to the operation of the Incentive Payments scheme envisaged under the individual contracts with the Facilities Managers.

In relation to the first matter the Department has advised that a valid rate checking mechanism has been developed for implementation into the FAMIS computer system during October, 2000. A review process has also been established to monitor rate discrepancies.

Regarding the second matter the Department has indicated that it has advised the Facilities Managers of their performance obligations in relation to the incentive payments arrangements. Audit was also advised of the position status of the Facilities Managers concerning payment of incentives.

Cessation of Services Provided by a Facilities Manager

CKS Facilities Management (SSA) Pty Ltd (CKS) was one of the three original private contractors awarded a facilities management contract by DAIS. During 1999-2000 CKS appointed an administrator due to their insolvency. As a result of the appointment of the administrator and the financial difficulties being experienced by CKS, DAIS assessed that there existed a serious risk to continuity of service provision. Consequently the contract with CKS for the provision of facilities management services was terminated by DAIS.

The CKS Administrator advised DAIS that $1.43 million had yet to be billed to DAIS for work performed by CKS under the contract prior to contract termination. DAIS engaged a consultant to assess the validity of this amount and, in consideration of this work and negotiations with the Administrator, the Minister entered into a Deed of Company Arrangement whereby the Minister agreed to pay an amount of $1.3 million to settle the amounts owing.

This payment was made on the basis of certain conditions, including that the payment represented full and final settlement of any liability the Minister has to the Company and related parties, and that the money be directed to maximising the return to former employees and trade creditors of CKS.

The work that was previously performed by CKS was re-allocated to one of the existing private facilities management contractors and the Building Maintenance Services Business Unit of DAIS.

Billing Issues Regarding a Private Facilities Manager

Audit noted problems being experienced by a private Facilities Manager in relation to billing for maintenance work performed. Audit communicated with the Department in relation to this matter requesting advice as to the process of confirmation to be implemented by the Department to satisfy itself regarding material claims submitted by the Facilities Manager for under-billed work.

The Department has indicated that a comprehensive audit process is to be applied to the verification of under-billed work and payments for outstanding claims is dependent on the results of the audit process. Audit will follow up on this matter.

Land Services Group

Land Ownership and Tenure System - Management Arrangements

My last Report made comment that resolution of management issues pertaining to the future management and funding arrangements of the Land Ownership and Tenure System (LOTS) had not been finalised and were the subject of discussion between DAIS and Department for Environment and Heritage (DEH) at that time. During the year Audit has communicated with both DAIS and DEH to ascertain an update status on the progress towards finalisation of these issues.

Advice received from the agencies indicates certain action has been taken towards facilitating resolution, notably, DAIS engaged independent consultants to provide a detailed independent commentary on the outstanding issues between DAIS and DEH, and assistance was sought from the Department of Premier and Cabinet in resolving these issues.

The independent consultant reports together with assistance from the Department of Premier and Cabinet have resulted in the development and negotiation of a Heads of Agreement document between the two agencies. The document defines the agencies roles and responsibilities, recognises that DAIS is the custodian of land administration data and the need for Service Level Agreements to be finalised for certain IT services provided by DEH. Audit understands that DAIS intends to progress matters within the Heads of Agreement document by December 2000.

Audit considers that significant progress of outstanding issues is of paramount importance, as it should result in clarification of critical matters, including the issue of ownership of software and applications of the LOTS system.

Finalisation of the future management and funding arrangements of LOTS has been outstanding for over two years. This is an important matter which needs to be progressed and finalised with a degree of urgency.

Revenue Operations

Audit review of the financial accounting operations of the Land Services Group (LSG) in 1999-2000 focussed on the revenue raising, receipting, and banking functions in relation to the registration of documents and provision of property information. The audit revealed that there was scope to improve controls over the following areas:

- Introduction of increased segregation of duties in relation to the preparation of summary receipting and banking documents.
- Need to enhance security arrangements over the banking of receipts and access to safe holding facilities.
- Need to develop a comprehensive policy and procedures manual.
- Clarification of arrangements and controls in place with respect to the receipting and forwarding of money by DEH to DAIS.

The Department has responded in a satisfactory manner to these issues.

Real Estate Management

The Real Estate Management Business Unit is responsible for managing the Government's portfolio of owned and leased office accommodation and housing assets and comprises the Residential and Commercial Properties Divisions.

Audit review of this area identified delays in the implementation of key financial system upgrades within the Commercial Properties Division. As a result a number of important control procedures have not been operational. More specifically, there were significant delays experienced in implementing the AccPac general ledger. As a consequence the finance area have been unable to conduct a number of important control procedures such as reconciliation of accounts receivable and payable subsidiary system data, reconciliation to the DAIS Corporate General Ledger (Masterpiece) and lack of management review of actual profit and loss results.

Audit follow up of this matter as part of the year end audit process revealed that the upgrade to the financial systems had only been completed in June 2000 and as at 30 June unexplained variances existed between the AccPac General Ledger, the key subsidiary systems and the DAIS Corporate General Ledger. In recognition of this position Audit has performed additional alternative verification procedures to enable account balance confirmation for DAIS financial statement purposes. Audit will continue to monitor developments directed towards remedying this position.

Asset Control

In last year's Report Audit raised a number of issues relating to the recording of fixed assets of the Department. The main issue related to material unexplained variances between the asset registers and the General ledger as at 30 June 1999, resulting in a number of asset write-off adjustments to the general ledger.

The Department recognised that better processes were required with respect to the recording of assets and indicated that a project team was to be established to set up one integrated asset register.

The Department, during the year, has not achieved implementation of the proposed integrated system. In 1999-2000 two primary asset register systems were maintained and Audit review of the arrangements and processes in place in relation to those systems identified a number of matters:

- Regular (monthly) reconciliations were not being performed between the Asset Registers and the General Ledger.
- Scope to improve system access controls.
- The need to establish formal policy and procedure manuals.
- The need to formalise contractual arrangements and clarify intellectual property rights with respect to the provider and developer of one of the asset registers.

The Department has responded that a new integrated fixed asset register system is due to commence operation early in the new financial year and will address the issues that have been raised by Audit.

Payroll Operations

In previous years my Report has included comment on a number of matters regarding the operations of the Concept payroll system. Concept is the main personnel and payroll processing system for the Department. While some of the matters raised previously have been addressed a number of issues raised remain outstanding. The outstanding matters relate to:

- Some key checks over processing of personnel and payroll information were not being performed at the input and output stages of the processing cycle.
- Regular reconciliation of Concept to the Masterpiece General Ledger;.
- The need to establish documented policies and procedures.
- The requirement to standardize the records retained with respect to termination payments.

These matters have been communicated to the Department and responded to in a satisfactory manner.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department for Administrative and Information Services included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

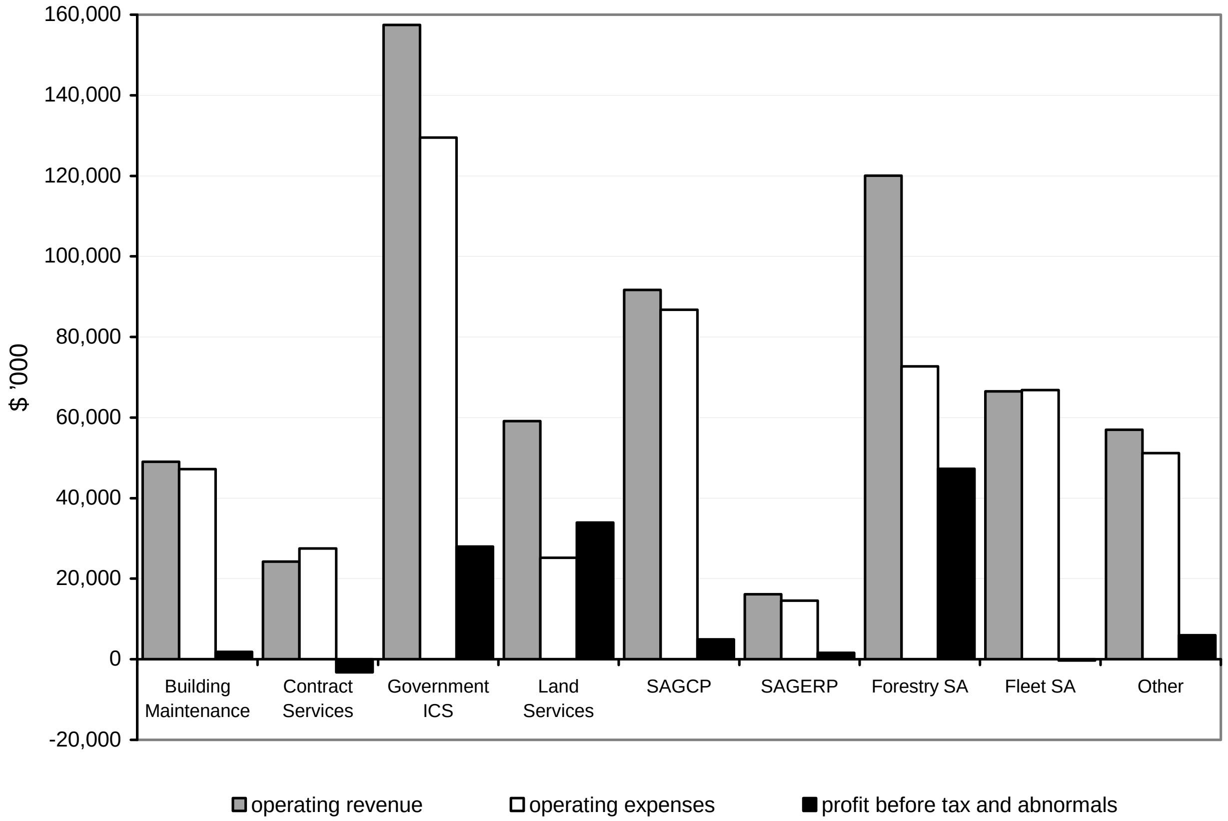
Audit formed the opinion that the controls exercised by the Department for Administrative and Information Services in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, except for the matters outlined under 'Audit Findings and Comments', were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Consolidated Operations

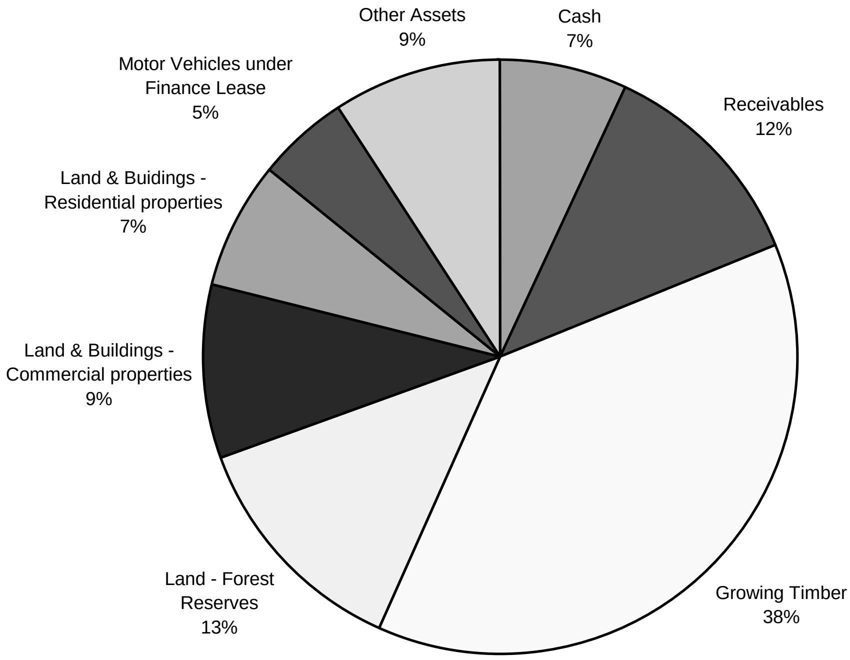
Operating Result

The Department recorded an operating profit before abnormal items and tax of $121.8 million. Note 32 to the financial statements provides operating performance information in relation to the business unit operations of the Department. The following graph provides a summary of the contribution to the operating result by the major business unit areas of the Department. Business and corporate services have been excluded from this analysis as the majority of their costs are recovered through re-charges to the other business units.



Assets

Assets under the control of the Department amounted to $1.5 billion at 30 June 2000. Over fifty percent of that asset holding relates to Forestry operations, including $578 million on account of growing timber. The following chart provides a summary of the major asset categories and their materiality proportionate to the total assets of the Department.



Other assets in the chart includes $36 million in connection with the establishment of the Government Radio Network. Note 2.8 to the financial statements provides information concerning the establishment of the communication network.

Forestry Operations

The Department, through Forestry SA, manages South Australia's plantation forests and markets wood to industry at an agreed rate of return to the forest owner and also provides competitive services to the industry, community and government. The *South Australian Forestry Corporation Act 2000* was assented to on 20 July 2000. When proclaimed the statutory corporation (the South Australian Forestry Corporation) established under this Act will undertake the functions and operations of Forestry SA. Refer 'Further Commentary on Operations' later in this section of this Report.

Valuation of Forest Assets

In May 1996 I tabled in Parliament a special report titled 'Valuation of Forest Assets'. The technical report was concerned with the valuation of forests for the purpose of accounting and auditing an enterprise that owns, manages or leases forests.

Notwithstanding the fact that this report acknowledged that the technical standards adopted by the former Department of Primary Industries - Forestry are of a very high standard and probably without peer in Australasia, there are some matters where it has been acknowledged that steps can be taken to improve the acceptability for financial reporting and auditing purposes of the estimation of 'growing timber' in State forests.

In respect to the issue of auditability Forestry SA has been enhancing systems and databases associated with predicting growing timber and accounting for actual harvesting outcomes to improve comparability of information produced by these systems. Audit, during 1999-2000, with assistance from an external forestry consultant, undertook an up to date assessment of systems and processes in relation to the estimation of growing timber.

Although the 1999-2000 review noted some progress with respect to systems and processes, there still existed certain matters requiring consideration and resolution before the qualifying comment of the Auditor-General in relation to the estimation of growing timber could be reassessed for removal from the Independent Audit Report. Consistent with prior years I have commented in the Independent Audit Report for the year ended 30 June that I am not in a position to form an opinion on the reasonableness of the estimation of the value of the asset growing timber.

Growing Timber

The following table summarises valuations of growing timber for the past 5 years by region and revaluation increments (decrements).

Region	**2000 $'million**	1999 $'million	1998 $'million	1997 $'million	1996 $'million
South East Region:					
Young plantations	**24.9**	22.4	23.5	24.1	25.0
Old plantations	**478.5**	469.1	473.9	496.2	501.0
Central and Northern Regions:					
Young plantations	**3.4**	3.3	3.7	3.6	3.8
Old plantations	**71.7**	71.3	71.1	80.4	80.8
	578.5	566.1	572.2	604.3	610.6
Revaluations:					
Increment (Decrement)	**12.4**	(6.1)	(32.1)	(6.3)	(4.5)

As stated in Note 2.7 'Valuation Methodology - Growing Timber' to the financial statements, the value of growing timber is calculated for financial reporting purposes only as a measure of forest management performance over the reporting period. The methodology assumes that the forest will be harvested over time and in an orderly manner.

This method does not provide a measure of the forest's realisable value, that is, the amount for which an asset would exchange for on the date of valuations between a willing buyer and a willing seller in an arms-length transaction. Accordingly, the estimate brought to account by Forestry SA should not be interpreted as a 'current market valuation' as its use by Forestry SA is not designed to represent those values that could be realised at the date of valuation.

Motor Vehicle Fleet Finance Lease

The Government entered into a sale and leaseback facility managed by the Commonwealth Bank of Australia on 9 May 1996. On that date the Government sold all existing vehicles to a company for $175.8 million. The book value of the vehicles at the time was $169.9 million. The facility is set up on a perpetual basis with both parties having the option to terminate the agreement from year eight onwards. Once notice has been given that the facility is to be terminated the agreement has a 'wind down' period of seven years. The Department is responsible for the management of the motor vehicle lease arrangements.

Whilst Audit agreed with the Department that the lease facility was a finance lease as defined by Australian Accounting Standard AAS 17 'Accounting for Leases', there was a divergence of opinion on the interpretation of a number of key definitions in the Standard. The matters on which there was a divergence of opinion were fully explained in Part B of the 1995-96 Report of the Auditor-General to Parliament. In summary, the Department considered that the underlying asset is not the individual vehicles used by government agencies but a 'pool' of vehicles which is available for use and that a component of the residual value on the vehicles is not guaranteed by the Government. Audit, however, considered that there are separate 'lease agreements' in place for each vehicle and that the Government, under the lease facility, guarantees the full residual value of the vehicles.

As the difference in interpretations resulted in a material difference to the amounts disclosed in the Department's financial statements, Audit has issued a qualification since the inception of the lease facility in 1995-96 in respect of the following asset and liabilities:

Assets

Motor vehicles under finance lease.

Liabilities

Current borrowings — finance lease on motor vehicles.
Non-current borrowings — finance lease on motor vehicles.
Other current liabilities — deferred profit on sale and leaseback of motor vehicles.

The Department for Administrative and Information Services (DAIS) has maintained, in respect of this year's financial statements, the reporting treatment adopted in respect of last year's financial statements. As such, Audit has again included a qualification in the Independent Audit Report for the year ended 30 June 2000 in respect of the aforementioned financial statement disclosure items. In Audit's view had there been compliance with the requirements of the Standard, assets of DAIS would increase by $78.5 million and liabilities would increase by $75.2 million.

Linen Establishment

Previous Reports have included comment in relation to difficulties encountered by the Department in determining the value of linen rental stock in service in relation to Central Linen operations. This has been a result of the nature of delivery of linen to customers and its subsequent return to Central Linen, which has meant that it has not been possible to substantiate the value of linen establishment by stocktake. Because of these difficulties Audit was uncertain as to the reliability of the value assigned to this asset and the resultant effect on the Department's operating result. In this regard the Independent Audit Reports issued in respect of prior years' financial statements have included qualification comment in relation to this financial statement disclosure item.

Although the Central Linen business was sold during 1999-2000 a qualifying comment has been included in the Independent Audit Report covering the 1999-2000 financial statements with specific reference to the 1998-99 comparative figures.

EXTRACT FROM INDEPENDENT AUDIT REPORT

> ***Qualification***
>
> *Growing Timber*
>
> *The Department manages South Australia's plantation forests. In relation to Forestry operations the Department has adopted a market based method of revaluation for the non-current asset - growing timber. Under this method, the inventory 'growing timber' is valued at its 'net market value' at the reporting date.*
>
> *In 1994, I appointed an independent consultant with expertise in Forestry to examine the models used in the estimation of growing timber and to report on the auditability of the models. In summary, the consultant's findings were that the models used in the estimation of growing timber were generally of a high technical standard. Notwithstanding these comments, the consultant made a number of statements with regard to the auditability of the estimates of the volume of standing timber. This precludes the independent attestation of these estimates within an acceptable level of audit confidence.*
>
> *The Department responded positively to the consultant's recommendations and has been enhancing systems and databases associated with predicting growing timber and accounting for actual harvesting outcomes to improve comparability of information produced by these systems. Audit, during 1999-2000, again with assistance from an external forestry consultant, undertook an up to date assessment of systems and processes in relation to the estimation of growing timber.*
>
> *Although the 1999-2000 review noted some progress with respect to systems and processes, there still existed certain matters requiring consideration and resolution before the qualifying comment of the Auditor-General in relation to the estimation of growing timber could be reassessed for removal from the Independent Audit Report.*
>
> *Consistent with prior years I am not in a position to form an opinion on the reasonableness of the estimation of the value of the asset growing timber.*

Light Motor Vehicles

Note 2.13 to the Financial Statements sets out the accounting policy with respect to the sale and leaseback of motor vehicles previously owned by the Department. In my opinion the approach adopted by the Department is not consistent with the principles of Australian Accounting Standard AAS 17 'Accounting for Leases', and in the absence of a superior standard does not appropriately reflect the value of the underlying assets and liability of the transaction. Financial statement balances affected are:

Assets

Motor vehicles under finance lease.

Liabilities

Current borrowings - Finance lease on motor vehicles
Non-current borrowings - Finance lease on motor vehicles
Other current liabilities - Deferred profit on sale and leaseback of motor vehicles

In my opinion, had the standard been properly adopted, assets would increase by $78.5 million and liabilities would increase by $75.2 million.

Linen Establishment

The 1999-2000 financial statements include comparative figures for the preceding financial year which were the subject of a qualification in the previous year in relation to Linen Establishment.

As indicated in Note 2.9 to the Financial Statements, linen establishment is the linen rental stock in service. As a result of the nature of delivery of linen to customers and its subsequent return to Central Linen, it is not possible to substantiate the value of linen establishment by stocktake. It is recorded at management valuation based on current operational practices and data for the industry. In my opinion there is uncertainty as to the reliability of the value assigned in 1998-99 to linen establishment of $4 000 000.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instruction's promulgated under the provisions of the Public Finance and Audit Act 1987, *applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the Department for Administrative and Information Services as at 30 June 2000, the results of the Department's operations and its cash flows for the year ended 30 June 2000.*

FURTHER COMMENTARY ON OPERATIONS

Information Technology Management and Initiatives

The Department has responsibility for the planning and coordination activity associated with the whole-of-government direction in regard to Information Technology. In relation to the review of management arrangements and developments associated with Government IT initiatives, Audit's observations on aspects of certain key initiatives subject to review during 1999-2000 are commented on below.

EDS IT Infrastructure Contract

Economic Development Activities

Last year's Report made comment that the Economic Development Reports to be provided by EDS (Australia) Pty Ltd (EDS) were required to be certified by an independent auditor. I also indicated that it was considered necessary to develop a framework for the audit consistent with the certification requirement of EDS in respect of the Report. Further, the framework and audit process would require an amendment to the contract.

In August 1999, guidelines for the Economic Development Report verification process were agreed by the parties. Three EDS Economic Development Report's for the periods to 30 June 1999 have been subject to Independent Audit Reports in accordance with the August 1999 agreed framework and have been received by DAIS. At the time of preparation of this Report, the required amendment to the contract had not been finalised.

DAIS Review of EDS Performance

Last year's Report indicated that DAIS had initiated action regarding a market price review process for certain contract segments, and for a mainframe pricing audit. Audit sought advice from DAIS during the year as to the status of these reviews. At the time of preparation of this Report Audit understands that the reviews have not reached a stage of finalisation.

Management of EDS Payments and Receipts

Last year's Report made comment that there was a need to formalise administrative procedures documenting the checking processes with respect to payments to EDS and recovery of those payments from Government agencies. Audit review of this matter in 1999-2000 identified that formal procedures had been established.

Review of EDS IPC

In last year's Report, I advised that a review of certain EDS managed Information Technology Sites (including the EDS Information Processing Centre) was in progress and would be finalised in early 1999-2000. That review has now been finalised and the findings emanating from the review are commented on in Part A of this Report.

Government Radio Network Contract

Audit is in the process of reviewing some matters associated with the Government Radio Network Contract (SA-GRN) project.

During 1999-2000, Audit sought and obtained documentation from DAIS relating to certain key events for the SA-GRN project.

Some of the more salient matters arising from Audit's review of that documentation and through discussion with officers of DAIS, are commented on below, notably with respect to:

- Completion - Key Milestones.
- Asset Register and Management System.
- Industry Development Activities.

Completion - Key Milestones

The Network Operation Control Centre (Accommodation) and Metropolitan Business Region (Part of Business Region 1) have reached a stage of completion and have been formally accepted by DAIS. Business Region 1 is principally operational but had not been accepted as completed by DAIS at the time of preparation of this Report. Completion for Business Region 1 was due in June 2000. Certain other key deliverables were awaiting finalisation, acceptance and payment.

Asset Register and Management System

The agreement between the Government and Telstra Corporation Ltd (Telstra) requires an asset register and an asset management system to be maintained by Telstra to manage the infrastructure assets associated with the SA-GRN on behalf of the State. The Asset Management System was due for completion in July 2000. At the time of preparation of this Report, the Asset Management System had not reached a stage of finalisation.

With respect to the Asset Management System, Audit raised with DAIS the need to consider a policy statement on useful life and depreciation rates for the recording and management of GRN assets including agency small items such as mobile handsets, to ensure consistent management and accounting treatment amongst agencies.

Industry Development Activities

The agreements with Telstra and Link Telecommunications Pty Ltd (Link), require the production of review reports to demonstrate achievement of Industry Development Initiatives. The reports are reviewed by a Review Committee comprising representatives of DAIS (including the Information Economy Policy Office), Department of Industry and Trade, Telstra and Link respectively. At the time of preparation of this Report, Audit has been provided with copies of reports to December 1999 and January 2000 respectively which had been subject to Review Committee appraisal.

Sale of Central Linen

Note 7 to the DAIS financial statements refers to the sale of Central Linen assets and outsourcing of linen services to a private sector operator. This sale and outsourcing occurred in January 2000. The arrangements put in place included:

- The sale of land and assets pursuant to a Contract for the Sale and Purchase of Land and an Asset Sale and Purchase Agreement.

- The execution of a linen service contract by the Minister for Human Services. This contract provides for the private sector operator to provide contract mandated linen services to public health units for an initial five year period with a further renewal period of five years.

A Cabinet approved submission of October 1999 noted that there are strong strategic reasons (in particular the avoidance of industrial, business and employee risks) for proceeding with the sale of Central Linen despite an estimated cost to Government of $5.8 million in net present value terms over ten years. A significant on-going cost to Government relates to the redeployees previously working within the Central Linen business unit. These redeployees continue to be the responsibility of DAIS and are managed by it's Placement Services Unit.

South Australian Government Light Vehicle Fleet - Sale and Leaseback Arrangement

In previous Reports comment has been included in relation to the abovementioned facility arrangement. Earlier comment in this section of this Report provides background information to the facility arrangement and discusses it's financial reporting treatment. The main benefit from entering into the facility was the anticipated achievement of a lower cost of funding the Government's vehicle fleet.

Audit comments in past Reports have communicated the importance of exercising proper management over the ongoing arrangements due to the long term nature of the lease facility and its expected benefits over the extended period of time. This required an ongoing analysis of the elements affecting motor vehicle lease rate calculations to enable a proper assessment of the potential impact on the cost of the leaseback facility to the Government and ultimately expected benefits to be derived. The elements requiring consideration include changes in residual values of vehicles; changes in taxation law; and the number of replacement vehicle leases.

In the latter part of 1999-2000 the Department of Treasury and Finance initiated a review of the facility to determine whether it remains economic, particularly in light of the changes to the taxation system. The Department of Treasury and Finance have advised audit that the review is expected to be finalised in September 2000.

Corporatisation of Forestry SA

The *South Australian Forestry Corporatisation Act 2000* (the Act) was assented to on 20 July 2000. The Act requires the Corporation to comply with the provisions of the *Public Corporations Act 1993*. Specifically, the Act provides for the establishment of the South Australian Forestry Corporation (the Corporation) to carry out the following functions:

- To manage plantation forests for commercial production.
- To encourage and facilitate regionally based economic activities based on forestry and other industries.
- To conduct research related to the growing of wood for commercial purposes.
- Any other function conferred on the Corporation by an Act or the Minister.

The Act provides for a five member Board of directors to be established as the governing body of the Corporation. The Act will come into operation on a day to be fixed by proclamation. It is expected that the Act and the Corporation will come into operation early in the 2001 calendar year.

Presently, the States plantation forests are managed by the Forestry SA business unit of DAIS and these operations are reflected in the financial statements of DAIS. Once the Act comes into operation this function will be undertaken by the Corporation.

As part of the preparation for the establishment of the Corporation the responsible Minister instituted a Forestry SA Corporatisation Steering Committee. The Committee includes senior representation from DAIS (including Forestry SA and Office for Government Enterprises), the Department of Treasury and Finance and the Department of the Premier and Cabinet. The Steering Committee is chaired by the Chief Executive of DAIS. Three Working Groups currently report to the Steering Committee and undertake all project tasks forming part of the corporatisation program. The three groups are:

- Financial/Corporate — to address issues such as capital structure, community service obligations, dividend policy, taxation arrangements and whole-of-government policies.

- Legislation and Implementation — to cover matters such as project planning, the Charter and Performance Statement, Board appointments and other legislative matters.

- Human Resources — to consider employee and union communications and employee transfer arrangements.

The Corporation will be subject to audit by the Auditor-General.

Operating Statement for the year ended 30 June 2000

	Note	2000	1999
OPERATING REVENUE:	32	**$'000**	$'000
Sales		**412 132**	383 341
Fees for regulatory services		**56 213**	49 325
Whole-of-Government contracts		**85 535**	85 331
Appropriation for operating purposes		**90 974**	61 444
Appropriation for investing purposes		**-**	7 540
Net change in value of growing timber	4(b)	**12 420**	(6 090)
Other revenue	4(b)	**16 221**	10 832
Total Operating Revenue		**673 495**	591 723
OPERATING EXPENSES:	32		
Cost of sales	4(a)	**280 184**	264 809
Whole-of-Government contracts		**86 485**	85 239
Employee expenses	2.3	**79 478**	78 162
Administration	4(a)	**68 668**	63 125
Other	4(a)	**36 914**	38 260
Total Operating Expenses		**551 729**	529 595
OPERATING PROFIT BEFORE ABNORMAL ITEMS		**121 766**	62 128
Add: Abnormal items	5	**497**	19 593
OPERATING PROFIT AFTER ABNORMAL ITEMS		**122 263**	81 721
TAX ON OPERATING PROFIT	2.17	**12 669**	12 620
OPERATING PROFIT AFTER TAX AND ABNORMAL ITEMS		**109 594**	69 101
ACCUMULATED PROFIT AS AT 30 JUNE 1999		**97 414**	59 090
TOTAL AVAILABLE FOR APPROPRIATION		**207 008**	128 191
Add: Net Transfers from Reserves	6	**15 400**	2 287
Less: Dividends Declared		**55 111**	33 064
ACCUMULATED PROFIT AT 30 JUNE		**167 297**	97 414

Statement of Financial Position as at 30 June 2000

	Note	2000	1999
CURRENT ASSETS:		**$'000**	$'000
Cash	13	**107 125**	120 411
Receivables	14	**179 037**	89 248
Inventories	12	**8 187**	8 543
Other	15	**34 153**	34 661
Total Current Assets		**328 502**	252 863
NON-CURRENT ASSETS:			
Growing Timber	2.7	**578 520**	566 100
Land, buildings and fitouts	16	**447 178**	447 475
Motor vehicles	17	**-**	13
Assets under finance lease	18	**101 884**	107 218
Plant and equipment	19	**22 776**	19 463
Government radio network	2.8, 20	**36 071**	415
Linen establishment	2.9	**-**	4 000
Other	21	**8 052**	9 859
Total Non-Current Assets		**1 194 481**	1 154 543
Total Assets		**1 522 983**	1 407 406
CURRENT LIABILITIES:			
Creditors	22	**15 767**	22 443
Borrowings	23	**9 882**	9 005
Provisions	24	**39 076**	21 541
Other	25	**79 631**	76 572
Total Current Liabilities		**144 356**	129 561
NON-CURRENT LIABILITIES:			
Borrowings	23, 2.24	**195 620**	215 404
Provisions	24	**31 154**	31 170
Total Non-Current Liabilities		**226 774**	246 574
Total Liabilities		**371 130**	376 135
NET ASSETS		**1 151 853**	1 031 271
EQUITY:			
Reserves	26	**841 861**	848 986
Capital funds	27	**142 695**	84 871
Accumulated profit		**167 297**	97 414
TOTAL EQUITY		**1 151 853**	1 031 271
Commitments	2.8, 28, 29		

Statement of Cash Flows for the year ended 30 June 2000

	Note	2000 Inflows (Outflows) $'000	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
INFLOWS:			
Receipts from customers		**586 594**	555 558
Receipts from appropriation/Department of the Premier and Cabinet		**91 755**	71 068
Interest receipts		**14 286**	7 815
Income tax equivalent		**-**	273
		692 635	634 714
OUTFLOWS:			
Payments to suppliers and employees		**(638 784)**	(507 031)
Finance lease interest payments		**(9 553)**	(7 495)
Income tax payments		**(10 199)**	(21 909)
Transfer of Real Property Act Fund to administered item		**-**	(3 796)
Interest payments		**(10 760)**	(14 748)
		(669 296)	(554 979)
Construction works - Reimbursements		**111 243**	85 790
- *Less:* Payments		**112 889**	91 266
		(1 646)	(5 476)
		(670 942)	(560 455)
Net Cash provided by Operating Activities	30(b)	**21 693**	74 259
CASH FLOWS FROM INVESTING ACTIVITIES:			
INFLOWS:			
Proceeds from the sale of plant, equipment and motor vehicles		**272**	162
Proceeds from the sale of land, buildings and fitouts		**15 679**	4 831
		15 951	4 993
OUTFLOWS:			
Purchase of plant, equipment and motor vehicles		**(43 757)**	(9 238)
Investment in Ngapartji Pty Ltd		**-**	(100)
Purchase of land, buildings and fitouts		**(10 694)**	(6 388)
		(54 451)	(15 726)
Net Cash used in Investing Activities		**(38 500)**	(10 733)
CASH FLOWS FROM FINANCING ACTIVITIES:			
INFLOWS:			
Increase in prepayment of motor vehicle fleet operating expenses		**2 000**	-
Increase in capital funds		**66 854**	-
Increase in long term borrowings		**-**	12 000
		68 854	12 000
OUTFLOWS:			
Repayment of long-term borrowings		**(10 124)**	(32 589)
Decrease in prepayment of motor vehicle fleet operating expenses		**-**	(8 055)
Decrease in lease liability		**(9 303)**	(37 653)
Repayment of capital funds		**(9 030)**	-
Dividends paid		**(36 876)**	(40)
		(65 333)	(78 337)
Net Cash provided by (used in) Financing Activities		**3 521**	(66 337)
NET DECREASE IN CASH HELD		**(13 286)**	(2 811)
CASH AT 1 JULY		**120 411**	123 222
CASH AT 30 JUNE	30(a)	**107 125**	120 411

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Role of the Department

The Department for Administrative and Information Services (DAIS) is a diverse federation of government business units that shares a common purpose to provide a unique range of services to Government, industry and the South Australian community.

DAIS brings a wide range of expertise to the development and implementation of policies and service delivery strategies across Government including:

- government office accommodation and real property management;
- procurement of goods, services and works;
- building asset management and project risk management for building capital works;
- advice on and reviews of government business enterprises;
- major IT project and contracts and information technology and communications systems applications;
- workplace relations and occupational health and safety;
- land titling and valuation;
- records management;
- printing, fleet management and forensic science services to Government and the community;
- management of South Australia's plantation forestry resources and provision of support to the private sector forestry industry.

1. Role of the Department (continued)

DAIS contributes to the State's economy and industry potential in a number of significant areas:

- working with the building and construction industry to improve its performance and viability;
- electronic commerce for procurement;
- strengthening capability in the information economy;
- optimising opportunity for small and regional businesses.

Department For Administrative and Information Services

- Deputy Chief Executive Group
  - Building Maintenance
  - Building Management
  - Contract Services
  - Government ICS
  - Land Services
  - Major Projects
  - Real Estate Management (including SA Government Commercial and Employee Residential Properties)
- Government Businesses Group
- Information Economy Policy
- Business and Corporate Services
- Industrial Court & Commission & Workers Compensation Tribunals
- Policy Development
- State Records
- Workplace Services
  - Workplace Services
  - Fleet SA
  - Forensic Science
  - Riverside Printing
- Forestry SA

The governance arrangements for the Department's operation include the DAIS Corporate Management Meeting (CMM) comprising four senior and central directors who focus on high level strategic and policy issues and the DAIS Management Group (DMG) comprising a broad cross section of departmental directors (including CMM members) who focus on management policies and issues across the Department.

In addition, and including the CMM and DMG, there is a Senior Executive Forum, comprising key executives and managers from throughout the Department, which focuses on the development of the Department's strategic planning processes.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

Accounting Standards

The Financial Statements have been prepared in accordance with Statements of Accounting Concepts, applicable Urgent Issues Group Abstracts and appropriate Australian Accounting Standards and in accordance with Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

The accounts have been prepared on the basis of historical cost and do not take into account changing money values or, except where stated, current valuation of non-current assets. The accounting policies have been consistently applied unless otherwise stated.

Reporting Period

The financial report has been prepared for the period 1 July 1999 to 30 June 2000.

Comparative Information

Comparative figures have been adjusted to reflect South Australian Government Commercial Properties (SAGCP) and South Australian Government Employee Residential Properties (SAGERP) being consolidated into the Department for Administrative and Information Services. The reason for this is that DAIS now does exercise more control in the decision making process as to whether assets are required to be acquired, and in fact where underperforming assets are required to be acquired DAIS has more flexibility in rental pricing for those assets to ensure sustainability of the entire portfolio of assets.

2.2 Principles of Consolidation

The financial statements consolidate the activities of all operational business units of the Department including the operations of the SAGERP and SAGCP entities, for the first time.

All inter-business unit balances and transactions, and unrealised profits arising from inter-Department transactions have been eliminated in full.

2.3 Cost of Sales

The Department generates the majority of its income from services provided to other Government agencies. The costs directly incurred in generating this income are included as cost of sales. The major categories within cost of sales are:

- Contract costs;
- Employee costs;
- Administration costs;
- Commercial property costs;
- Residential property costs;
- Materials;
- Other.

Employee expenses not directly involved in generating sales are included in employee expenses in the body of the Operating Statements.

2.4 Inventories

(a) *Work in Progress - Construction Projects*

Construction work in progress is stated at cost plus profit recognised to date less progress billings. Costs include all costs related to the professional services provided only.

Profits on construction contracts are brought to account on the percentage of completion basis, as determined by the current engineering estimates. Where losses are foreseeable, such losses are provided in full based on current engineering estimates.

(b) *Stock on Hand - Government Supplies Warehouse*

Stock on hand is valued at the lower of average cost and net realisable value.

2.5 Outstanding Contractor Reimbursement (Prepaid Contract Revenue)

Contractor costs in relation to projects managed by the Department are reimbursed by clients and are recorded as either prepaid contract revenue (creditors) or outstanding contractor reimbursement (receivables).

2.6 Accrued Revenue - Maintenance

Revenue is accrued on maintenance work which has been performed but not billed as at 30 June 2000. The amount accrued is based on cost incurred plus an agreed profit margin.

2.7 Non-Current Assets

Cost and Valuation

- *Valuation Methodology - Growing Timber*

  Due to the special nature of growing timber, which includes a long production cycle combined with physical change, historical cost accounting does not provide a meaningful measure of the economic performance or asset value of forestry activities. In order to provide more relevant, reliable and understandable information, a market value based method has been applied to growing timber.

  The inventory value of growing timber is calculated for financial reporting purposes only, as a measure of forest management performance over the reporting period. The methodology assumes that the forest will be harvested over time and in an orderly manner.

- *Valuation Methodology (continued)*
  The main features of this method are:

  — At the reporting date the inventory of growing timber is valued at its net market value. For the purpose of this financial statement net market value is defined as the amount which could be expected to be received from the disposal of the existing mix of forest products in an active and liquid market after deducting the direct costs incurred in realising the proceeds of such a disposal. This is in accordance with the requirements of Australian Accounting Standard AAS 35 'Self Generating and Regenerating Assets'. All amounts are calculated in pre-tax dollars in accordance with the Treasurer's Instructions;
  — The difference between the net market value of the inventory of growing timber held at the reporting date and the net market value at the previous reporting date is recognised as revenue in the Operating Statement, where it is described as 'Net change in value of growing timber';
  — The market value of growing timber realised during the period is reported under Sales Revenue;
  — All non-capital forest expenditure is recognised as an expense in the year the expenditure takes place.

Current policy provides that revenue resulting from the net increment in the value of growing timber is unrealised revenue and is therefore not available for distribution. This amount is transferred to the Equity section of the Statement of Financial Position.

The volume of growing timber is estimated using a model which simulates forest growth. Actual growth will invariably differ to some extent from growth predicted by the model resulting in periodic adjustments to net market value for these growth variations. The model uses sample inventory data as the base line from which to start growth simulations. Inventory data is continuously being collected with the complete forest estate being covered in about five yearly intervals. The inventory master database is updated about every five years and at this occasion the model simulations are repeated. For South Eastern forests the master database was last updated in 1998, for Central forests in 1992 (an update is due early 2001) and for the Northern forests in 1999.

The method used to determine the volume of timber contained in the radiata plantations is 'standing volume' (the volume of wood in the stem of trees which is potentially useable) less an allowance for residues incurred under current harvesting practice. This ensures that the net market value is based upon realisable volumes.

Valuation Methodology - Freehold land, Buildings and Fitouts
Freehold land, buildings and fitouts have been brought to account at cost or valuation in accordance with Australian Accounting Standard AAS 10 'Accounting for the Revaluation of Non-Current Assets'.

- *Commercial, Industrial and Heritage Properties*
  The revaluation policy adopted by SAGCP in relation to property, plant and equipment is to revalue all owned properties on a progressive basis over three years. In accordance with this policy, all heritage properties and commercial metropolitan properties were revalued as at 31 December 1999 whilst all commercial country properties were revalued as at 30 June 2000. All owned properties have been revalued between 30 June 1999 and 30 June 2000. (The Commercial CBD properties were revalued as at 30 June 1999).

  Net market value has been adopted as the basis for recoverable amount for land and buildings revalued during the 1999-2000 financial year. Written down market value based upon estimated useful life has been adopted as the basis for recoverable amount for plant and equipment revalued.

  Independent valuations of land and buildings were conducted by the Valuer-General (Valuation SA) or by Adderly and Partners Pty Ltd. Independent valuations of plant and equipment were conducted by Edward Rushton Australia Pty Ltd on all heritage and commercial metropolitan properties whilst United Valuations and Consulting Pty Ltd conducted valuations on all commercial country properties.

- *Residential Properties*
  Asset values are determined in the following manner:
  — The Valuer-General estimates are used as the base valuation and then discounted by the average losses experienced over an average of the last five years. This management valuation has been adopted to ensure the balance sheet value of assets is not stated at a balance in excess of recoverable amount. The discount rate used for the reporting period is 10.38 percent (10.68 percent).

Valuation Methodology - Plant and Equipment
Plant and equipment is brought to account at cost, less, where applicable, any accumulated depreciation.

Valuation Methodology - Government Radio Network
SA Government radio network assets are recorded on the basis of their cost of acquisition.

Disposal of Non-Current Assets
The gain or loss on disposal of all non-current 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 the operating profit in the year of disposal. Any realised amounts within the Asset Revaluation Reserve are transferred to accumulated surplus on disposal.

Depreciation
All non-current assets, excluding freehold land and certain categories within the library collections, are depreciated using the straight line method over their useful lives commencing from the time the asset is held ready for use.

Depreciation (continued)
In general the following depreciation rates are applied to the following asset classes:

	Percent
Computers	33
PABX	14.3
Office Equipment	20
Fitouts	20
Residential Properties	1.5

The assets related to the Government Radio Network are depreciated on a straight line basis over the estimated useful life of the asset, when installed and accepted as ready for use. The following rates are used:

Accommodation	14.3
Site, plant and equipment	10.0

For Commercial Properties the depreciable amount of all non-current assets incorporating buildings and building plant are depreciated over their useful lives commencing from the time the asset is held ready for use.

The following maximum years are generally used for the life of the assets:	Years
Buildings	40
Building plant:	
Air conditioning	15
Transportation	20
Plant room	20

Information Technology Assets - Land Services
As at the date of preparation of the financial statements, negotiations are continuing with the Department for Environment and Heritage (DEH) in relation to computer systems which are currently shared with Land Services. At issue is the question as to which Department will exercise control over each asset. Whilst there has been considerable progress on this issue during the year with the signing of a Heads of Agreement document between the two agencies during August 2000, as at the reporting date there still exists a considerable difference of opinion as to the control of these assets.

2.8 Government Radio Network Contract
On 29 April 1999 the South Australian Government signed a contract with Telstra Corporation Ltd to design, construct, operate and maintain the South Australian Government Radio Network (SA-GRN) for a period of seven years with a commencement date of 24 May 1999. The contract will establish a single integrated Government owned, radio network providing voice, and for the first time, wide area data and paging communications to support public safety and other Government operations and includes a significant industry development program.

The SA-GRN is replacing 28 existing separate networks, giving agencies the ability to communicate with each other effectively through a radio network for the first time. This approach has significant financial and operational advantages over a non-integrated network approach. It is anticipated that construction work will be progressively completed over five regions:

- Greater Metropolitan Area of R1 completed January 2000
- Remainder of R1 (Fleurieu Peninsula and Kangaroo Island) July 2000
- R2 (South East) January 2001
- R4 (Yorke Peninsula and the Mid North) July 2001
- R3 (Riverland) January 2002
- R5 (Eyre Peninsula and the West Coast) July 2002.

The SA-GRN network will support approximately 45 000 users and provide vastly improved geographical coverage over existing networks.

As at 30 June 2000 approximately 5 500 users were on the network.

South Australian Government commitments to Telstra Corporation Ltd over the life of the contract total $155.449 million. Other commitments associated with the project's development, over the life of the contract, total $63.544 million. An additional provision of $28.714 million has been established for contingencies over the duration of the contract.

2.9 Linen Establishment
Linen establishment is the linen rental stock in service. As a result of the nature of delivery of linen to its customers and its subsequent return to Central Linen, it is not possible to substantiate the value of linen establishment by stocktake. As at 30 June 1999 it was recorded at management valuation based on current operational practices and data for the industry. As at 30 June 2000 the asset has been disposed of as part of the sale transaction.

2.10 Investments
The Department's interest in companies and trusts which are not controlled are brought to account at cost. Dividends and other distributions are recognised in the Operating Statement when receivable. During each of the three financial years ending 1998-99 the Department paid $100 000 as an equity interest in Ngapartji Pty Ltd.

2.11 Client Monies Received in Advance
The Department enters into advance payment arrangements with specific agencies for minor and major works undertaken by the Department on behalf of the agency. As at 30 June 2000 this liability was shown under Creditors and Borrowings and amounted to $5.491 million ($5.491 million).

2.12. Flinders Central Fitout

As a result of the sale of Flinders Central approval was sought from the Treasurer to transfer debt in relation to the fitout to the Treasurer. This approval was granted effective from 1 July 1998 and the transfer is reflected as an abnormal revenue. The asset previously classified as fitouts was also written off as at 1 July 1998.

2.13 Leases

Operating Leases

For operating leases (being those where the lessor retains substantially all the risks and benefits incidental to ownership of the leased assets), the Department has brought the lease rental payments to account as an expense in the Operating Statement.

Finance Leases

- *Light Motor Vehicles - Arrangement*

  In May 1996, the Government sold and leased back its light motor vehicle fleet through an arrangement managed by the Commonwealth Bank of Australia for a total consideration of $195 million which included some pre-paid operating expenditure such as fuel, registration and compulsory third party insurance. The total lease facility is for $218 million which includes provision for an increase in new car prices and fleet running costs. The 15 year lease facility includes a seven year wind down.

  The lease has been treated as a finance lease in accordance with Australian Accounting Standard AAS 17 'Accounting for Leases'. The value of the lease property and the matching liability has been determined as the present value of the minimum lease payments discounted using the interest rate that equates the minimum lease payments to the fair value of the leased assets.

  Given the exposure of the lessee, the lease has been accounted for as one under which the residual value is partially guaranteed by the lessee. Accordingly, the lease asset and liability have been valued in accordance with AAS 17 by deducting from the fair value of the motor vehicles, which are the subject of the lease, the value of the unguaranteed residual value which is expected to accrue to the lessor at the end of the lease term.

  Any adjustments to the minimum lease payments are treated as contingent rentals and are brought to account as either revenues or expenses in the period in which they occur consistent with the provisions of AAS 17.

  The profit on the sale and leaseback transaction is amortised over the lease term of 15 years.

  The Department is not subject to any interest rate risk in respect of the finance lease as the financial instrument is held between the Treasurer and the Commonwealth Bank of Australia.

- *Light Motor Vehicles - Contingent Rentals*

  As mentioned, any adjustments to the vehicle minimum lease payments are treated as contingent rentals and are reflected as revenues and expenses in the Operating Statement. The adjustments essentially arise from periodic reviews of agreed vehicle residual values, which have a direct effect on the calculation of the minimum lease payments to be applied to new vehicles leased under the arrangement.

  The amount of contingent rentals brought to account in 1999-2000 as an expense was $18.453 million ($9.891 million).

  Over the past two years there has been a decline in the prices realised in the residual value market. The most recent review of residual values, which was finalised in September 1999, indicated the requirement for a significant increase in the minimum lease payments to account for the declining residual value experience. As a result, in the absence of any significant turnaround in the residual value experience, the Department will incur increased minimum lease payments which is reflected as increased contingent rentals in the Operating Statement in the 1999-2000 year.

- *Accommodation Leases*

  As of 1 July 1998 the management of the Glenside computing facilities building lease was transferred to SAGCP. At the time of transfer the asset value was $3.128 million whilst the lease liability amounted to $4.662 million.

  SAGCP is also responsible for the finance lease in relation to Roma Mitchell House, North Terrace. Both leases are accounted for in accordance with Australian Accounting Standard AAS 17 'Accounting for Leases'.

2.14 Provision for Whole-of-Government Initiatives

The provision whole-of-government initiatives was created for the following purposes:

- Review of Valuation Services (Land Services Group) - Balance at 30 June 2000 $0.435 million ($0.764 million)
- Whole-of-Government Procurement Review - Balance at 30 June 2000 $0.356 million ($0.206 million)
- Outsourcing of facilities maintenance - Balance at 30 June 2000 $3.939 million ($5.741 million).

2.15 Employee Entitlements

Provision has been made in the financial statements for the liability for employee entitlements arising from services rendered by employees up to the reporting date. Related on-costs consequential to the employment of employees (viz payroll tax) have been included in the determination of the liability.

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.

2.15 Employee Entitlements (continued)

Long Service Leave

As at 30 June 2000 the provision for long service leave has been determined for the Department's employees who have completed eight or more years of service. A separate allowance has been made for on-costs. This policy is consistent with the requirements of Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

The current component of long service leave is determined based on departmental estimates of long service leave due to be taken during the 12 months ending 30 June 2001.

2.16 Workers Compensation

DAIS is responsible for all workers compensation with an actuarial estimate of the outstanding liability as at 30 June 2000 provided by a consulting actuary through the Government Workers Rehabilitation and Compensation Office.

These figures reflect an apportionment of the whole-of-government estimate of workers compensation liability of $128 million, according to this agency's experience of claims numbers and payments over the period 1 July 1987 - 30 June 2000. A separate valuation of the liabilities of this agency has not been undertaken and if such a valuation was performed it may result in a different assessed liability.

The whole-of-government estimate can be found in a report prepared by Taylor Fry Consulting Actuaries, dated August 2000 and submitted to the Public Sector Occupational Health and Injury Management branch (PSOHIM) of the Department of the Premier and Cabinet. This report conforms to WorkCover Guidelines for Actuaries, Australian Accounting Standard AAS 26 'Financial Reporting of General Insurance Activities' and Professional Standard PS300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance' of the Institute of Actuaries of Australia.

The allocation of workers compensation liabilities has also been split into current (ie provision required to meet the liability over the coming year) and non-current (ie provision required for later years).

2.17 Taxation Equivalents

The Department for Administrative and Information Services is not required to pay Commonwealth or State taxes. However, as several business units within DAIS engage in trading activities in competition with private sector enterprises, payments in lieu of these taxes, are made to the South Australia Government.

Taxation Equivalents are require to be paid by the following units of DAIS:

- Fleet SA
- Real Estate Management
- Building Maintenance
- Sprint
- Forestry SA
- SA Government Employee Residential Properties
- SA Government Commercial Properties.

Wholesale sales taxation equivalents are paid on goods utilised by these units for their own use. The taxation equivalent payment excludes goods where there is a direct recharge to other Government Departments, specifically stock held in the Government warehouses and goods supplied to construction and building works performed on behalf of other agencies. The rates applied are consistent with the requirements of the Commonwealth Wholesales Sales Tax legislation.

In relation to Company Tax equivalents the 'Accounting Profits Model' is applied with the exception of Forestry SA where the 'Liability Method of Tax Effect Accounting' is applied.

Under the Accounting Profits Model, income tax expense in calculated separately for each business unit by simply applying the income tax rate (currently 36 percent) to the individual business unit's accounting profit for the year.

Under the Liability Method of tax effect accounting the income tax expense shown in the operating statement is based on the operating profit before tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax and taxable income, are brought to account as either provision for deferred income tax, or an asset described as future income tax benefit, at the rate of income tax applicable to the period in which the benefit will be received, or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

2.18 Goods and Services Tax (GST)

In 1999-2000 the Department's GST corporate and business unit compliance project team developed and implemented a range of GST corporate and business unit policies and procedures. Existing DAIS contracts were reviewed and where necessary modified to meet GST compliance and areas of cost savings were determined. Significant modifications were made to the DAIS financial systems and business processes. Extensive training was also conducted across DAIS to prepare staff for the new tax. The cost of the GST implementation is estimated to be in excess of $3.3 million.

2.19 Prepaid Revenue - Maintenance

Included in the item of Prepaid Revenue - Maintenance and other revenue is the prepaid revenue recognised on maintenance work which has been billed but not performed as at 30 June 2000. The amount recognised is based on the amount in excess of cost incurred plus an agreed profit margin.

2.20 Incentives Monies Owing

Surplus Incentive Funds Reserve

Where incentives are provided by private building owners in relation to office accommodation contracts for government entities these monies are to be applied to refitting relevant accommodation. Any unspent monies are to be retained by the SAGCP and applied to refits of accommodation where no incentive is paid. These unspent monies have previously been shown under incentive monies owing and have now been applied to the operating statement. These monies are then transferred to the Surplus Incentive Funds Reserve.

EDS Building Incentives

Monies were receipted into the DAIS operating account on behalf of the Minister for Information Services and the Minister for Administrative Services during the 1998-99 financial year for the management and administration of the design and construction of the EDS fitout works. Approval is required from the Minister by SAGCP before these monies can be accessed for expenditure incurred in relation to the EDS fitout works. Monies receipted in relation to the management and administration of the EDS fitout works have initially been recognised through the Statement of Financial Position as part of incentive monies owing. Monies spent during a financial year on the management and administration of the EDS fitout works will be recognised through the Operating Statement as income and expenditure in the financial year in which the expenditure has been incurred. The balance of monies unspent at the end of the financial year will be included in the incentive monies owing item in the Statement of Financial Position.

2.21 Foreign Currency Translation

Foreign currency transactions are initially translated into Australian currency at the spot rate of exchange at the date of the transaction.

Forward foreign currency exchange contracts are translated at the exchange rate applying when entering the contract, on 30 June 2000 and at settlement date. Where the hedge is considered effective in hedging the foreign currency denominated price of goods or services, forward contract premiums and gains or losses resulting from translation are deferred and included in the hedged cost of the foreign goods or services purchased. Other premiums and gains or losses resulting from translation are recognised in the Operating Statement. Such a transaction has not been entered into during the year ended 30 June 2000.

2.22 Financial Instruments Disclosure

Trade accounts receivable generally settled within 60 days are carried at amounts due.

A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified and deemed irrecoverable.

Trade accounts payable, including accruals not yet billed, are recognised when the Department becomes obliged to make future payments as a result of purchases of assets or services. Trade accounts payable are generally settled within 30 days.

In preparation for the introduction of the Goods and Services Tax all outstanding invoices (irrespective of due date) recorded in Accounts Payable as at reporting date were paid on Friday 30 June 2000.

Loans are recognised when issued at the amount of the net proceeds received and carried at cost less any repayments until the loan is settled. Loans are drawn from the Department of Treasury and Finance, and repayments are determined in negotiation with this Department.

Interest on loans is recognised as an expense and is based on the common public sector interest rate plus a guaranteed margin, 9.25 percent as at 30 June 2000 (9.35 percent).
Forward foreign exchange contracts are used to reduce the risk associated with the purchase of foreign currency denominated goods and services.

Actual values carried in the Statement of Financial Position for all financial instruments are at fair values.

Cash at Bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis.

3. Administered Items

During the 1998-99 reporting period the Department reviewed its Administered Items and recognised for the first time the following functions as part of its controlled operations:

- Administration of the Workers Compensation Tribunal
- Administration of the Industrial Court
- Sale of Government Gazette
- Contribution to private plated vehicles.

The value of these functions as at 1 July 1999 has been recognised as abnormal items in the operating statement.

The following items are administered by the Department as at 30 June 2000:

3.1 Asset Sales Deposit Account

The Department has been provided funds to administer on behalf of the scoping reviews in relation to the following:

- SAGRIC International Pty Ltd
- Ports Corporation
- WorkCover
- South Australian Totalizator Agency Board
- Lotteries Commission of South Australia.

3.2 Gaming Machines Operations Deposit Account

Contract Services holds funds on behalf of the State Supply Board for gaming machines and machinery sales as provided for under section 26 of the *Gaming Machines Act 1992*.

3.3 Vehicle Auctions

Contract Services holds funds on behalf of other agencies in relation to vehicle and plant disposal auctions.

3.4 Commonwealth Bank of Australia (CBA) Deposit Account

This account was established as a result of the sale and leaseback of the light motor vehicle fleet. This account is non-interest bearing and is utilised to collect the proceeds from sales of vehicles on behalf of the fleet owner.

3.5 Special Acts Salaries

The Department receives a separate appropriation for the payment of salaries in relation to:

- Minister for Information Economy and Minister for State Government Enterprises;
- Presidents, Deputy Presidents and Magistrates of the Industrial Relations Court and Commission;
- Valuer-General;
- Employee Ombudsman.

Funding is provided under ‘Recurrent Expenditure - Special Acts’. The Department has no control over the use of these funds.

3.6 Land Services Trust Funds

The Department holds the funds in the following accounts under the authorisation of the following acts:

- Real Property Act Assurance Fund (RPAAF) — Section 201 *Real Property Act 1886*
- Real Property Act Trust Accounts — Section 146 *Real Property Act 1886*
- Workers Liens Trust Account — Section 16 *Workers Liens Act 1893.*

This item was previously reported under the controlled activities of the Department and was transferred to administered items during the 1999 reporting period. This transfer is reflected as an abnormal expense in the operating statement.

3.7 Major Projects

The Department holds funds in trust for capital works on behalf of other agencies for certain major projects:

- Glenelg/West Beach Foreshore Development
- National Wine Centre
- Wirrina Redevelopment
- Riverbank Precinct.

The Department holds any carry forward funds on behalf of the Government and applies expenditure to these projects subject to project manager approval. These projects do not contribute to the asset base of the Department, in that the Department has no control over these assets once they are completed.

3.8 Forestry Herbicide Research Management Group

Collective group established to conduct research into weed control on Plantation Reserves. This arrangement ceased in 1999 and is no longer administered by the Department.

3.9 IPS Fund

A collective group interested in the effective control of the IPS Beetle. The balance of the fund is for the publication of research findings.

3.10 Carter Holt Harvey Compensation Fund

Compensation fund for the loss of revenue as per specific agreements between the Government and Carter Holt Harvey in the contract for sale of Forwood Products.

4. Operating Profit

Operating Profit has been arrived at after:	Note	**2000 $'000**	1999 $'000
(a) Debiting as Expense			
Cost of Sales:	2.3		
Contract costs		**98 392**	92 284
Employee costs		**19 164**	22 772
Administration costs		**67 248**	57 243
Commercial property costs		**69 396**	64 033
Residential property costs		**6 102**	6 301
Materials		**19 882**	22 176
		280 184	264 809

		Note	2000	1999
(a)	***Debiting as Expense (continued)***			
	Administration:		**$'000**	$'000
	Interest on borrowings		**11 445**	11 209
	Finance charges on finance lease	2.13	**9 553**	10 322
	Administration costs		**47 626**	41 577
	Overseas travel		**44**	17
			68 668	63 125
	Other Expenses:			
	Accommodation and power		**11 503**	12 840
	Amortisation of leased assets	2.13	**9 433**	8 409
	Depreciation	2.7	**15 978**	14 611
	Loss on disposal of assets		**-**	2 400
			36 914	38 260
(b)	***Crediting as Revenue***			
	Change in Net Market Value of Growing Timber	2.7		
	Change in net market value due to:			
	Normal growth and price changes		**68 215**	47 348
	Reported in the Operating Statement as:			
	Sales revenue		**55 795**	53 438
	Changes in volumes and prices		**12 420**	(6 090)
	Net Change in Market Value		**68 215**	47 348
	Other Revenue:			
	Profit on sale of assets	2.7	**1 990**	(15)
	Interest on cash		**12 805**	9 630
	Other revenue		**1 426**	1 217
			16 221	10 832

5. Abnormal Items

5.1 Targeted Voluntary Separation Packages (TVSPs)

In accordance with Government policy to reduce the public sector workforce, 84 employees of the Department were paid TVSPs during 1999-2000.

These payments were met by the Department and have been in part recovered from the Department of the Premier and Cabinet.

In addition, accrued annual leave and long service leave entitlements amounting to $1.516 million were paid to those employees who received a TVSP.

5.2 Unfunded Superannuation Contribution Payments and Recoveries

The Department, at the request of the Treasurer has issued funds amounting to $94 million from the Department's special deposit account and applied them to reduce that part of the State's past service superannuation liability pertaining to both past and present employees of the Department. In addition the Treasurer has authorised that the Department be fully reimbursed for this expenditure during financial year ended 30 June 2001. As a result $94 million has been included as abnormal revenue and as a receivable as at 30 June 2000.

5.3 Departmental Review Operations

As part of the structural reform process, the Department is reviewing various operational areas in order to improve efficiency and effectiveness of services.

5.4 Transfer of Debt to the Treasurer

During 1998-99 the Treasurer approved a transfer of debt from the Department to the Treasurer to the value of $22 million. This debt transfer was made in recognition of debt previously held by the design, construction and area office business units of DAIS which have now been closed or rationalised.

In addition debt relating to the Seaton disposals site and oval of $1.756 million was written off in recognition of the transfer of the Seaton disposals site to the South Australian National Football League (SANFL) and the non-commercial nature of the oval asset.

5.5 Accommodation Incentive Money

During the previous reporting period the Department moved its Workplace Services Business unit to accommodation at 1 Richmond Road, Keswick. As part of this move incentive funds were provided by the owner to fund fitout costs.

5.6 Cummins House

During the 1998-99 reporting period Cummins House was valued for the first time.

5.7 Profit on Transfer of Year 2000 SA Office

During the 1998-99 reporting period the operations of the Year 2000 SA Office was transferred to the Department of the Premier and Cabinet. The profit represents the transfer of employee liabilities.

5.8 Assets Transferred at no Consideration

Properties at Oak Valley were transferred from the Department of Education, Employment and Training for no consideration to SAGERP during the 1998-99 reporting period.

5. Abnormal Items (continued)

5.9 Flinders Central Fitout

As a result of the sale of Flinders Central, SAGCP sought approval from the Treasurer to transfer debt in relation to the fitout to the Treasurer. This approval was granted effective from 1 July 1998 and the transfer was reflected as an abnormal revenue. The asset previously classified as fitouts was also written off as at 1 July 1998.

5.10 Decrement on Land and Buildings Revaluation

During the 1998-99 reporting period an adjustment was made to reflect the revaluation on the Seaton Warehouse site and the Seaton Training Oval.

5.11 Revenue and Expense

	Note	2000 $'000	1999 $'000
Revenue:			
Amounts received and receivable from the Department of the Premier and Cabinet for TVSPs and incentive payments	5.1	**7 295**	3 391
Unfunded superannuation contribution recovery	5.2	**94 000**	-
Transfer of debt to the Treasurer	5.4	**-**	27 819
Accommodation incentive money	5.5	**-**	1 753
Amortisation of sale and leaseback of motor vehicle fleet	2.13	**516**	516
Assets valued for the first time	5.6	**-**	578
Profit on transfer of Year 2000 SA Office	5.7	**-**	143
Funding on Department review	5.3	**541**	-
Asset transferred at no consideration	5.8	**-**	82
Carter Holt Harvey Contract	3.10	**55**	46
		102 407	34 328
Expense:			
Payments for TVSPs	5.1	**7 275**	3 391
Unfunded superannuation contribution payments	5.2	**94 000**	-
Transfer to RPAAF administered item	3.6	**-**	3 795
Departmental review operations	5.3	**635**	1 282
Administered items not previously recognised	3	**-**	578
Lease termination expenses		**-**	174
Loss on write off/transfer of assets	5.4	**-**	1 184
Write off of Flinders Central fitout	5.9	**-**	4 063
Decrement on land and buildings revaluation	5.10	**-**	268
		101 910	14 735
Total Abnormal Items		**497**	19 593

6. Reserves - Net Movement

	2000	1999
Transfer to Timber Insurance Reserve	**(2 033)**	(3 000)
Transfer to Incentive Surplus Reserve	**-**	(803)
Transfer from Asset Realisation Reserve	**23 473**	-
Transfer from Asset Revaluation Reserve	**4 003**	-
Transfer from Asset Replacement Reserve	**2 377**	-
Transfer from Growing Timber Revaluation Reserve	**(12 420)**	6 090
	15 400	2 287

7. Sale of Businesses

Central Linen

As at 18 January 2000 the assets of Central Linen were sole to Spotless Pty Ltd, in conjunction with the outsourcing of the business. The assets included all laundry equipment, spares and motor vehicles located at the Dudley Park facility, in addition to the facility itself and linen either at the facility or in transit. The sale proceeds amounted to $11.3 million, the written down value of the assets were $9.9 million and the resulting profit on sale is included in the Operating Statement under profit from the sale of assets. No other liabilities or assets were transferred to the purchaser.

Sprint

During the months commencing October 1999 to February 2000 the Sprint units ceased operation. All surplus assets were sold at auction, and the resulting profit on sale is included in the Operating Statement under profit from the sale of assets.

In conjunction with the closure, the services previously performed by Sprint were outsourced by the SA Government as part of a 3 year contract entered into with Endeavour Print Document Services on 5 November 1999. Under the contract conditions, agencies which obtained laser printing and copying services from Sprint are required to obtain those services from Endeavour Print.

8. Superannuation

During the reporting period, DAIS paid $10.357 million ($7.743 million) to the Department of Treasury and Finance towards the accruing Government liability for superannuation in respect of its employees.

9. Redeployees

The Department funds the cost of redeployees within a corporate Placement Services Unit. The net cost for 1999-2000 was $6.222 million ($5.223 million) which included accommodation, training and outplacement services. This amount is included under Operating Expenses.

10. Auditors' Remuneration

	2000 $'000	1999 $'000
Estimated amounts payable to the auditors of the Department	**575**	550

11. Fees Paid to Consultants

Fees paid or payable to consultants for the reporting period were $3.245 million ($3.445 million).

		Note	2000 $'000	1999 $'000
12.	**Inventories**			
	Work in progress - Construction Projects:	2.4(a)		
	Cost to date plus profit recognised		**54 492**	55 414
	Progress billings		**50 707**	51 051
			3 785	4 363
	Stock:			
	Other stock on hand	2.4(b)	**4 402**	4 180
			8 187	8 543
13.	**Cash**	2.22		
	Cash held with Treasury		**106 931**	120 208
	Cash held in imprest account and petty cash		**194**	203
			107 125	120 411
14.	**Receivables (Current)**	2.22		
	Trade debtors		**71 462**	79 340
	Less: Provision for doubtful debts		**742**	1 129
			70 720	78 211
	Unfunded superannuation contribution receivable	5.2	**94 000**	-
	Outstanding Contractor Reimbursement:	2.5		
	Contractor payments		**266 343**	256 737
	Contractor recoveries		**252 026**	245 700
			14 317	11 037
			179 037	89 248
15.	**Other Current Assets**			
	Accrued revenue:			
	TVSPs and incentive payments	5.1	**4 882**	326
	Maintenance and other revenue	2.6	**22 362**	21 660
	Accrued interest on bank		**1 533**	3 014
	Prepaid expenses		**5 376**	9 661
			34 153	34 661
16.	**Land, Buildings and Fitouts**	2.7		
	Forestry Land		**192 958**	186 831
	Commercial Properties:			
	Land		**28 095**	26 974
	Building plant		**10 207**	15 043
	Buildings		**87 320**	90 440
	Less: Accumulated depreciation		**8 938**	8 947
			116 684	123 510
	Industrial Properties:			
	Land		**4 636**	4 635
	Building plant		**1 190**	1 181
	Buildings		**11 185**	10 857
	Less: Accumulated depreciation		**723**	-
			16 288	16 673
	Heritage Properties:			
	Land		**7 593**	3 817
	Building plant		**787**	2 079
	Buildings		**2 683**	5 970
	Less: Accumulated depreciation		**78**	1 439
			10 985	10 427
	Residential Properties:			
	Land		**18 660**	18 777
	Buildings		**85 033**	87 640
	Less: Accumulated depreciation		**-**	-
			103 693	106 417
	Fitouts:			
	In owned buildings - At cost		**3 537**	2 205
	Less: Accumulated depreciation		**1 616**	1 297
			1 921	908
	In leased buildings - At cost		**8 550**	5 778
	Less: Accumulated depreciation		**3 901**	3 069
			4 649	2 709
	Total Fitouts		**6 570**	3 617
	Total Freehold Land, Buildings and Fitouts		**447 178**	447 475
17.	**Motor Vehicles**	2.7		
	At cost		**-**	1 046
	Less: Accumulated depreciation		**-**	1 033
			-	13

		Note	2000 $'000	1999 $'000
18.	**Assets Under Finance Lease**			
	Motor Vehicles:	2.13		
	At valuation		**111 279**	111 390
	Less: Accumulated amortisation		**31 372**	22 809
			79 907	88 581
	Accommodation:			
	At valuation		**22 367**	20 539
	Less: Accumulated amortisation		**742**	1 902
			21 625	18 637
	Plant and Equipment:			
	At valuation		**420**	-
	Less: Accumulated amortisation		**68**	-
			352	-
	Total Assets under Finance Lease		**101 884**	107 218
19.	**Plant and Equipment**	2.7		
	At cost		**55 903**	59 289
	Less: Accumulated depreciation		**33 127**	39 826
			22 776	19 463
20.	**Government Radio Network**	2.7, 2.8		
	Assets held ready for use		**30 996**	-
	Assets under construction		**5 844**	415
	Less: Accumulated depreciation		**769**	-
			36 071	415
21.	**Other Non-Current Assets**			
	Asset replacement investment account		**7 499**	7 499
	Investments in Ngapartji	2.10	**300**	300
	Future income tax benefit	2.17	**253**	2 060
			8 052	9 859
22.	**Creditors**			
	Current:			
	Client monies received in advance	2.11	**5 491**	5 491
	Trade creditors	2.22	**6 038**	15 425
	Incentive monies owing	2.20	**4 238**	1 527
			15 767	22 443
23.	**Borrowings**			
	Current:			
	Finance leases	2.13, 28	**9 882**	9 005
	Non-Current:			
	Borrowings from State Government	2.22	**97 706**	107 830
	Finance leases	2.13, 28	**97 914**	107 574
			195 620	215 404
24.	**Provisions**			
	Current:			
	Whole-of-Government initiatives	2.14	**1 885**	3 841
	Annual leave	2.15	**4 609**	4 745
	Workers compensation	2.16	**1 434**	1 426
	Long service leave	2.15	**2 774**	2 452
	Provision for dividend		**21 646**	3 410
	Provision for income tax	2.17	**6 728**	5 667
			39 076	21 541
	Non-Current:			
	Whole-of-government initiatives	2.14	**2 845**	2 869
	Workers compensation	2.16	**3 898**	3 218
	Long service leave	2.15	**23 953**	24 435
	Deferred income tax	2.17	**458**	648
			31 154	31 170
25.	**Other Current Liabilities**			
	Accrued Expenses		**47 927**	45 563
	Prepaid reimbursements relating to the sale and leaseback of motor vehicles	2.13	**20 219**	18 219
	Prepaid revenue - Maintenance and other revenue	2.19	**6 384**	6 691
	Deferred profit on sale and leaseback of motor vehicles	2.13	**3 802**	4 318
	Accrued salaries and wages		**450**	1 617
	Accrued interest		**849**	164
			79 631	76 572

26. Reserves

	2000	1999
Asset Replacement Reserve:	**$'000**	$'000
As a result of the sale of Central Linen assets the asset replacement reserve was transferred to accumulated surplus		
Balance at the beginning of the reporting period	**2 377**	2 377
Net movement during the year	**(2 377)**	-
Closing balance	**-**	2 377

Asset Realisation Reserve:

During the year the balance of the asset realisation reserve was transferred to accumulated surplus as a result of the consolidation of SAGCP and SAGERP with DAIS to ensure consistency of accounting treatment of the realised amounts within the asset revaluation reserve.

	2000	1999
	$'000	$'000
Balance at the beginning of the reporting period	**23 472**	21 609
Net movement during the year	**(23 472)**	1 863
Closing balance	**-**	23 472
Asset Revaluation Reserve:		
Balance at the beginning of the reporting period	**247 431**	262 244
Net movement during the year	**4 271**	(14 813)
Closing balance	**251 702**	247 431
Surplus Incentive Funds Reserve:		
Balance at the beginning of the reporting period	**803**	-
Net movement during the year	**-**	803
Closing balance	**803**	803

Insurance Loss Reserve

Since 1996-97 the Department has set aside $3 million per year to create over five years, a $15 million risk exposure reserve in relation to the Department's plantation forests. This reserve has been created with the Treasurer's consent and will serve to cover risk exposure, over and above the Department's insurance excess arrangement, up to a total loss aggregate of $15 million, in any one insurance year.

	2000	1999
	$'000	$'000
Balance at the beginning of the reporting period	**9 000**	6 000
Movement during the year	**2 033**	3 000
Closing balance	**11 033**	9 000
Growing Timber Revaluation Reserve:		
Balance at the beginning of the reporting period	**535 374**	541 464
Movement during the year	**12 420**	(6 090)
Closing balance	**547 794**	535 374
Capital Reserve:		
Balance at the beginning of the reporting period	**30 529**	30 529
Movement during the year	**-**	-
Closing balance	**30 529**	30 529
	841 861	848 986

27. Capital Funds provided by the South Australian Government

During the year capital funds in the order of $9.030 million relating to Central Linen and Sprint operations was repaid to the Treasurer. Additional funds were also provided to the Department as equity funding for the Government Radio Network, SAMIS, Atlas, Forensic Science fitout and State Records Archive capital projects.

	Note	2000	1999
		$'000	$'000
Balance at the beginning of the reporting period		**84 871**	84 871
Movement during the year		**57 824**	-
Closing balance		**142 695**	84 871
28. Finance Lease Commitments	2.13		
Motor Vehicles:			
Not later than one year		**15 395**	15 395
Later than one year and not later than two years		**15 395**	15 395
Later than two years and not later than five years		**43 375**	46 002
Later than five years		**32 470**	45 638
		106 635	122 430
Deduct future finance charges		**26 727**	33 960
		79 908	88 470
Classified as:			
Current		**9 281**	8 524
Non-current		**70 627**	79 946
		79 908	88 470
Accommodation:			
Not later than one year		**3 288**	3 182
Later than one year and not later than two years		**3 288**	3 182
Later than two years and not later than five years		**9 865**	9 545
Later than five years		**67 555**	73 756
		83 996	89 665
Deduct future finance charges		**56 458**	61 665
		27 538	28 000

		Note	2000	1999
Accommodation (continued)				
Classified as:		Note	**$'000**	$'000
	Current		**489**	462
	Non-current		**27 049**	27 538
			27 538	28 000
Plant and Equipment:				
	Not later than one year		**134**	27
	Later than one year and not later than two years		**134**	27
	Later than two years and not later than five years		**126**	78
	Later than five years		**-**	-
			394	132
	Deduct future finance charges		**44**	22
			350	110
Classified as:				
	Current		**112**	19
	Non-current		**238**	91
			350	110
Total:				
	Current		**9 882**	9 005
	Non-current		**97 914**	107 575
			107 796	116 580

29. Operating Lease Commitments (Note 2.13)

		2000	1999
Accommodation:			
	Not later than one year	**51 158**	42 948
	Later than one year and not later than two years	**37 707**	32 009
	Later than two years and not later than five years	**83 844**	74 725
	Later than five years	**61 459**	56 496
		234 168	206 178

30. Statement of Cash Flows

(a) Reconciliation of Cash

	Note	2000	1999
For the purposes of the Statement of Cash Flows, cash is cash at Bank	13	**107 125**	120 411

(b) Reconciliation of Operating Profit to Net Cash provided by Operating Activities

	2000	1999
Operating profit	**109 594**	69 101
Non cash items:		
Depreciation of buildings, plant and equipment	**15 979**	14 596
(Profit) Loss on disposal of assets	**(1 990)**	2 892
Revaluation decrement	**-**	268
Amortisation of finance lease	**9 433**	8 408
Debt transfer	**-**	(27 819)
Administered items now included	**-**	577
Profit on transfer of assets	**-**	(2 332)
Loss on write-off of Seaton	**-**	1 185
Profit on sale and leaseback	**(516)**	(517)
Timber revaluation	**(12 420)**	-
Write off of Flinders Central fitout	**-**	4 063
Loss on transfer of Glenside lease	**-**	1 533
Profit on asset reported for the first time	**-**	(578)
Change in assets and liabilities:		
(Increase) Decrease in debtors	**(89 403)**	4 492
(Decrease) Increase in provision for doubtful debts	**(387)**	511
(Increase) Decrease in inventories	**(164)**	1 539
Increase in accrued revenue	**(3 777)**	(3 652)
Decrease (Increase) in prepaid expenses	**4 285**	(2 157)
(Decrease) Increase in creditors	**(9 387)**	4 563
(Decrease) Increase in accrued expenses	**(3 241)**	4 659
Increase (Decrease) in prepaid revenue	**1 693**	(57)
Increase in incentive monies owing	**2 711**	645
Decrease in provisions	**(717)**	(7 661)
Net Cash provided by Operating Activities	**21 693**	74 259

31. Remuneration of Employees

	2000	1999
	$'000	$'000
Amounts received or receivable by employees of the Department whose remuneration is greater that $100 000. The amounts include salaries and related payments, superannuation benefits and motor vehicle benefits:	**7 416**	6 027

31. Remuneration of Employees (continued)

The number of employees of the Department whose remuneration falls within the following bands for the year ended were:

	2000 Number of Employees	1999 Number of Employees
$100 000 - $109 999	**8**	9
$110 000 - $119 999	**12**	11
$120 000 - $129 999	**5**	7
$130 000 - $139 999	**4**	2
$140 000 - $149 999	**4**	3
$150 000 - $159 999	**5**	4
$160 000 - $169 999	**4**	2
$170 000 - $179 999	**2**	4
$180 000 - $189 999	**1**	2
$190 000 - $199 999	**3**	-
$200 000 - $209 999	**1**	-
$210 000 - $219 999	**1**	-
$220 000 - $229 999	**-**	1
$240 000 - $249 999	**1**	-
$250 000 - $259 999	**1**	-

32. Business Unit Information

DAIS carries out a number of functions and services through its business units. These functions are as follows:

Building Maintenance	-	Delivers facilities maintenance services to agencies in country areas and part of metropolitan Adelaide, provides asbestos monitoring and management and supports export development in the construction industry.
Building Management	-	This unit provides risk and contract management services to non-infrastructure agencies for the delivery of capital works and facilities management services and a range of building related specialist services including building asset management, heritage building conservation and disability access advice.
Major Projects	-	Responsible for managing major government development projects which are complex and do not fall within normal agency arrangements and manages the program of works for the Industrial and Commercial Premises Corporation.
Contract Services	-	Provides a broad range of procurement services on a whole-of-government basis to Government and the State Supply Board.
Government ICS	-	Supports the efficient electronic delivery of government services and takes a central strategic leadership role in the planning, management and delivery of information and communication services across government.
Land Services	-	Provides an effective government guaranteed system of land titling, land boundary security and a viable and impartial property valuation service for the benefit of business, government and the community.
Real Estate Management	-	Manages the Government's portfolio of owned and leased office accommodation and housing assets on behalf of Government and agencies including the provision of strategic policy advice in these areas. The portfolio of owed and leased office accommodation is represented by SA Government Commercial Properties and the portfolio of housing assets is represented by SA Government Employee Residential Properties.
State Records	-	Responsible for improving records management across all State Government agencies and local councils including the provision of archival services for permanent and temporary records.
Government Businesses Group	-	Provides a policy and monitoring framework for government business enterprises within the Government Enterprises portfolio and a project management service to government for business related changes, including restructuring and contracting out. The financial information presented also includes the operations of Central Linen and Sprint up until their date of sale and or closure.
Forestry SA	-	Manages the State owned plantation forests, recreational access and native forests conservation, in addition to providing policy advice to key stakeholders, support for the forestry industry development and farm forest activities and initiatives.
Information Economy Policy Office	-	Provides advice to government on the information economy including the formulation of strategies to ensure take up of opportunities, the raising of awareness throughout the community and the development of information industries in the State.
Fleet SA	-	Provides fleet management services to government for passenger and light commercial motor vehicles in addition to the provision of chauffeured VIP transport services for Ministers and visiting dignitaries.
Forensic Sciences	-	Provides independent pathology and scientific analysis services to the justice system and the community.
Workplace Services	-	Provides advisory, compliance and education services relating to occupational health and safety, industrial relation and public safety legislation. The financial information presented also includes the operations of Riverside 2000 which provides document publishing services to Parliament.
Industrial Court, Commission and Workers Compensation Tribunals	-	Provides administration of the Industrial Relations Court and Commission and the Workers Compensation Appeals Tribunal and Workers Compensation Tribunal.
Business and Corporate Services	-	Supports the operation of the Department through the provision of a central service relating to human resources, information technology, administration, finance, occupational health and safety and redeployment. In addition the business services unit provides payroll and redeployment services to other government agencies on a fee for service basis.

32. Business Unit Information (continued)

ABRIDGED OPERATING STATEMENT	Bldg M'tnce $'000	Bldg Mgmt & Major Projects $'000	Contract Svcs $'000	Govt ICS $'000	Land Svcs $'000	Real Estate Mgmt $'000	SA Govt Commrcl Property $'000	SA Govt Emplee Residntl Property $'000	State Records $'000	Govt Bus Group $'000	Forestry SA $'000	Info Econ Policy Office $'000	Fleet SA $'000	Forensic Sciences $'000	Work-Place Services $'000	Ind Court Comsn & Wkrs Compen-sation Tribunals $'000	Bus & Corp Svcs $'000	Elimin-Ations $'000	**Consol-idation $'000**
Operating Revenues:																			
Sales and miscellaneous Revenue	48 345	8 734	22 819	126 506	57 603	5 455	86 604	16 054	1 006	13 092	107 630	96	59 391	2 287	10 100	4 291	15 666	(17 568)	**568 111**
Appropriations	521	3 610	1 542	30 939	1 490	245	5 114	-	2 357	2 137	-	3 604	7 129	4 979	7 440	3 437	16 430	-	**90 974**
Net change in value of Growing timber	-	-	-	-	-	-	-	-	-	-	12 420	-	-	-	-	-	-	-	**12 420**
Sale of assets	158	-	(83)	-	3	-	(19)	102	(1)	1 698	(21)	-	-	-	2	-	151	-	**1 990**
Total Operating Revenues	49 024	12 344	24 278	157 445	59 096	5 700	91 699	16 156	3 362	16 927	120 029	3 700	66 520	7 266	17 542	7 728	32 247	(17 568)	**673 495**
Operating Expenses:																			
Employee expenses	5 812	5 747	3 210	7 149	16 174	2 769	-	-	1 415	7 172	9 087	1 677	3 448	4 034	9 383	4 468	17 097	-	**98 642**
Goods and services	41 242	6 854	24 055	119 815	8 967	2 480	79 099	12 981	2 930	5 631	62 415	1 934	54 803	2 225	6 230	2 585	10 997	(17 568)	**427 675**
Depreciation and amortisation	123	266	213	2 505	26	54	7 692	1 602	65	474	1 210	-	8 603	191	142	49	2 197	-	**25 412**
Total Operating Expenses	47 177	12 867	27 478	129 469	25 167	5 303	86 791	14 583	4 410	13 277	72 712	3 611	66 854	6 450	15 755	7 102	30 291	(17 568)	**551 729**
Profit (Loss) before abnormal Items	1 847	(523)	(3 200)	27 976	33 929	397	4 908	1 573	(1 048)	3 650	47 317	89	(334)	816	1 787	626	1 956	-	**121 766**
Abnormal items	-	-	-	-	-	-	-	-	-	(93)	54	-	516	-	-	-	20	-	**497**
Net Profit before Tax and Dividends	1 847	(523)	(3 200)	27 976	33 929	397	4 908	1 573	(1 048)	3 557	47 371	89	182	816	1 787	626	1 976	-	**122 263**
ABRIDGED BALANCE SHEET																			
Assets:																			
Current assets	14 198	41 425	5 032	83 530	23 026	1 317	30 767	11 565	4 265	1 643	35 563	646	31 841	5 567	4 007	1 192	32 918	-	**328 502**
Non-current assets	15	1 992	3 473	43 660	1 999	322	166 886	105 614	283	177	782 387	270	80 109	730	584	394	5 586	-	**1 194 481**
Total Assets	14 213	43 417	8 505	127 190	25 025	1 639	197 653	117 179	4 548	1 820	817 950	916	111 950	6 297	4 591	1 586	38 504	-	**1 522 983**
Liabilities:																			
Current liabilities	4 202	20 820	2 014	21 394	4 264	542	7 086	1 819	275	(3 533)	21 879	138	33 859	560	1 079	548	27 410	-	**144 356**
Non-current liabilities	5 114	2 094	2 183	1 176	4 819	734	78 236	42 031	141	2 135	3 970	211	71 362	864	2 675	619	8 410	-	**226 774**
Total Liabilities	9 316	22 914	4 197	22 570	9 083	1 276	85 322	43 850	416	(1 398)	25 849	349	105 221	1 424	3 754	1 167	35 820	-	**371 130**
NET ASSETS	4 897	20 503	4 308	104 620	15 942	363	112 331	73 329	4 132	3 218	792 101	567	6 729	4 873	837	419	2 684	-	**1 151 853**

33. Schedule of Administered Items

	Asset Sales Deposit Account $'000	Gaming Machines $'000	Auctions $'000	CBA Vehicles $'000	Special Acts Salaries $'000	Lands Services Group Trust Funds $'000	Major Projects $'000	IPS Funds $'000	Carter Holt Harvey Compen-sation Fund $'000	**Total $'000**
OPERATING STATEMENT										
Administered Operating Revenues:										
Receipts and other revenue	-	26 077	81 697	102 728	-	302	2 608	-	-	**213 412**
Receipts from Government	1 985	-	-	-	1 695	-	18 550	-	13	**22 243**
Total Operating Revenues	1 985	26 077	81 697	102 728	1 695	302	21 158	-	13	**235 655**
Administered Operating Expenses:										
Employee expenses	762	-	-	-	1 695	-	-	-	-	**2 457**
Administration	3 920	28 827	83 168	101 763	-	320	15 628	-	55	**233 681**
Total Operating Expenses	4 682	28 827	83 168	101 763	1 695	320	15 628	-	55	**236 138**
Administered Operating Revenues *Less:* **Administered Operating Expenses**	(2 697)	(2 750)	(1 471)	965	-	(18)	5 530	-	(42)	**(483)**
STATEMENT OF FINANCIAL POSITION										
Current assets	53	158	(1 667)	6 045	17	4 314	34 174	8	220	**43 322**
Non-current assets	116	-	-	-	-	-	-	-	-	**116**
Total Assets	169	158	(1 667)	6 045	17	4 314	34 174	8	220	**43 438**
Current liabilities	1 382	309	-	5 091	-	24	2 444	-	-	**9 250**
Non-current liabilities	-	-	-	-	-	-	-	-	-	**-**
Total Liabilities	1 382	309	-	5 091	-	24	2 444	-	-	**9 250**
NET ASSETS	(1 213)	(151)	(1 667)	954	17	4 290	31 730	8	220	**34 188**
Retained profits	(1 213)	(152)	(1 667)	954	17	4 290	31 729	-	-	**33 958**
STATEMENT OF CASH FLOWS										
Operating Activities:										
Inflows	1 985	26 081	81 697	102 783	1 659	318	21 158	-	13	**235 694**
Less: Outflows	3 518	28 577	83 168	101 858	1 741	297	15 314	-	55	**234 528**
	(1 533)	(2 496)	(1 471)	925	(82)	21	5 844	-	(42)	**1 166**
Net Increase (Decrease) in cash held	(1 533)	(2 496)	(1 471)	925	(82)	21	5 844	-	(42)	**1 166**
Cash balance at 1 July	1 587	2 646	(195)	5 119	(1 596)	4 293	28 330	8	262	**40 454**
CASH BALANCE AT 30 JUNE	54	150	(1 666)	6 044	(1 678)	4 314	34 174	8	220	**41 620**

34. Administered Units: Remuneration of Employees

	2000
	$'000
Amounts received or receivable by employees included under administered items whose remuneration is greater than $100 000. The amounts include salaries and related payments, superannuation benefits and motor vehicle benefits	1 501

The number of employees of the Department whose remuneration falls within The following bands for the year ended were:	Number of Employees
$100 000 - $109 999	1
$110 000 - $119 999	2
$120 000 - $129 999	1
$150 000 - $159 999	1
$190 000 - $199 999	1
$210 000 - $219 999	1
$230 000 - $239 999	2
$240 000 - $249 999	1
$260 000 - $269 999	1

INDUSTRIAL AND COMMERCIAL PREMISES CORPORATION

FUNCTIONAL RESPONSIBILITY

The Corporation was established on 1 March 1997 under the name MFP Industrial Premises Corporation. It was established as a subsidiary of the then Minister for State Development, pursuant to regulations under the *Public Corporations Act 1993*, to take over functions previously conducted by the South Australian Urban Projects Authority under the Industrial Premises Development Scheme and to carry out other functions conferred by the Minister.

The Scheme provides for the development of new factory and commercial properties and the management of established factories and commercial properties as part of the Government's program for assisting industry. Under the Scheme various finance and accommodation tenure arrangements have been entered into with private sector entities for the provision of facilities designed to satisfy particular operating requirements and to secure their presence in South Australia.

On 24 December 1997, by amendment regulations, the name of the Corporation was changed to Industrial and Commercial Premises Corporation (ICPC) and the responsibility for the Corporation was transferred to the Minister for Government Enterprises.

The Corporation has a Board of Directors appointed by the Minister and is subject to the control and direction of the Minister. Staff and facilities required to conduct the affairs of the Corporation are provided by the Department for Administrative and Information Services. The Corporation has no staff of its own.

AUDIT MANDATE AND COVERAGE

Audit Authority

The Schedule to the *Public Corporations Act 1993*, requires subsidiaries of Public Corporations, established pursuant to section 24 of the Act, to keep proper accounts of their financial affairs and to prepare financial statements in respect of each year.

It further provides that the Auditor-General must audit the accounts and financial statements of the subsidiary.

Scope of Audit

The audit of the Corporation was undertaken in conjunction with the audit of the Department for Administrative and Information Services.

The audit program covered all 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 control.

During 1999-2000 specific areas of audit attention included:

- expenditure of monies with respect to new developments
- borrowings and related interest expenses
- raising and recovery of monies due with respect to established properties
- administrative expenses charged to the Corporation.

AUDIT FINDINGS AND COMMENTS

The review of the abovementioned auditable areas of review revealed generally satisfactory results.

In relation to the important matter of management control of risks, the Corporation, with the assistance of consultants, established in the latter part of the year a business risk management framework. This has involved the completion of a risk profile of the organisation, covering the identification and assessment of risks and the development of proposed control strategies to manage these risks. The Corporation's next step is to formulate a check list of risk management issues, in particular addressing the assets and liabilities of the Corporation, and to formalise the process for controlling and monitoring these risks on an on-going basis.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Industrial and Commercial Premises Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by the Industrial and Commercial Premises Corporation in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Operating Statement

The Corporation recorded an operating profit before income tax of $316 000 compared to an operating profit of $572 000 in 1998-99.

Statement of Financial Position

The majority of land and building assets (Note 9 to the financial statements refers) are subject to guarantee arrangements by the Minister for Industry and Trade. The guarantees effectively provide that in the event of the Corporation selling the land and buildings the Minister will make up the difference between the proceeds from sale and the actual cost of construction of the assets.

Operating Statement for the year ended 30 June 2000

	Note	2000 $'000	1999 $'000
OPERATING REVENUES:			
Interest		**1 288**	2 252
Rent		**2 588**	2 623
Profit on sale of assets		**-**	199
Recoveries and sundry income		**526**	435
Total Operating Revenues		**4 402**	5 509
OPERATING EXPENSES:			
Interest		**2 921**	3 781
Administrative expenditure	3	**796**	785
Depreciation	2.3(b)	**369**	371
Total Operating Expenses		**4 086**	4 937
OPERATING PROFIT BEFORE INCOME TAX EQUIVALENT		**316**	572
Income tax equivalent paid or payable to the State Government	4	**114**	206
OPERATING PROFIT AFTER INCOME TAX EQUIVALENT		**202**	366
ACCUMULATED LOSS AS AT 1 JULY		**(2 509)**	(2 670)
TOTAL AVAILABLE FOR APPROPRIATION		**(2 307)**	(2 304)
Dividend paid or payable to the State Government	6	**150**	205
Add: Transfer from Asset Revaluation Reserve	8, 13	**591**	-
ACCUMULATED LOSS AS AT 30 JUNE		**(1 866)**	(2 509)

Statement of Financial Position as at 30 June 2000

	Note	2000 $'000	1999 $'000
CURRENT ASSETS:			
Cash	15	**560**	1 275
Receivables	7	**1 911**	2 625
Accruals and prepayments		**-**	7
Total Current Assets		**2 471**	3 907
NON-CURRENT ASSETS:			
Receivables	7	**8 787**	11 048
Land held for re-sale	8	**275**	930
Construction projects in progress	2.3(c)	**6 292**	181
Property, plant and equipment	2.3(b), 9	**16 215**	16 559
Total Non-Current Assets		**31 569**	28 718
Total Assets		**34 040**	32 625
CURRENT LIABILITIES:			
Creditors and borrowings	10	**4 543**	4 112
Provisions	11	**320**	206
Other accruals	12	**490**	474
Total Current Liabilities		**5 353**	4 792
NON-CURRENT LIABILITIES:			
Creditors and borrowings	10	**30 445**	29 668
Total Non-Current Liabilities		**30 445**	29 668
Total Liabilities		**35 798**	34 460
NET LIABILITIES		**(1 758)**	(1 835)
EQUITY			
Asset revaluation reserve	8, 13	**108**	674
Accumulated (losses) profits		**(1 866)**	(2 509)
FUNDS DEFICIENCY		**(1 758)**	(1 835)

Statement of Cash Flows for the year ended 30 June 2000

	Note	**2000 Inflows (Outflows) $'000**	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Rent received		**3 040**	2 073
Principal received from mortgage and agreement loans		**2 099**	14 052
Payments for land acquisition and construction projects in progress		**(5 891)**	(2 698)
Recoveries and sundry receipts		**698**	227
Interest received		**1 397**	2 495
Servicing costs and payments to suppliers		**(681)**	(518)
Interest payments		**(2 904)**	(3 686)
Tax equivalent paid	4	**(185)**	(251)
Net Cash (used in) provided by Operating Activities	14	**(2 427)**	11 694
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		**-**	(685)
Proceeds from disposals of property, plant and equipment		**655**	1 921
Net Cash provided by Investing Activities		**655**	1 236
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**3 000**	-
Dividends paid	6	**(150)**	(205)
Repayment of borrowings		**(1 793)**	(12 017)
Net Cash provided by (used in) Financing Activities		**1 057**	(12 222)
NET (DECREASE) INCREASE IN CASH HELD		**(715)**	708
CASH AT 1 JULY		**1 275**	567
CASH AT 30 JUNE	15	**560**	1 275

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment of the Industrial and Commercial Premises Corporation

Industrial and Commercial Premises Corporation (I&CPC), previously known as MFP Industrial Premises Corporation, was established on 1 March 1997 as a subsidiary of the then Minister for State Development by Regulations under the *Public Corporations Act 1993.*

From 24 December 1997, I&CPC was transferred to the Minister for Government Enterprises. As a subsidiary of the Minister, the I&CPC is a body corporate, has perpetual succession and a common seal, and is capable of suing and being sued in its Corporate name. It is governed by a Board of Directors consisting of three members appointed by the Minister (refer Note 16).

The functions of the I&CPC are:

- to develop new factory and commercial properties and to manage existing properties under the Industrial Premises Development Scheme (functions previously carried out by the South Australian Urban Projects Authority);
- to carry out other functions conferred on it by the Minister.

The I&CPC must obtain the approval of the Minister before it makes a material change to its policy direction.

2. Statement of Accounting Policies

2.1 Basis of Accounting

The accounts have been prepared in accordance with the Statements of Accounting Concepts, applicable Urgent Issues Group Consensus views and appropriate Australian Accounting Standards and in accordance with Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*. The accounts have been prepared on the basis of historical cost 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.

2.2 Comparative Figures

Comparative figures are for the period 1 July 1998 to 30 June 1999.

2.3 Significant Policies

The following is a summary of the significant accounting policies adopted by the reporting entity in the preparation of the accounts.

(a) *Borrowing Costs*

Borrowing costs are expensed in the reporting period in which they are incurred.

(b) *Property, Plant and Equipment*

Property, plant and equipment is brought to account at market value, less, where applicable, any accumulated depreciation.

Depreciation

The depreciable amount of all non-current assets including properties, but excluding freehold land, is depreciated over their useful lives commencing from the time the asset is held ready for use.

Where necessary appropriate write downs are made to ensure that the carrying amount is not in excess of the recoverable amount.

2.3 Significant Policies (continued)

(c) Construction Projects in Progress

Construction work in progress is brought to account at cost.

(d) Guarantees

Guarantees exist in relation to a possible sale of the properties owned by the Corporation, such that the Minister for Industry and Trade guarantees to make up any shortfall between the actual cost price of the assets and that realised upon sale.

3. Administrative Expenditure

During the reporting period, Department for Administrative and Information Services (DAIS) was the principal supplier of administrative services to the I&CPC, which does not employ staff directly.

The services provided included human resources, accommodation, commissions and building management, provision of office equipment and consumables, telecommunications and use of vehicles.

Administrative expenditure principally comprises servicing costs in respect of labour and on-costs, and the recovery of overheads by DAIS in respect of general operating expenditure attributable to the operations of the I&CPC.

4. Tax Equivalents

In accordance with Treasurer's Instruction 22 issued pursuant to the *Public Finance and Audit Act 1987*, the I&CPC is required to pay to the State Government an amount equivalent to that which it would have paid to the Commonwealth if it were not exempt from the taxation laws of the Commonwealth. Under this Instruction, the I&CPC is deemed to be liable for the equivalents of income tax and wholesale sales tax.

The Treasurer's Instruction provides for income tax to be calculated using either the substantive Income Tax Assessment Act (ITAA) method or the accounting profit method. The Department of Treasury and Finance has advised that the I&CPC is required to apply the accounting profit method. Under this method, the corporate income tax rate for ITAA purposes (presently 36 percent) is applied to the operating profit.

Income tax equivalent paid or payable to the State Government during the reporting period and recognised in the Operating Statement is summarised in the following table:

	2000	1999
	$'000	$'000
Tax equivalent paid	**185**	230
Provision tax equivalent (refer Note 11)	**114**	206

Included in tax equivalent paid by I&CPC is an amount of $184 586 in relation to land tax for 1999-2000. This amount was subsequently recovered from the Department of Industry and Trade.

5. Financial Instruments

(a) Credit Risk Exposure

The credit risk on financial assets of the economic entity which have been recognised on the balance sheet, is generally the carrying amount, net of any provision for doubtful debts.

(b) Interest Rate Risk Exposure

The economic entities exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table.

		Fixed Interest Maturing				
	Floating Rate	1 year or less	Over 1 to 5 years	Over 5 years	**2000 Total**	1999 Total
Financial Assets:						
Cash	560	-	-	-	**560**	1 275
Receivables	334	8	2 231	9 124	**11 698**	14 673
	894	8	2 231	9 124	**12 258**	15 948
Weighted average interest rate percent	8.45	9.99	9.12	8.57		
Financial Liabilities:						
Payables	10 004	18	2 402	22 564	**34 988**	33 780
Weighted average interest rate percent	6.40	8.39	9.09	9.64		
Net Financial Assets (Liabilities)	(9 110)	(10)	(171)	(13 440)	**(22 730)**	(17 832)

Reconciliation of Net Financial Assets (Liabilities) to Net Liabilities	**2000**	1999
	$'000	$'000
Net Financial Liabilities as above	**(22 730)**	(17 832)
Non-Financial Assets and (Liabilities):		
Construction projects in progress	**6 292**	181
Land held for resale	**275**	930
Property, plant and equipment	**16 215**	16 559
Other accruals	**(490)**	(467)
Provisions	**(1 320)**	(1 206)
Net Liabilities as per Balance Sheet	**(1 758)**	(1 835)

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash, trade debtors and payables approximates their carrying amount.

The net fair value of Receivables and Payables excluding trade debtors and creditors has been calculated by discounting cash flows using a zero coupon curve derived from observable rates in the financial markets. The resultant net fair values represents the best estimate of replacement cost. Management consider the cost of realising fair values as immaterial. Furthermore, management consider that all financial instruments cannot be readily traded on organised markets in standardised form.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:	**Carrying Amount**	**Net Fair Value**
Financial Assets:	**$'000**	**$'000**
Cash	**560**	**560**
Trade debtors	**334**	**334**
Deferred purchase agreements	**11 364**	**12 144**
Provision for doubtful debts	**(1 000)**	**(1 000)**
	11 258	**12 038**
Financial Liabilities:		
SAFA Loans	**34 988**	**38 962**

(d) Terms and Conditions

Financial Assets

- *Cash on Hand and Deposits*

  Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis.

  Interest is calculated on the average daily balance of the account and the interest rate is the Common Public Sector Interest Rate (CPSIR) which averaged 8.458 percent for the year ended 30 June 2000.

- *Receivables*

  Receivables are recorded at amounts due to the I&CPC less a provision for doubtful debts. They are recorded as payments fall due.

  Receivables are due within 14 days.

- *Mortgage Debtors*

  Mortgage debtors are based on loans taken out by the I&CPC on behalf of clients on back-to-back arrangements with SAFA where mortgage payments are paid quarterly over a fixed term. Provision is made for doubtful loans where collection of the loan or part thereof is judged to be less rather than more likely.

  Mortgage loans are made under contract for fixed terms at either fixed or variable interest rates. The interest rates applied are based on rates provided by SAFA. The interest rate payable by the client includes an I&CPC administrative recovery margin. Principal is repaid at either negotiated instalments or in full at maturity. Mortgages carry a security over the debt.

- *Deferred Purchase Debtors*

  Deferred purchase debtors are based on loans taken out by the I&CPC on behalf of clients on back-to-back arrangements with SAFA, where payments by the debtors are made quarterly over a fixed term. Provision is made for doubtful loans where collection of the loan or part therefore is judged to be less rather than more likely.

  Deferred purchase loans are made under contract for fixed terms at either fixed or variable interest rates. The interest rates applied are based on rates provided by SAFA. The interest rate payable by the client includes an I&CPC administrative recovery margin. Principal is repaid at either negotiated instalments or in full at maturity. Deferred purchase properties are secured by title held in the name of the I&CPC until settlement.

Financial Liabilities

- *Creditors*

  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.

  Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

- *Borrowings*

  Borrowings are recorded at the amounts owed.

  Loans are carried at the amounts borrowed. Loans are drawn from SAFA and the interest rate is based on current market rates. Repayments are determined in negotiation with SAFA.

6. Dividend Payment

Pursuant to pre-existing arrangements between the former UPA and the Department of Treasury and Finance, the I&CPC is committed to return to Treasury as dividends all interest subsidies received from the Department of Industry and Trade in respect of commercial interest margins foregone by the I&CPC on new lending under the Industrial Premises Development Scheme. The amount paid to Treasury during the reporting period was $150 141.

The regulations which establish the I&CPC provide separately for the payment of specified dividends or specified interim dividends. Prior to the end of the financial year, no recommendation was made by the Board to the Treasurer for a specified dividend or interim dividend to be paid in respect of the reporting period for the I&CPC.

		2000	1999
7.	**Receivables**		
	Current:	**$'000**	$'000
	Trade debtors	**334**	1 064
		334	1 064
	Mortgage and sale under agreement loans:		
	Factories subject to:		
	Memorandums of mortgage	**-**	53
	Deferred purchase agreements	**1 577**	1 508
		1 577	1 561
		1 911	2 625
	Non-Current:		
	Mortgage and sale under agreement loans:		
	Factories subject to:		
	Memorandums of mortgage	**-**	686
	Deferred purchase agreements	**9 787**	11 362
	Less: Provision for doubtful debts	**(1 000)**	(1 000)
		8 787	11 048
	Total Receivables	**10 698**	13 673

8. Land Held for Resale

Land held for resale represents a parcel of land subject to a lease agreement for commercial purposes. This parcel of land was last valued as at 30 June 1999. A parcel of land was sold in 1999-2000, and as a result the amount in the revaluation reserve relating to a revaluation of this land in the prior years was transferred into accumulated losses - Note 13 refers.

		2000	1999
9.	**Property, Plant and Equipment**		
	Land and buildings:	**$'000**	$'000
	Industrial and commercial property:		
	Freehold land at independent valuation 1998	**2 195**	2 195
		2 195	2 195
	Buildings at independent valuation 1998	**13 805**	13 805
	Buildings at independent valuation 2000	**1 025**	1 000
		14 830	14 805
	Less: Accumulated depreciation	**(810)**	(441)
		14 020	14 364
	Total Industrial and Commercial Property	**16 215**	16 559

10.	**Creditors and Borrowings**		
	Current:		
	Trade creditors and accruals	**-**	10
	SAFA loans[(a)]	**4 543**	4 102
		4 543	4 112
	Non-Current:		
	SAFA[(a)]	**30 445**	29 668
	Total Creditors and Borrowings	**34 988**	33 780

(a) Comprises borrowings from the South Australian Government Financing Authority (SAFA) in respect of funding of industrial and commercial projects under the Industrial Premises Development Scheme.

The repayment schedule is as follows:	2000	1999
	$'000	$'000
Not later than one year (classified as current)	**1 542**	4 102
Later than one year but not later than two years	**2 345**	753
Later than two years but not later than five years	**2 318**	2 341
Later than five years	**28 783**	26 574
	34 988	33 770

11.	**Provisions**		
	Current:		
	Income tax equivalent	**320**	206
	Total Provisions	**320**	206
12.	**Other Accruals**		
	Current Liabilities:		
	Accrued interest on debt	**467**	458
	Sundry accruals	**23**	16
		490	474
13.	**Asset Revaluation Reserve**		
	Balance at 1 July	**674**	-
	Add: Land revaluation	**25**	674
	Less: Transfer to accumulated losses	**591**	-
	Closing Balance	**108**	674

14. Reconciliation of Net Cash used in Operating Activities to Surplus After Income Tax Equivalent

	2000 $'000	1999 $'000
Surplus (Deficit) after income tax equivalent	**202**	366
Non-cash flows in surplus after income tax equivalent:		
Depreciation	**370**	371
Profit on sale of assets	**-**	(199)
Changes in assets and liabilities:		
Decrease in receivables	**2 975**	10 694
(Increase) Decrease in construction projects in progress	**(6 111)**	152
Increase in trade creditors and accruals	**-**	111
Increase in provisions	**114**	206
Increase (Decrease) in accruals and prepayments	**23**	(7)
Net Cash (used in) provided by Operating Activities	**(2 427)**	11 694

15. Cash

Cash at the end of the reporting period, as shown in the Statement of Financial Position and the Statement of Cash Flows, comprises the following:

Cash at Treasury	**560**	1 275
Total Cash	**560**	1 275

16. Board of Directors

As at 19 December 1999 the following persons were appointed by the Minister for Government Enterprises to the Board, for a term expiring on 18 December 2001:

Mr G Foreman (Chairperson)
Mr J W Frogley
Ms P J Martin

Pursuant to Government policy, remuneration is not applicable to the appointed directors as they are employees of the Government or officers of the Crown.

17. Consultants

Fees and expenses incurred during the reporting period as a result of engaging consultants were:	2000 $'000	1999 $'000
Recognised in the Operating Statement	**-**	71
Capitalised to construction projects in progress	**171**	679
	171	750

18. Auditor's Remuneration

Amounts received or due and receivable by the auditors for auditing the accounts	**15**	16

The auditors received no other benefits.

19. Executive Officers' Remuneration

Disclosures required by the Treasurer's Accounting Policy Statement APS 13 'Form and Content of General Purpose Financial Reports', in respect of employees whose remuneration is $100 000 or more is not applicable as the Industrial and Commercial Premises Corporation has no employees and operates under a servicing arrangement with the Department for Administrative and Information Services (refer Note 3)

20. Related Party Transactions

Where occurring, transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

The Industrial and Commercial Premises Corporation did not enter into any transactions with any member of the Board or with any employees of the Department for Administrative and Information Services during the reporting period, other than normal transactions of a remunerative or reimbursement nature which may occur from time to time.

LAND MANAGEMENT CORPORATION

FUNCTIONAL RESPONSIBILITY

The Corporation is a subsidiary corporation of the Minister for Government Enterprises established pursuant to the provisions of the *Public Corporations Act 1993*. It has a Board which is its governing body whose members are appointed by the Minister.

The Corporation was established on 24 December 1997 by regulations pursuant to the *Public Corporations Act 1993* to undertake activities formerly controlled by the MFP Development Corporation, the MFP Projects Board and the Minister for Government Enterprises. The regulations establishing the Corporation, as amended, provide for it to undertake the following functions:

- Acquire, hold, manage, lease and dispose of surplus and other land, improvements and property controlled by the Corporation with a view to the release of large areas of undeveloped or underdeveloped land; to make land and property available for commercial, industrial or residential or other purposes; and to ensure the orderly development of land.

- To manage the sale of surplus government land administered on behalf of other agencies or instrumentalities of the Crown.

- To manage the Crown's interest in identified joint ventures and land development projects.

- To manage, develop, lease and, where appropriate, dispose of land and improvements at Technology Park and Science Park.

- To manage urban projects to achieve urban regeneration or other government policy outcomes.

- Other functions conferred by the Minister.

The Board of the Corporation was appointed on its establishment by the Minister for Government Enterprises at that time.

CHANGES TO AGENCY FUNCTIONS

Effective 23 December 1999, the regulations by which the Corporation was established were amended. The functions of the Corporation were expanded to enable the Corporation to act in a broader commercial sense for both undertakings in its own right and those on behalf of others, as appropriate.

SIGNIFICANT FEATURES

Net assets of the Corporation were $93.0 million and included cash of $50.4 million, land inventories of $27.1 million and investments in joint ventures valued at $13.0 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

The Corporation is a subsidiary corporation established pursuant to the *Public Corporations Act 1993*. Clause 13(3) of the Schedule to the Act requires the Auditor-General to audit the accounts and financial statements of subsidiary corporations.

Scope of Audit

The audit program covered all 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 control.

During 1999-00 specific areas of audit attention included, for both controlled and administered items:

- project management
- inventories
- property, plant and equipment
- revenue, receipting and banking
- accounts payable.

Audit Communications to Management

At the conclusion of the audit a letter was forwarded to the Chief Executive communicating the issues arising from the audit to which a satisfactory response has been received.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Land Management Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by the Land Management Corporation in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Operating Statement

The Corporation’s operating surplus before abnormal items was $14.9 million, which reflected operating revenues of $20.9 million, revenues from government of $8.8 million and operating expenses of $14.9 million.

The factors having the most impact on the operating result are the sales of inventory and property, plant and equipment, net interest income, joint venture income and the abnormal item in respect of the change in accounting policy for the treatment of the Mawson Lakes Government Infrastructure Project.

Land Sales

Sales of land comprising sales proceeds from joint venture entities to which the Corporation is a party and other land sales by the Corporation gave rise to a net profit of $7.1 million representing 34 percent of the Corporation’s operating revenues. The proceeds from sales were $11.2 million with costs of sales of $4.1 million.

Other Income

Sales of property plant and equipment by the Corporation gave rise to proceeds of $6.9 million with a written down value of $5.4 million and therefore, a net gain of $1.5 million (refer Notes 3 and 4).

Asset Valuations

Sales values are determined by market conditions at a point in time. In turn, the profit is also influenced by the carrying amount of assets. The values ascribed to the Corporation’s assets mainly reflect the closing carrying values of the assets transferred from the former MFP Development Corporation and the Minister for Government Enterprises (formerly the MFP Projects Board) to the Corporation effective 1 May 1998 which were revalued immediately prior to transfer.

This prior revaluation of land inventory recognised the net realisable value of the assets by determining the net present value of the estimated future cash flows from holding, developing and sale of the land inventories as part of a planned sales process. The cash flows are projected over an extended period, in some instances up to thirty years, and consequently involve significant uncertainty. The timing of the land sales, which has a direct impact on the timing of cash flows and consequent values, are based on projected demand for residential land. This is also inherently uncertain.

The discount rate used to determine net present values was a market rate of 25 percent reflecting the rate of return a private sector developer would require from investing in land inventory. The discount rate adopted was consistent with the requirements of the Department of Treasury and Finance Accounting Policy Statements.

Net Interest Income

Cash holdings of the Corporation continued to increase over 1999-2000. As at 30 June 2000, cash holdings of the Corporation totalled $50.4 million (refer 'Statement of Cash Flows' below). For the 1999-2000 year, interest income totalled $2.6 million.

Borrowings totalled $4.4 million at balance date which for the 1999-2000 year required interest payments of $0.5 million.

The net interest income for the Corporation, therefore, totalled $2.1 million. If the trend with respect to cash continues, in an increasing interest rate environment, given that interest on borrowings is fixed, this will result in increased net interest income over time.

Mawson Lakes Government Infrastructure Project

Effective from 1 July 1999, the accounting treatment of transactions and funds held by the Corporation in respect of government funded infrastructure activity undertaken at Mawson Lakes has changed. Whereas in prior years the transactions arising from this activity were incorporated within the Financial Statements of the Corporation, for the 1999-2000 year, this activity has been reported as an administered activity with related revenues, expenses, assets and liabilities reported in Note 19 'Administered Transactions'.

The change in accounting policy has resulted in an abnormal expense of $9.0 million representing the transfer of the balance of unexpended State grants in relation to the project.

This change in treatment is also the major reason for the decrease between 1999-2000 and the previous year for revenues from government and operating expenses in relation to contractors and consultants. Some other lines in the Operating Statement are affected in a minor way.

Statement of Financial Position

The value of the Corporation's land inventory at balance date was $27.1 million, a reduction of $3.5 million. The value of property, plant and equipment was reduced by $5.4 million to $10.1 million. Both reductions primarily resulted from sales.

Statement of Cash Flows

The balance of cash held by the Corporation continued to increase during 1999-2000. As at 30 June 2000 cash had increased by $13.9 million.

The main cash inflows from operating activities arose from government grants and subsidies of $8.8 million and receipts from sales of $16.4 million (including a receipt in relation to land sold in a prior year at Walkley Heights). These inflows have been offset mainly by cash outflows for the Mawson Lakes Government Infrastructure Project of $9.0 million (resulting from the change in accounting policy) and payments to suppliers of $7.3 million (a reduction of $2.7 million compared to the previous year mainly due to the Mawson Lakes transfer).

The Corporation's participation in joint venture activities resulted in a net cash inflow of $6.0 million and proceeds from the sale of property, plant and equipment totalled $6.9 million. Dividends of $4.6 million were paid to Treasury by the Corporation.

Administered Transactions

As discussed above, the transactions arising and funds held in relation to the Mawson Lakes infrastructure activity are now administered by the Corporation on behalf of the State Government. This contributed to an increase in total administered assets of $4.2 million which includes the partial offset by the sale of administered land and properties ($2.2 million cost of sales) and the write down/devaluation of inventories and property in relation to the Inner West and Port Waterfront projects ($6.2 million).

With the write down/devaluation of inventories and property, the net asset position of the Port Waterfront project is now negative by $1.1 million (previously positive $2.9 million).

The net asset position of the East End project remains negative, having increased by $1.1 million to negative $17.9 million with interest expense ($1.4 million) on loans from the Treasurer ($22.4 million) being the major contributor.

FURTHER COMMENTARY ON OPERATIONS

Joint Ventures

The value of the Corporation's investment in joint ventures was $13.0 million, a decrease of $2.4 million. This reflected a net decrease in capital contributed to joint ventures of $3.1 million offset by a net increase in retained profits of $0.7 million. The increase in retained profits reflected profit for the year of $3.6 million, offset by a profit distribution of $2.9 million.

During the year the parties to the Northfield Precinct One Joint Venture agreed to terminate the joint venture. All land holdings subject to the joint venture have been sold and all joint venture profits distributed.

Project Activity

The Corporation undertakes projects associated with controlled and administered activities. Financial details of the administered projects are included in Note 19 to the Financial Statements (and are discussed above) while project expenditure with respect to controlled activities is summarised in Note 7.

Expenditure incurred in 1999-2000 with respect to controlled projects included the management of processes for converting leasehold shack sites to freehold tenure, the remediation of contaminated land and other land management tasks for sites owned by the Corporation.

Operating Statement for the year ended 30 June 2000

	Note	2000 $'000	1999 $'000
OPERATING REVENUES:			
Sales	4	**11 186**	14 064
Less: Cost of sales		**4 066**	10 170
		7 120	3 894
Joint venture income	5	**3 639**	3 368
Interest		**2 643**	1 574
Rental income		**4 135**	4 360
Recoveries and other income		**3 396**	1 723
Total Operating Revenues		**20 933**	14 919
REVENUES FROM GOVERNMENT:			
Government grants and subsidies	6	**8 800**	14 735
Total Revenues from Government		**8 800**	14 735
Total Revenues		**29 733**	29 654
OPERATING EXPENSES:			
Land tax		**3 881**	4 083
Property expenditure		**3 243**	2 863
Contractors and consultants		**970**	4 394
Salaries and related payments		**3 293**	3 038
Other administrative expenditure		**2 355**	2 315
Interest		**480**	476
Depreciation	3	**435**	770
Write down of inventories	2.9	**218**	-
Total Operating Expenses	7	**14 875**	17 939
OPERATING SURPLUS BEFORE ABNORMAL ITEMS		**14 858**	11 715
ABNORMAL ITEMS	9	**(9 027)**	(2 693)
OPERATING SURPLUS BEFORE INCOME TAX EQUIVALENT		**5 831**	9 022
Income tax equivalent paid or payable to the State Government	10	**4 948**	1 484
SURPLUS AFTER INCOME TAX EQUIVALENT		**883**	7 538
RETAINED SURPLUS AT 1 JULY		**96 739**	107 245
TOTAL AVAILABLE FOR APPROPRIATION		**97 622**	114 783
Dividends paid or payable to the State Government	11	**4 628**	18 044
ACCUMULATED SURPLUS AT 30 JUNE		**92 994**	96 739

Statement of Financial Position as at 30 June 2000

	Note	2000 $'000	1999 $'000
ASSETS:			
CURRENT ASSETS:			
Cash	23	**50 422**	36 502
Receivables	12	**1 068**	582
Other	14	**62**	50
Total Current Assets		**51 552**	37 134
NON-CURRENT ASSETS:			
Receivables	12	**-**	5 415
Inventories	13	**27 057**	30 542
Property, plant and equipment	15	**10 134**	15 549
Investment in joint ventures	5	**12 951**	15 324
Other	14	**54**	67
Total Non-Current Assets		**50 196**	66 897
Total Assets		**101 748**	104 031
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	16	**961**	1 545
Provisions	18	**3 373**	1 332
Total Current Liabilities		**4 334**	2 877
NON-CURRENT LIABILITIES:			
Borrowings	17	**4 393**	4 370
Provisions	18	**27**	45
Total Non-Current Liabilities		**4 420**	4 415
Total Liabilities		**8 754**	7 292
NET ASSETS		**92 994**	96 739
EQUITY:			
Accumulated surplus		**92 994**	96 739
TOTAL EQUITY		**92 994**	96 739
Commitments	20		
Contingent Liabilities	21		

Statement of Cash Flows for the year ended 30 June 2000

	Note	**2000 Inflows (Outflows) $'000**	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Government grants and subsidies received	6	**8 800**	14 735
Land tax paid		**(3 881)**	(4 083)
Receipts from sales		**16 385**	14 053
Receipts from tenants		**4 100**	4 480
Interest received		**2 508**	1 493
Recoveries and sundry receipts		**1 820**	1 653
Payments for salaries and related costs		**(3 083)**	(2 903)
Payments to suppliers		**(7 341)**	(10 021)
Payments for land purchase and development		**(800)**	(512)
Payments for restructuring of administrative arrangements		**-**	(1 008)
Payments resulting from a change in accounting policy	2.3	**(9 027)**	-
Interest paid		**(457)**	(443)
Income tax equivalent paid		**(2 979)**	(1 073)
Net Cash provided by Operating Activities	22	**6 045**	16 371
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital contributions to joint ventures	5.1	**(3 475)**	(5 975)
Capital repayments by joint ventures	5.1	**6 587**	2 176
Distributions of profit by joint ventures	5.1	**2 900**	4 679
Proceeds from transfer of North Haven Marina	9	**-**	16 605
Proceeds from sale of property, plant and equipment		**6 929**	11
Purchase of property, plant and equipment		**(438)**	(20)
Net Cash provided by Investing Activities		**12 503**	17 476
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	11	**(4 628)**	(18 044)
Net Cash used in Financing Activities		**(4 628)**	(18 044)
NET INCREASE IN CASH HELD		**13 920**	15 803
CASH AT 1 JULY		**36 502**	20 699
CASH AT 30 JUNE	23	**50 422**	36 502

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment of the Land Management Corporation

The Land Management Corporation (the Corporation) was established on 24 December 1997 as a subsidiary corporation of the Minister for Government Enterprises pursuant to the *Public Corporations Act 1993*. At that time a Board was appointed by the Minister to act as the Corporation's governing body.

The Corporation was established to undertake activities formerly controlled by the MFP Development Corporation (MFPDC), the MFP Projects Board (MFPPB) and the Minister for Government Enterprises. The regulations establishing the Corporation provide for it to undertake the following functions:

(i) Acquire, hold, manage, lease and dispose of surplus land, improvements and other property previously held by the MFP Development Corporation or other agencies or instrumentalities of the Crown.

(ii) To acquire, hold, manage, lease and dispose of other land, improvements and property, particularly with a view to:
- managing the release of large areas of undeveloped (or under-developed) land;
- holding land and other property to be made available, as appropriate, for commercial, industrial, residential or other purposes;
- ensuring the orderly development of areas through the management and release of land, as appropriate.

(iii) To manage the Crown's interest in various joint ventures and land development projects as identified by the Minister.

(iv) To manage, develop, lease and, where appropriate, dispose of land and improvements at Science Park at Bedford Park.

(v) To manage, develop, lease and, where appropriate, dispose of land and improvements at Technology Park at Mawson Lakes with specific emphasis on using the assets to generate economic development.

(vi) To manage the sale of surplus government land on behalf of other agencies or instrumentalities of the Crown.

(vii) To manage urban projects (on its own behalf or on behalf of other agencies or instrumentalities of the Crown) to achieve urban regeneration or other government policy outcomes.

(viii) To carry out other functions conferred on the Corporation by the Minister.

On 1 May 1998 the assets, rights and liabilities of the MFP Development Corporation were vested in the Corporation by the Minister for Government Enterprises in accordance with the provisions of the *MFP Development (Winding-Up) Amendment Act 1998*. Also with effect on 1 May 1998 the remaining assets, rights and liabilities of the Minister for Government Enterprises which had formerly been managed by the MFP Projects Board, were transferred to the Corporation by proclamation under the *Administrative Arrangements Act 1994*.

On 21 May 1998 former employees of the MFP Development Corporation, who had been transferred to the Department for Administrative and Information Services, were transferred from that Department to the Corporation.

2. Statement of Significant Account Policies

2.1 Basis of Accounting

The financial statements are a general purpose financial report that have been prepared in accordance with the Treasurer's Instructions issued under the *Public Finance and Audit Act 1987* and applicable Australian Accounting Standards, Statements of Accounting Concepts and Urgent Issues Group Consensus Views. The financial statements have also been prepared on the accrual basis of accounting and in accordance with the historical cost convention. The accounting policies have been consistently applied, unless otherwise stated.

2.2 Administered Transactions

The Corporation administers various projects on behalf of the State Government. The administered revenues, expenses, assets and liabilities in respect of these projects are not controlled by the Corporation. Accordingly, the relevant items are not recognised in the Operating Statement, Statement of Financial Position or Statement of Cash Flows. These amounts are separately disclosed in Note 19 as Administered Transactions.

2.3 Change in Accounting Policy

The Corporation changed its accounting policy during the reporting period in regard to the Mawson Lakes Government Infrastructure project. Under the terms of the joint venture arrangements for the Mawson Lakes Economic Development Project (refer Note 5.5) the State Government has obligations for various infrastructure works. The Corporation receives State grants in respect of these obligations and administers payments for the infrastructure works. Effective from 1 July 1999, the Mawson Lakes Government Infrastructure project was reclassified from a controlled item to an administered item as the directors believe the change will improve the relevance and reliability of the Corporation's financial report and reflect that the transactions are not controlled by the Corporation. The financial effect of this change in accounting policy has been to recognise an abnormal expense of $9.027 million in the reporting period, representing the balance of unexpended State grants transferred to administered items (refer Notes 9 and 19.3 Schedule B). It was impracticable to restate the comparative information.

2.4 Project Expenditure - Controlled Projects

Expenditure on controlled projects is charged to operating surplus before income tax equivalent as incurred or capitalised where it is expected that future benefits will be derived by the Corporation so as to recover those capitalised costs.

2.5 Segment Information

An analysis of the Corporation's operating expenditure by major activity is detailed in Note 7.

2.6 Employee Entitlements

Provision has been made in the financial statements 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 the determination of the liability.

(i) 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.

(ii) 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.

(iii) Long Service Leave

Provision has been made for the Corporation's liability for long service leave at balance date on a basis which is consistent with measurement techniques outlined in Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. The short-hand method of determining long service leave entitlements has been adopted and provision has been made for all employees with eight or more years of service, being the benchmark number of years as determined by the Department of Treasury and Finance.

(iv) Superannuation

Salaries and related payments include superannuation contributions paid by the Corporation under the following categories:

(a) During the reporting period, the Corporation paid $154 000 ($144 000) to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of the Corporation's employees;

(b) In respect to some officers employed by the Corporation, contractual arrangements provide superannuation benefits payable to externally managed funds. Payments by the Corporation in respect of these arrangements totalled $151 000 ($125 000) including amounts to cover the Commonwealth Government's Superannuation Guarantee legislation.

2.7 Revenue Recognition and Cost of Sales

The determination of sales revenue (and consequent profit recognition) in respect of land made available for joint venture development (refer Note 5) is dependent on the method of land payment prescribed by the joint venture agreements. Sales revenue from the Golden Grove joint venture is brought to account when each land stage is made available for development, in accordance with the pre-determined price specified by the Joint Venture Agreement. Sales revenue for the Seaford, Northfield and Mawson Lakes joint ventures is brought to account when settlements occur on individual allotments, on the basis of a percentage of gross sales revenues as specified in the respective agreements.

The Corporation has adopted a policy with respect to all other land sales of recognising sales revenue when settlements are completed and legal title has transferred to purchasers. Sales have been recognised prior to settlement where contracts for sale satisfy all revenue recognition criteria in accordance with Australian Accounting Standards.

2.7 Revenue Recognition and Cost of Sales (continued)

Cost of sales comprises all direct costs of acquisition, planning, development and construction in respect of land sold during the reporting period.

2.8 Interest in Joint Ventures

The Corporation's share of the assets and liabilities of joint ventures in which it has a participating interest is included in the Statement of Financial Position as Investments in Joint Ventures. The Corporation's share of profit from joint venture entities is included as income in the item Joint Venture Income in the Operating Statement. Details of the Corporation's interest in joint ventures are shown in Note 5.

2.9 Inventories

Inventories (land held for resale) are carried at the lower of cost and net realisable value. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. Net realisable values are determined by independent valuers on the basis of discounting expected cash flows from holding and disposing of the inventory.

At the establishment of the Corporation (refer Note 1) inventories transferred to the Corporation were recognised at cost following prior revaluation by the transferring entities on the basis of discounted cash flows determined by independent valuers. Similar valuations were obtained at 30 June 1999 and 30 June 2000, resulting in a write down of $218 000 in the current reporting period in respect of land holdings in certain country locations.

2.10 Borrowing Costs

Borrowing costs are expensed in the reporting period in which they are incurred.

2.11 Property, Plant and Equipment

Property, plant and equipment is brought to account at cost or independent valuation, less, where applicable, any accumulated depreciation or amortisation. The depreciable amounts of all fixed assets including buildings, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives, commencing from the time the assets are held ready for use. Where necessary, appropriate write downs are made to ensure that the carrying amount is not in excess of the recoverable amount for an individual class of asset. The depreciation rates used for each class of depreciable assets are:

	Percent
Buildings	2.5
Plant and equipment	6.7 - 33

3. Operating Surplus

Operating surplus before income tax equivalent has been determined after:	**2000 $'000**	1999 $'000
(a) Charging as Expenses		
Interest paid or payable to:		
Other persons	**480**	476
Depreciation of:		
Buildings and infrastructure	**300**	531
Plant and equipment	**135**	239
Bad and doubtful debts	**(25)**	33
Rental expense on operating leases	**205**	148
Transfer to provisions for:		
Employee entitlements	**54**	95
(b) Crediting as Income		
Interest received or receivable from:		
Other persons	**2 643**	1 574
Net gain on disposal of property, plant and equipment	**1 511**	4

4. Operating Revenue

(a) Sales Revenue

Sales revenue comprises revenue earned from the sale of land for residential, commercial and community purposes, including land made available for joint venture developments at Golden Grove, Seaford, Northfield and Mawson Lakes (refer Note 5).

Sales revenue for the reporting period is summarised as follows:	**2000**	1999
Land sales:	**$'000**	$'000
Joint ventures	**2 740**	3 892
Other	**8 446**	10 172
Total Sales Revenue	**11 186**	14 064

(b) Other Operating Revenue

Other operating revenue comprises:		
Interest received	**2 643**	1 574
Rent received	**4 135**	4 360
Profit from joint venture developments	**3 639**	3 368
Proceeds on disposal of property, plant and equipment	**6 929**	4
Recoveries and sundry income	**1 885**	1 719
	19 231	11 025
Less: Written down value of property, plant and equipment disposals	**5 418**	-
Total Other Operating Revenue	**13 813**	11 025

5. Joint Venture Entities

5.1 Joint Venture Summary

Income from joint ventures entities of $3 639 000 for the reporting period comprises the Corporation's share of the aggregate operating results of joint ventures in which the Corporation has a participating interest, summarised as follows:

	2000	1999
	$'000	$'000
Revenues	**20 141**	24 057
Expenses	**16 502**	20 689
Operating profit	**3 639**	3 368
Movements in the Corporation's investment in joint ventures during the reporting period are summarised as follows:		
Capital contributions and acquisition of additional interest:		
Balance at 1 July	**8 626**	5 702
Add: Contributions during the reporting period	**3 475**	5 975
Less: Repayments during the reporting period	**6 587**	2 176
Less: Distribution arising from restructure	**-**	875
Balance at 30 June	**5 514**	8 626
Share of accumulated profits:		
Balance at 1 July	**6 698**	8 009
Add: Profit for the reporting period	**3 639**	3 368
Less: Distribution of profit to the Corporation during the reporting period	**2 900**	4 679
Balance at 30 June	**7 437**	6 698
Total Carrying Amount of Investment in Joint Ventures	**12 951**	15 324
The Corporation's investment in joint ventures is represented by its share of assets and liabilities as follows:		
Current Assets:		
Cash	**910**	753
Receivables	**1 762**	1 467
Inventories	**8 767**	9 157
Prepayments	**65**	220
	11 504	11 597
Non-Current Assets:		
Receivables	**-**	469
Inventories	**5 294**	6 020
Property, plant and equipment	**285**	488
Prepayments	**-**	13
	5 579	6 990
Total Assets	**17 083**	18 587
Current Liabilities:		
Creditors and borrowings	**2 244**	2 032
Provisions	**1 754**	1 095
	3 998	3 127
Non-Current Liabilities:		
Creditors and borrowings	**4**	8
Provisions	**130**	128
	134	136
Total Liabilities	**4 132**	3 263
Net Assets	**12 951**	15 324

5.2 Golden Grove Joint Ventures

Golden Grove Development - Joint Venture with Delfin

The Corporation has a 50 percent interest in the Golden Grove Development joint venture, involving the development of land at Golden Grove by the Corporation and Delfin Property Group Limited (Delfin). The joint venture was established pursuant to the *Golden Grove (Indenture Ratification) Act 1984* and operates under the Indenture and associated joint venture and management agreements. Land remains in the ownership of the Corporation and is made available in stages to the joint venture. The Corporation progressively receives an agreed payment for the land (as specified in the Joint Venture Agreement) and shares profits and losses equally with Delfin.

Para Scarp Joint Venture

The Corporation has a 50 percent interest in a joint venture with Delfin to develop 52 hectares of land contained in seven parcels adjacent to the western boundary of the Golden Grove Development area. Under the terms of the joint venture agreement, Delfin has purchased a half interest in the land and shares development costs and profits equally with the Corporation.

5.3 Seaford Joint Venture

The joint venture involves the development of land at Seaford in joint co-operation between the Corporation, the South Australia Housing Trust (SAHT) and the private sector. The land is owned jointly by the Corporation and SAHT as tenants in common. The voting power held by the Corporation is 25 percent. The participating interests are:

Land Management Corporation (LMC)	41.67 percent (five twelfths)
SAHT	25.00 percent (three twelfths)
Southern Horizons Pty Ltd	33.33 percent (four twelfths)

5.3 Seaford Joint Venture (continued)

Effective from 1 November 1998, the parties agreed to a restructure of the joint venture. The restructured arrangements are comprised in two Variation Agreements referred to as the 'Seaford Variation Agreement' and the 'Seaford Project Agreement'. These Agreements vary the original joint venture arrangements, which are comprised in a Joint Venture Agreement, Project Management Agreement, Physical Infrastructure and Human Services Indenture, Marketing Agreement, two Variation Agreements (dated 8 March 1994 and 28 February 1997) and a Sale Agreement.

The revised arrangements continue to provide for the land owners (LMC and SAHT) to be paid in equal proportions an agreed percentage of the gross land sales revenue received from the sale of the land remaining in the restructured joint venture (the 'Seafood Project Land'). The joint venturers continue to contribute capital required for the purposes of the Seaford Project Land and share profits and losses in the same proportions as their participating interests. With the exception of certain land sale proceeds to be retained by Southern Horizons upon relinquishment of its interests in General Scheme Costs incurred in the joint venture, the land owners remain the legal and beneficiary owners of all the remaining land forming part of the original joint venture (referred to as the 'Land Owners Land' in the Seaford Project Agreement).

5.4 Northfield Precinct One Joint Venture

The joint venture involves the development of land at Oakden (marketed as Regent Gardens) in joint co-operation between the Corporation, SAHT and AV Jennings Holdings Limited. As a result of the joint venture nearing completion, the parties have agreed (pursuant to a Deed dated 4 May 2000) to terminate the joint venture upon signing of the audited accounts of the joint venture following settlement of the sale of the remaining allotments. As at 30 June 2000, all settlements have been completed and all profits have been distributed to the parties.

The joint venture arrangements are formalised by a Joint Venture Agreement, Project Management Agreement, Marketing Management Agreement and Physical Infrastructure and Human Services Indenture. The Corporation's interest in the joint venture is 30 percent and the voting power held is 33.33 percent. The land originally comprised in the joint venture was owned by the Corporation and SAHT as to 60 percent and 40 percent respectively. The land owners were paid a percentage of the gross land sales revenue received at settlement from the sale of land.

5.5 Mawson Lakes Economic Development Project

On 10 July 1997 documentation was executed with Delfin Property Group Limited, Lend Lease Corporation Limited and associated entities of those companies to establish a joint venture to develop the Mawson Lakes Economic Development Project at the Levels. This project comprises residential, retail and industrial accommodation to be developed over a ten to twelve year timeframe. Other parties with commitments to the joint venture arrangements are City of Salisbury, University of South Australia, the Government of South Australia and Telstra Corporation.

The Corporation has a 50 percent interest in the joint venture. Under the terms of the agreements for the joint venture, the Corporation will make available to the joint venture land for development. In addition the State Government has obligations for various infrastructure works associated with the project. The revenues and expenses in respect of these works have been reclassified as administered items as from 1 July 1999 (refer Notes 2.3, 9 and 19.1(f)).

6. Revenues from Government

	2000	1999
Government grants and subsidies received during the reporting period were sourced as follows:	**$'000**	$'000
State Government subsidy for land tax expense	**3 882**	4 083
State Government recurrent grants	**3 018**	2 997
State Government capital grants	**1 900**	7 655
	8 800	14 735

7. Operating Expenses

	Corporate Services $'000	Project Delivery $'000	Strategic Asset Management $'000	Project Expenditure $'000	**2000 Total $'000**	1999 Total $'000
Land tax	-	-	3 881	-	**3 881**	4 083
Property expenditure	-	6	2 963	274	**3 243**	2 863
Contractors and consultants	129	5	61	775	**970**	4 394
Salaries and related payments	1 191	850	988	264	**3 293**	3 038
Other administrative expenditure	1 562	137	353	303	**2 355**	2 315
Interest	-	-	480	-	**480**	476
Depreciation	135	-	297	3	**435**	770
Write down of inventories	-	-	218	-	**218**	-
Total Operating Expenses	3 017	998	9 241	1 619	**14 875**	17 939

8. Bad and Doubtful Debts

	2000	1999
Bad debts written off to the Operating Statement:	**$'000**	$'000
Trade debtors	**36**	36
Transfer to provision for doubtful debts		
Trade debtors	**(61)**	(3)
Total Bad and Doubtful Debts Expense	**(25)**	33

9. Abnormal Items

(1) Change in Accounting Policy

Transfer of the balance of unexpended State grants arising from reclassification of the Mawson Lakes Government Infrastructure project from a controlled item to an administered item (refer Notes 2.3, 5.5 and 19.1(f)).	**(9 027)**	-

9. Abnormal Items (continued)

		2000	1999
(2)	*Net Revenues (Expenses) from restructuring of administrative arrangements*	**$'000**	$'000
	Transfer of maintenance responsibilities for the North Haven Marina to the Department for Transport, Urban Planning and the Arts:		
	Written down current cost of revetment walls and breakwaters	**-**	(16 605)
	Funds received from the Department for Transport, Urban Planning and the Arts (returned to the Treasurer as dividend - Refer Note 11)	**-**	16 605
	Transfer of balance of North Haven Harbour Maintenance Fund to the Department for Transport, Urban Planning and the Arts	**-**	(815)
		-	(815)
(3)	*Revaluation decrement arising on revaluation of property, plant and equipment*	**-**	(1 878)
	Total Abnormal Items before Income Tax Equivalent	**(9 027)**	(2 693)
	Income tax equivalent benefit applicable to:		
	Transfer of maintenance responsibilities for the North Haven Marina	**-**	293
	Revaluation of property, plant and equipment	**-**	676
	Total Abnormal Items after Income Tax Equivalent	**(9 027)**	(1 724)

10. Tax Equivalents

In accordance with Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, the Corporation is required to pay to the State Government the equivalents of income tax and wholesale sales tax. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (presently 36 percent) be applied to the operating profit after abnormal and extraordinary items, as adjusted for unexpended State grants and subsidies. The income tax equivalent paid or payable for the reporting period was $4 948 000 including a provision of $2 778 000. In addition, the amount of $809 000 provided in the previous reporting period was paid to the Treasurer. Wholesale sales tax paid or payable to the State Government amounting to $21 000 is included in the Operating Statement in the item Other Administrative Expenditure. The comparative amounts recognised in the Operating Statement are summarised in the following table:

	2000	1999
	$'000	$'000
Income tax equivalent paid	**2 170**	675
Provision for income tax equivalent (refer Note 18)	**2 778**	809
	4 948	1 484
Wholesale sales tax paid or payable	**21**	32

11. Dividends

Pursuant to Regulations under the *Public Corporations Act 1993*, the Corporation may be required to pay dividends to the Treasurer. Following recommendations by the Board, and after consultation with the Minister, the Treasurer determined that dividends of $4 628 000 be paid in respect of the reporting period, summarised as follows:

	2000	1999
	$'000	$'000
Special dividend in respect of the North Haven Marino transfer (refer Note 9)	**-**	16 605
Dividend for the reporting period	**4 628**	1 439
	4 628	18 044

12. Receivables

Current:		
Trade and other debtors	**1 076**	651
Less: Provision for doubtful debts	**8**	69
	1 068	582
Non-Current:		
Trade debtors[(a)]	**-**	5 415
Total Receivables	**1 068**	5 997

(a) The 1999 balance of $5.415 million (due in July 2001) was in respect of land sale supported by an unconditional bank guarantee. This balance was received during the reporting period.

13. Inventories

Non-Current:		
Land held for resale	**27 057**	30 542
Total Inventories	**27 057**	30 542
Summary of Land held for Resale:		
Cost of acquisition	**26 132**	29 643
Development cost capitalised	**925**	899
	27 057	30 542

14. Other Assets

Current:		
Prepayments	**62**	50
Non-Current:		
Prepayments	**54**	67
Total Other Assets	**116**	117

15. Property, Plant and Equipment

	2000 $'000	1999 $'000
Land and Buildings:		
Freehold land:		
At cost	**1 250**	2 662
At independent valuation[(a)]	**295**	295
	1 545	2 957
Buildings:		
At cost	**8 901**	13 535
Less: Accumulated depreciation and amortisation	**493**	1 215
	8 408	12 320
Total Land and Buildings	**9 953**	15 277
Plant and Equipment:		
At cost	**1 878**	3 093
Less: Accumulated depreciation	**1 697**	2 821
Total Plant and Equipment	**181**	272
Total Property, Plant and Equipment	**10 134**	15 549

(a) The revaluation of freehold land was based on an assessment of the current market values. The independent valuations were carried out by Mr John L Morgan, B.App.Sc. (Valuation) on 2 August 1999 and 3 August 1999.

16. Accounts Payable

Current:		
Trade creditors and accruals	**961**	1 545
Total Accounts Payable	**961**	1 545

17. Borrowings

Non-Current:		
Loan - Department of Treasury and Finance	**3 893**	3 870
Loan - Department of Industry and Trade	**500**	500
Total Borrowings	**4 393**	4 370

18. Provisions

Current:		
Income tax equivalent	**2 778**	809
Annual leave	**194**	186
Long service leave	**401**	337
	3 373	1 332
Non-Current:		
Long service leave	**27**	45
Total Provisions	**3 400**	1 377

19. Administered Transactions

19.1 Summary of Administered Projects

During the reporting period the Corporation administered the following projects on behalf of the State Government:

(a) *Inner Western Program*
The Inner Western Program receives the net proceeds from the sale of surplus land originally acquired for the North-South transportation corridor, and from the sale of other properties purchased. The program promotes urban renewal activities and provides support for community developments, which may include the purchase of additional properties as required.

(b) *Mile End Railyards Redevelopment*
The Corporation's role in respect of the Mile End railyards site has included the management of the redevelopment of the site and the transfer of the land from Australian National to the State. The project has involved the rehabilitation of a large derelict site located on a major gateway to the City, which the Government made available for sporting facilities and new residential development. At the close of the reporting period, the Corporation's role is in respect of the finalisation of the residential component.

(c) *East End Redevelopment*
The East End redevelopment is a State Government initiative involving a prominent site steeped in the early history of the City. Other parties involved in the redevelopment are Mancorp (The Rundle East Company Pty Ltd) and the Liberman Group. The project includes refurbishment of existing commercial/retail space facing Rundle Street, the construction of approximately 300 units/apartments and commercial and retail premises and the restoration of heritage units along the perimeter of the site.

(d) *Port Waterfront Redevelopment*
The Port Waterfront redevelopment represents a major urban renewal project involving the redevelopment of waterfront land at Port Adelaide. The opportunity arises from utilisation of 35 hectares of surplus waterfront properties and facilities and a further 25 hectares of water body, resulting from the decline of the Inner Harbour as an economically viable industrial Port.

19.1 Administered Projects (continued)

(e) *Islington Redevelopment*

The Corporation's role in respect of the Islington project is to manage the remediation of a derelict and contaminated rail workshop site on behalf of the Department for Transport, Urban Planning and the Arts. The works are funded by the Commonwealth Government in respect of former Australian National land, which is now in the ownership of the Minister for Transport, Urban Planning and the Arts.

(f) *Mawson Lakes Government Infrastructure*

Under the terms of the joint venture arrangements for the Mawson Lakes Economic Development Project (refer Note 5.5), the State Government has obligations for various infrastructure works. The Corporation receives State grants in respect of these obligations and administers payments for the infrastructure works. Effective from 1 July 1999, the Mawson Lakes Government Infrastructure project was reclassified from a controlled item to an administered item. The reclassification has resulted in a transfer of funds of $9 027 000 to administered items, representing the balance of unexpended State grants received as at 30 June 1999 (refer Notes 2.3, 9 and 19.3 Schedule B).

(g) *Sports Park Infrastructure*

During the reporting period, the Corporation was allocated responsibility for the management of Sports Park, located 10km north of Adelaide on a 120 hectare site. Infrastructure works are in progress to improve stormwater management and to upgrade internal roads and services. Funds totalling $1.1 million were received from the State Government during the year for purposes of the infrastructure works.

19.2 Financial Summary

Projects administered by the Corporation are principally financed from State loans and grants, Commonwealth grants and proceeds from the sale of land and properties. At period end, project funds held by the Corporation on behalf of the State Government were $17 867 000 comprised as follows:

	2000	1999
	$'000	$'000
Inner Western Program	**3 040**	2 746
Mile End Railyards redevelopment	**694**	523
East End redevelopment	**1 312**	746
Port Waterfront redevelopment	**217**	1 111
Islington redevelopment	**24**	16
Mawson Lakes government infrastructure	**12 026**	-
Sports Park infrastructure	**554**	-
Project Funds held at Period End	**17 867**	5 142

The following Statement of Receipts and Payments summarises the movements in projects funds during the reporting period:

	2000	1999
Receipts:		
State loans	**800**	770
State grants	**3 778**	-
Net revenues from restructuring of administrative arrangements	**322**	-
Transfer resulting from a change in accounting policy(refer Notes 2.3 and 19.1(f))	**9 027**	-
Interest	**302**	242
Sale of land and properties	**2 172**	4 881
Other operating receipts	**452**	281
Total Receipts	**16 853**	6 174
Payments:		
Interest	**1 950**	1 813
Land purchase	**-**	12
Transfer land sale proceeds	**355**	381
Other operating payments	**2 016**	2 020
Total Payments	**4 321**	4 226
Surplus	**12 532**	1 948
Adjustment for non-cash flows	**193**	(240)
Net increase in funds held	**12 725**	1 708
Project Funds at beginning of period	**5 142**	3 434
Project Funds at 30 June	**17 867**	5 142

19.3 Financial Schedules

Schedule A and Schedule B provide financial information regarding:

- Administered Assets and Liabilities;
- Administered Revenues and Expenses;

in respect of each project administered by the Corporation on behalf of the State Government.

Assets and liabilities administered and included in Schedule A are not recognised in the Corporation's Statement of Financial Position.

Revenues and expenses administered and included in Schedule B are not recognised in the Operating Statement. Schedule B is presented in an Operating Statement format and therefore excludes land purchases, borrowings and repayments of borrowings, where applicable. Cash receipts and payments are reflected as movements in Project Funds, as disclosed in Note 19.2.

19.3 Financial Schedules (continued)

Schedule A

Schedule of Administered Assets and Liabilities as at 30 June 2000

		2000							
Administered Assets:	Note	Inner West $'000	Mile End $'000	East End $'000	Port Waterfront $'000	Islington $'000	Mawson Lakes Infra-structure $'000	Sports Park Infra-structure $'000	**Total $'000**
Cash		3 040	694	1 312	217	24	12 026	554	**17 867**
Receivables		16	3	4	21	-	-	4	**48**
Inventories:									
Land held for resale	(a)	-	101	475	4 480	-	-	-	**5 056**
Property, plant and equipment:									
Land and buildings	(b)	-	-	2 816	300	-	-	-	**3 116**
Total Administered Assets		3 056	798	4 607	5 018	24	12 026	558	**26 087**
Administered Liabilities:									
Creditors and borrowings:									
Accounts payable		105	-	121	55	-	45	-	**326**
Loans from the Treasurer		-	-	22 390	6 090	-	-	-	**28 480**
Total Administered Liabilities		105	-	22 511	6 145	-	45	-	**28 806**

Schedule of Administered Assets and Liabilities as at 30 June 1999

		1999							
Administered Assets:	Note	Inner West $'000	Mile End $'000	East End $'000	Port Waterfront $'000	Islington $'000	Mawson Lakes Infra-structure $'000	Sports Park Infra-structure $'000	Total $'000
Cash		2 746	523	746	1 111	16	-	-	5 142
Receivables		12	5	24	84	14	-	-	139
Inventories:									
Land held for resale	(a)	4 363	273	1 300	2 203	-	-	-	8 139
Property, plant and equipment:									
Land and buildings	(b)	-	-	2 816	5 631	-	-	-	8 447
Total Administered Assets		7 121	801	4 886	9 029	30	-	-	21 867
Administered Liabilities:									
Creditors and borrowings:									
Accounts payable		24	-	102	85	-	-	-	211
Loans from the Treasurer		-	-	21 590	6 090	-	-	-	27 680
Total Administered Liabilities		24	-	21 692	6 175	-	-	-	27 891

(a) Inventories - Land held for Resale

Inventories are carried at the lower of cost and net realisable value. A director's valuation was undertaken as at 30 June 2000. The director's valuation recognised that extensive remediation of the Inner Western Program land holdings and certain Port Waterfront redevelopment land holdings will be required in order to achieve a net realisable value for those land holdings. To ensure that carrying values are relevant and reliable, appropriate write downs were made in recognition of the extent of remediation likely to be undertaken (refer Schedule B).

(b) Property, Plant and Equipment - Land and Buildings

East End Redevelopment

An independent valuation was carried out by Mr W J Reynolds, FAPI, Certified Practising Valuer, of the Department for Administrative and Information Services on 30 June 1999 based on the net present value of the State Government's interest in the properties currently the subject of a lease with a private developer. The valuation was marginally higher than the carrying amount, which was brought to account as at 30 June 1997 on the basis of a similar valuation by Mr Reynolds on 20 August 1997. The present value of the Government's interest in the properties is largely dependent on the number of years that it is anticipated that government may retain ownership. Therefore, as a conservative measure, the carrying amount has been retained.

Port Waterfront Redevelopment

An independent valuation was carried out by Mr Andrew Cain, B.App.Sc. (Val), AAPI (Val) of Jones Lang LaSalle Advisory Services Pty Ltd on 6 August 1999 using a current market value basis as at 30 June 1999 for most properties. The valuation did not take into account remediation costs not quantified at 30 June 1999 in respect of certain properties administered under the program. Appropriate revaluations were made during the reporting period in recognition of the extent of remediation costs likely to be incurred (refer Schedule B). In addition, certain properties were reclassified as inventories and appropriate write downs made, as referred to in paragraph (a).

19.3 Financial Schedules (continued)

Schedule B

Schedule of Administered Revenues and Expenses for the year ended 30 June 2000

	Inner West	Mile End	East End	Port Waterfront	Islington	Mawson Lakes Infra-structure	Sports Park Infra-structure	**Total**
	2000							
Administered Revenues:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
State grants	-	-	-	-	-	3 000	778	**3 778**
Net revenues from restructuring of administrative arrangements	-	-	-	-	-	-	322	**322**
Transfer resulting from a change in accounting policy	-	-	-	-	-	9 027	-	**9 027**
Interest	152	33	40	58	1	-	18	**302**
Sale of land and properties	833	211	1 117	11	-	-	-	**2 172**
Other operating revenues	32	-	182	188	50	-	-	**452**
Total Administered Revenues	1 017	244	1 339	257	51	12 027	1 118	**16 053**
Administered Expenses:								
Cost of sales	1 229	172	825	10	-	-	-	**2 236**
Interest	-	-	1 384	566	-	-	-	**1 950**
Transfer land sale proceeds	355	-	-	-	-	-	-	**355**
Bad and doubtful debts	-	5	-	8	-	-	-	**13**
Write down of inventories	3 134	-	-	2 220	-	-	-	**5 354**
Property revaluation decrement	-	-	-	824	-	-	-	**824**
Other operating expenses	445	69	229	610	57	46	560	**2 016**
Total Administered Expenses	5 163	246	2 438	4 238	57	46	560	**12 748**
SURPLUS (DEFICIT)	(4 146)	(2)	(1 099)	(3 981)	(6)	11 981	558	**3 305**

Schedule of Administered Revenues and Expenses for the year ended 30 June 1999

	Inner West	Mile End	East End	Port Waterfront	Islington	Mawson Lakes Infra-structure	Sports Park Infra-structure	Total
	1999							
Administered Revenues:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Interest	131	-	30	81	-	-	-	242
Sale of land and properties	547	1 509	313	2 512	-	-	-	4 881
Other operating revenues	22	-	13	186	60	-	-	281
Total Administered Revenues	700	1 509	356	2 779	60	-	-	5 404
Administered Expenses:								
Cost of sales	177	1 227	1 008	1 346	-	-	-	3 758
Interest	-	-	1 233	580	-	-	-	1 813
Transfer land sale proceeds	381	-	-	-	-	-	-	381
Bad and doubtful debts	-	-	8	(4)	-	-	-	4
Other operating expenses	658	201	230	901	30	-	-	2 020
Total Administered Expenses	1 216	1 428	2 479	2 823	30	-	-	7 976
SURPLUS (DEFICIT)	(516)	81	(2 123)	(44)	30	-	-	(2 572)

20. Capital Expenditure Commitments

Capital expenditure commitments, unquantified at balance date, may arise in respect of the Corporation's share of the funding of future development works under the terms of various joint venture arrangements currently in place (refer Note 5).

21. Contingent Liabilities

	2000	1999
Golden Grove Development (refer Note 5.2)	**$'000**	$'000
Indemnity for bank guarantees in favour of Local and State Government Authorities. The maximum limit available at balance date to the joint venture is $4 000 000. The maximum liability amounts to $3 315 000.		
The Corporation's contingent liability in respect of this amount is 50 percent.	**1 658**	2 116
Northfield Precinct One Joint Venture (refer Note 5.4)		
Indemnity provided by the land owners (the Corporation and SAHT) to the developer to indemnify the developer for any losses of the joint venture not exceeding $3 500 000.		
The Corporation's contingent liability in respect of this amount is 60 percent.	**-**	2 100
Mawson Lakes Joint Venture (refer Note 5.5)		
Indemnity for letter of guarantee in favour of Local and State Government Authorities. The maximum liability amounts to $900 000.		
The Corporation's contingent liability in respect of this amount is 50 percent.	**450**	214

22. Reconciliation of Cash Flows from Operating Activities with Surplus after Income Tax Equivalent

	2000 $'000	1999 $'000
Surplus after Income Tax Equivalent	**883**	7 538
Non-cash flows in surplus after Income Tax Equivalent:		
Write down of inventories	**218**	-
Revaluation decrement on property, plant and equipment (refer Note 9)	**-**	1 878
Profit from joint venture developments	**(3 639)**	(3 368)
Profit on disposal of plant and equipment	**(1 511)**	(4)
Depreciation	**435**	770
Movement in income tax equivalent payable	**1 969**	411
Provision for long service leave	**46**	64
Provision for annual leave	**8**	31
Provision for doubtful debts	**(61)**	(3)
Changes in assets and liabilities:		
Decrease (Increase) in trade debtors and term debtors	**4 990**	(47)
Decrease (Increase) in prepayments	**1**	(81)
Decrease in inventories	**3 266**	9 658
Decrease in trade creditors and accruals	**(560)**	(476)
Net Cash provided by Operating Activities	**6 045**	16 371

23. Cash

	2000	1999
Cash at Treasury	**49 845**	36 176
Cash in trust, at bank and on hand	**577**	326
Cash shown in the Statement of Financial Position and Statement of Cash Flows	**50 422**	36 502

24. Additional Financial Instruments Disclosure

24.1 Interest Rate Risk

The Corporation has certainty with respect to the interest expense arising from the fixed rate loan from the Treasurer which comprises the major part of its debt. The Corporation has not adopted any specific strategies to manage the interest rate risk. The Corporation's exposure to interest rate risk and the effective weighted average interest rates for classes of financial assets and liabilities is as follows:

	Effective Interest Rate Percent	2000 Floating Interest Rate $'000	2000 Fixed Interest Rate $'000	2000 Non-Interest Bearing $'000	2000 Total $'000	1999 Total $'000
Financial Assets:						
Cash	**5.58**	**50 422**	**-**	**-**	**50 422**	36 502
Receivables		**-**	**-**	**1 068**	**1 068**	5 997
		50 422	**-**	**1 068**	**51 490**	42 499
Financial Liabilities:						
Accounts payable		**-**	**-**	**961**	**961**	1 545
Borrowings[(a)]	**12.36**	**-**	**3 893**	**500**	**4 393**	4 370
		-	**3 893**	**1 461**	**5 354**	5 915

(a) The fixed interest rate loan matures in April 2017.

24.2 Credit Risk

The Corporation is exposed to credit risk associated with the amounts due to it from tenants and others for rent and sundry charges. The credit risk on financial assets recognised in the Statement of Financial Position is the carrying amount, net of any provision for doubtful debts. Credit risk is ameliorated by the fact that amounts due from individual tenants are relatively small although the credit performance of tenants as a whole may be expected to be influenced by common factors.

24.3 Net Fair Value of Financial Instruments

The net fair value of term debtors is determined by discounting the cash flows to their present values at market interest rates. The net fair value of borrowings is determined by discounting the cash flows to their present values at market interest rates of similar borrowings. For other assets and other liabilities the net fair value approximates their carrying value.

Analysis of the net fair value of financial instruments as at 30 June 2000 is detailed below:	2000 Carrying Amount $'000	2000 Net Fair Value $'000	1999 Carrying Amount $'000	1999 Net Fair Value $'000
Financial Assets:				
Cash	**50 422**	**50 422**	36 502	36 502
Receivables	**1 068**	**1 068**	5 997	5 495
Total Financial Assets	**51 490**	**51 490**	42 499	41 997
Financial Liabilities:				
Accounts payable	**961**	**961**	1 545	1 545
Borrowings	**4 393**	**6 746**	4 370	7 173
Total Financial Liabilities	**5 354**	**7 707**	5 915	8 718
Net Financial Assets	**46 136**	**43 783**	36 584	33 279

25. Directors' Remuneration

The number of Directors of the Board whose income from the Corporation falls within the following bands were:	**2000 Number of Directors**	1999 Number of Directors
$10 001 - $20 000	**3**	-
$20 001 - $30 000	**2**	2
$30 001 - $40 000	**-**	1
$40 001 - $50 000	**-**	1
$50 001 - $60 000	**1**	-

Total income received or due and receivable by all Directors of the Corporation for the period they held office was $132 000 ($123 000), including fees received by two Directors in relation to the appointment to the Mawson Lakes Joint Venture Committee.

The number of Directors who held office at 30 June 2000 was 6 (5).

Details of Directors' tenure are set out in Note 29.

26. Employees' Remuneration

Remuneration is inclusive of superannuation, motor vehicle and other employee benefits, together with associated fringe benefits tax.

The number of employees whose remuneration from the Corporation was within the following bands were:	**2000 Number of Employees**	1999 Number of Employees
$100 001 - $110 000	**-**	3
$110 001 - $120 000	**2**	-
$120 001 - $130 000	**1**	-
$170 001 - $180 000	**-**	1
$180 001 - $190 000	**1**	-

Total income received or due and receivable by the above employees for the period they held office was $0.53 million ($0.50 million).

27. Auditor's Remuneration

	2000 $'000	1999 $'000
Amounts received or due and receivable by the principal auditors for auditing the accounts	**58**	28
Total Auditor's Remuneration	**58**	28

28. External Consultants

Fees and expenses incurred during the reporting period as a result of engaging Consultants were:		
Recognised in the Operating Statement	**616**	497
Charged against Administered Project Funds (refer Note 19)	**209**	358
Total	**825**	855

29. Related Party Disclosure

Directors

The Directors of the Corporation appointed in accordance with the Regulations under the *Public Corporations Act 1993* were:

J B Hogan, Chairman
A L Ashby (appointed 24 December 1999)
D H Edwards (appointed 24 December 1999)
J M Jose (expired 23 December 1999)
P J Martin
R J Payze (appointed 24 December 1999)
W L Stokes (expired 23 December 1999)
S E Young

Details of the Directors' remuneration are set out in Note 25.

During the period of their appointment to the Land Management Corporation:

Mr J B Hogan was Chairman of the South Australian Housing Trust Board, Presiding Member of the Torrens Catchment Water Management Board, Deputy Chairman of Home Start Finance and Board member of other unrelated companies.

Ms A L Ashby was Managing Director of Rowan Ashby Consulting and a Board member of Western Adelaide Health Service.

Mr D H Edwards was Chairman of David Edwards Investments Pty Ltd, a Board member of Classic Adelaide Rally and involved in a number of unrelated activities.

Ms J M Jose was a Board member of the Royal Adelaide Hospital, a Council Member of the University of Adelaide, Chairperson of the Centenary of Federation Committee for South Australia and was engaged as a consultant in communications and strategic adviser to Hassell Pty Ltd (through her business Jane Jose Urban Solutions) prior to her appointment to an executive position with that company.

Ms P J Martin was Director, Commercial Advice, Department of the Premier and Cabinet, a Member of the South Australian Community Housing Authority (SACHA) and a Board member of the Industrial and Commercial Premises Corporation and the South Australian Film Corporation.

Mr R J Payze was Chief Executive, Department for Transport, Urban Planning and the Arts and Vice President/Deputy Chairman of the South Australian National Football League.

Mr W L Stokes was Managing Director of N L Stokes Pty Ltd and a member of the National Capital Authority (Canberra).

29. Related Party Disclosure (continued)

Mr S E Young was Executive Chairman of Equity and Advisory Ltd and a Board Member of a number of public and private companies.

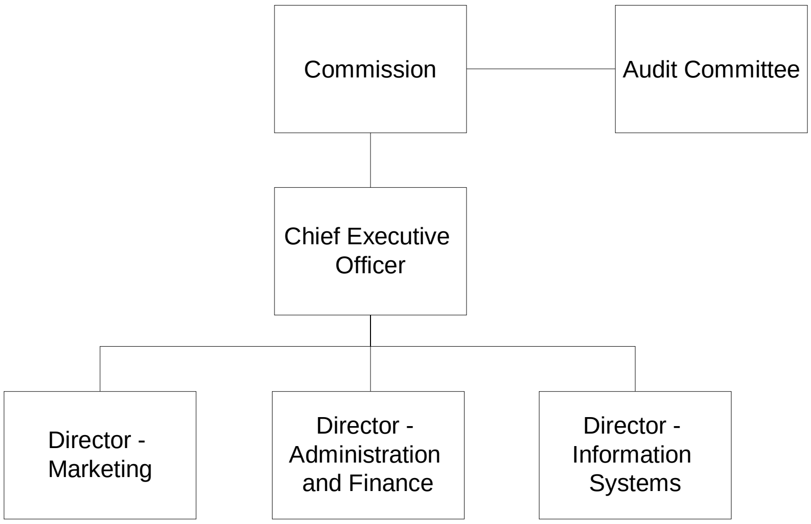
From time to time the Corporation has dealings with the above entities. All transactions entered into with the entities named above have been carried out in the ordinary course of business and on normal commercial terms and conditions.

Apart from the above interest, no Directors have a pecuniary interest, either direct or indirect, in any firm, trust or company with which the Land Management Corporation had entered into a transaction during the year ended 30 June 2000.

LOTTERIES COMMISSION OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Lotteries Commission of South Australia (the Commission) is a statutory authority established pursuant to the *State Lotteries Act 1966* (the Act) with its principal function being to promote and conduct lotteries for South Australia. The Commission, which is responsible for overseeing the affairs of the Lotteries Commission, comprises four members appointed by the Governor and is subject to the control and direction of the Minister for Government Enterprises. To assist in financial related matters the Commission has an Audit Committee to focus on matters of a financial and audit nature.



The Commission is responsible for the administration of the following lottery games:

- Lotto
- Powerball
- SA Lotto
- Oz Lotto
- Keno
- Instant Scratchies
- Super 66
- The Pools

With the exception of SA Lotto, Keno and Instant Scratchies, the lottery games administered by the Commission are conducted in conjunction with other States and Territories of Australia pursuant to various ‘Bloc’ agreements. The aim of these ‘Blocs’ is to promote and operate games according to uniform rules and regulations. With the exception of the pooling of the prize money, in all respects each Bloc member is legally, economically and organisationally independent.

Section 18 of the Act gives the Commission power, with the approval of the Minister, to make rules providing for or regulating the practices, procedures and operations of the Commission.

While the Commission’s main business activities are controlled centrally through Head Office, the greatest proportion of its selling activity is decentralised via a large agency network across the State. These agencies are privately owned by individuals or companies and are paid a commission fee for the sale of lottery tickets.

In addition to its responsibilities under the Act, the Commission held a Casino licence pursuant to the *Casino Act 1983*, and had appointed a company to operate the casino on its behalf. Further commentary regarding the Commission’s role in respect of the casino is contained in ‘Casino Operations’ hereunder.

Application of Proceeds of the Commission

Pursuant to subsection 16(3) of the Act, the Commission is required to pay surplus funds to the Hospitals Fund (as a contribution towards public hospitals). These funds are the balance of funds remaining after making an allowance for operating and capital expenses; applying net proceeds of The Pools to the Recreation and Sport Fund; and retaining funds for certain designated purposes.

Pursuant to Treasurer's Instruction 22, a tax equivalent regime applies to the Commission. The regime requires the Commission to pay amounts deemed equivalent to that which would have been paid to the Commonwealth if it was not exempt from the taxation laws of the Commonwealth. The tax equivalent regime has been applied in a manner that is consistent with the requirement of the Commission, pursuant to subsection 16(3) of the Act, to pay surplus funds to the Hospitals Fund.

The total distribution of funds to government, including the Hospitals Fund and Recreation and Sport Fund is detailed in Note 17 to the financial statements.

Unclaimed Prizes

Pursuant to section 16B of the Act, if a prize in a lottery has not been collected or taken delivery of within 12 months of the date of the draw or relevant day, the prize is forfeited to the Commission and transferred to the Unclaimed Prizes Reserve.

The legislative requirements and the consequential accounting treatment regarding the retention and distribution of unclaimed prizes is explained in Note 1(n) to the financial statements.

REVIEW OF GOVERNMENT OWNERSHIP

In February 1998 the Government announced a number of initiatives to examine the possible sale of certain government assets, including the Lotteries Commission of South Australia.

As part of this process the Government appointed a consultant to undertake a scoping review of the Lotteries Commission of South Australia. The consultant was selected for its experience in the gambling industry and experience in restructuring government enterprises. The major objective of the review was to investigate the risks of ownership and operation of the entity and determine the best options to maximise the value of the asset.

As a result of the proposed sale process, Ministerial directions have been given to the Commission, whereby certain restrictions have been placed on the conduct and affairs of the Commission.

In February 2000 the Government announced its intention to offer for sale the operations of the Commission. The Minister for Government Enterprises introduced the Lotteries Commission (Disposal) Bill and the Authorised Lotteries Bill on 28 June 2000.

On 5 July 2000 the Minister announced that debate on the Bills had been delayed.

SIGNIFICANT FEATURES

- Sales increased by \$7.6 million to \$295 million. This is principally attributable to increased sales turnover in the Lotto (Saturday) game administered by the Commission.

- Depreciation increased by \$1.8 million to \$2.4 million, reflecting the full year effect of depreciation associated with the new On-Line Lotteries System.

- Distributions available to the Government from the year's operations totalled \$86 million (\$82.7 million) an increase of \$3.3 million or 4 percent. Refer to Note 17.

- Total borrowings increased by \$3.9 million to \$10.7 million.

- In its separate capacity as Casino Licensee, the Commission received $9.8 million ($20.7 million). The decrease of $10.9 million is due to the Commission ceasing to hold a Casino licence in November 1999. The amount was applied to the Consolidated Account and the Housing Improvement Fund and is not included in the financial statements of the Lotteries Commission.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 18A(2) of the *State Lotteries Act 1966* specifically provides for the Auditor-General to audit the accounts of the Commission in respect of each financial year.

Scope of Audit

The audit program covered all 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 control.

During 1999-2000 specific areas of audit attention included:

- Board minutes
- Internal audit
- Revenue, receipting and banking
- Budgetary control
- Salaries and wages
- Risk management practices
- On-Line Wagering System
- Accounting policies
- Accounts payable
- General ledger.

The On-Line Wagering System is the key business system for the Commission. Consequently significant audit focus was directed to that system, which included the verification of sales and winners for nominated draws using audit computer software.

Further commentary regarding the computer information systems environment is contained in 'Audit Findings and Comments' hereunder.

Audit Communications to Management

Audit submitted to the Chief Executive Officer a management letter conveying the scope of the audit and findings arising from the review of its operations. In addition, the Commission's Internal Auditors undertook a number of reviews. The findings of both external and internal audit reviews were submitted to the Audit Committee and are further commented on in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Audit review focussed on the control framework governing the Commission's operations and included consideration of the Commission's policies, procedures and internal control mechanisms. Audit noted that the Commission's operating environment was characterised by good internal control practices with independent checking over the preparation and processing of transactions to ensure that processes were being completely and accurately performed.

Consequently, the overall internal control structure of the Commission was assessed as satisfactory. This reflects the Commission's awareness of the importance of establishing and maintaining a strong internal control infrastructure.

Audit Committee

The Commission has an Audit Committee which comprises two Commission members. The Audit Committee meets on a quarterly basis and reports to the Commission.

The broad functions of the Audit Committee are to regularly review the adequacy of the accounting, internal auditing, reporting and other financial management systems and practices of the Commission. These responsibilities extend to liaising with the external auditors, approving and evaluating the internal audit program, monitoring risk management practices, and the review of the annual financial statements.

Internal Audit

Internal Audit was involved in the review of a number of aspects of the information technology environment as well as other areas of the Commission. These included reviews of:

- Operating system security (Unix)
- Internet security
- Security over personnel and assets
- Availability of gaming systems
- General information technology controls
- Wagering system processing and calculations.

The Audit Committee directs and evaluates Internal Audit by reviewing and approving the audit plan, evaluating the effectiveness of Internal Audit and ensuring that the internal auditors are able to perform their duties free from restrictions.

Risk Management

The Commission operates a risk management program. The program is a structured, formalised process that includes:

- a risk management policy and procedure
- a register detailing risks identified together with controls aimed at addressing those risks
- risk action plans for areas assessed with unacceptable exposure
- regular reporting processes
- planned annual review of all risks.

Audit review revealed that the Commission has continued its risk management program, which included a detailed review of all risks during the year.

Commentary on Computer Information Systems (CIS) Environment

The On-Line Wagering System and other financial accounting systems are operated, in-house, by the Commission. The On-Line Wagering System is the major system operating at the Commission. This is the organisation's betting system which records details of sales and prize payouts.

The Commission replaced the On-Line Wagering System on 27 June 1999. Due to the significance of information technology to the Commission, the internal audit program included a number of projects that focussed on the information technology area.

In consideration of the effort being directed by the Commission toward information technology, Audit undertook a review of the recent and future planned Internal Audit coverage. Audit observed that the Commission has implemented a comprehensive Internal Audit review coverage of the new system that addressed system management, operation and security. In developing that coverage, the Commission considered the results of internal risk management assessments, actions proposed emanating from previous Internal Audit reports, and past matters raised by Audit. The Audit review also made some suggestions for enhancement. The Commission considered that these aspects have been adequately addressed, either directly or indirectly, in the Internal Audit Plan.

The verification work by Internal Audit is considered to be a critical component of the on-going program of internal review activity and provides a sound management control process to ensure the on-going integrity over the Commission's gaming operations.

In addition to reviewing the Internal Audit coverage, Audit undertook a detailed review of work performed by Internal Audit during 1999-2000 with respect to certain key areas. These included general information technology controls, wagering system processing and calculations, and the availability of gaming systems. Audit generally considered the Internal Audit reviews satisfactorily met the Commission's requirements. One suggestion arising from the review was that the Commission consider increasing the frequency of physical security reviews.

The audit work performed during the year also included the verification of sales and winners for nominated draws. To perform this work the Commission arranged for the supply of a Computer Assisted Audit Technique (CAAT). The CAAT provided to Audit was a copy of the On-Line Wagering System programs rather than a specific purpose CAAT. Consequently the verification approach required Audit to conduct extensive testing and validation of the operation of the CAAT. The CAAT was successfully tested and nominated draws verified. To maximise the benefit for Audit purposes the CAAT was also used to contribute to forming an opinion on the Commission's financial statements.

EDP Steering Committee

During 1999-2000, in addition to monitoring the computing operations of the Commission, the EDP Steering Committee had overall responsibility for monitoring the replacement of the On-Line Wagering System project and the Year 2000 Compliance project. To keep abreast of progress being made with respect to these projects, Audit officers attend, as observers, meetings of the EDP Steering Committee.

Employee Remuneration

In the course of the audit, it was noted that executive employment contracts currently do not include a value for superannuation in the determination of total employment cost. This results from the Commission passing on the benefit of an employer contribution holiday for the superannuation schemes, to those employees. In Audit's view membership of a superannuation scheme creates a constant benefit to an employee notwithstanding the method of payment by an employer. The matter was raised with the Commission in August 2000 seeking advice as to the Commission's long-term intentions on the issue. The Commission's expected review date of those arrangements is August 2001.

Note 19 to the financial statements discloses certain information in relation to the remuneration of employees. For the purposes of that disclosure an amount equivalent to the superannuation guarantee levy of 7 percent has been included in calculating employee remuneration.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Lotteries Commission of South Australia included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Lotteries Commission of South Australia in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

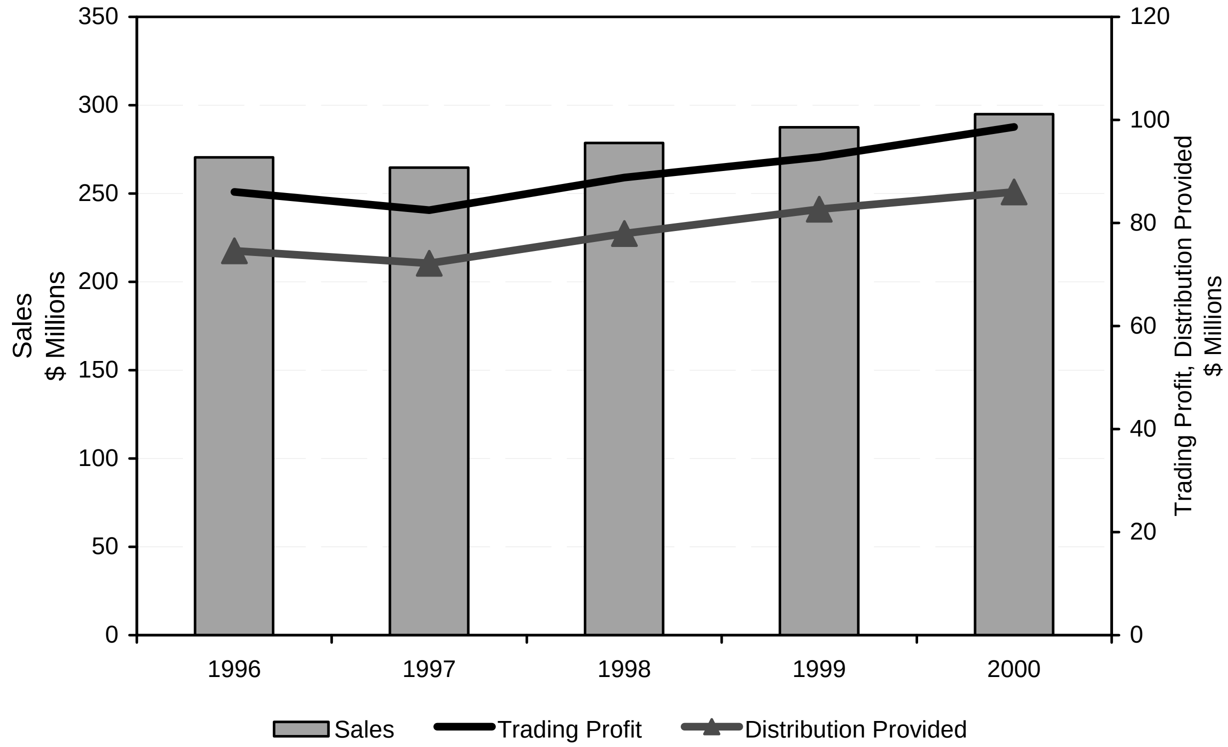
Profit and Loss Statement

The following graph illustrates that sales for the year have increased by $7.6 million to $295 million representing a percentage increase of 2.6 percent. After allowing for prizes and commissions to agents, the trading profit increased by $5.9 million to $98.6 million, an increase of 6.3 percent.

The distributions available to the Government from the year's operations were $86 million, an increase of $3.3 million over the previous year.

Sales, Trading Profit and Distribution to Government

The following graph illustrates the trend in sales, trading profit and amount of distribution to government over the past five years.



Sales Revenue

The following table provides details of sales generated by the lottery products provided by the Commission. Notably, Lotto (Saturday) sales were $120.3 million and Keno sales were $68.6 million, representing 41 percent and 23 percent of sales respectively.

	#Sales $'000	Increase $'000	Percentage Increase
Lotto (Saturday)	120 304	5 230	4.5
Keno	68 620	(688)	(1.0)
Powerball	34 288	(912)	(2.6)
Instant Scratchies	30 866	2 006	7.0
SA Lotto	21 292	2 536	13.5
Oz Lotto	16 662	(315)	(1.9)
Super 66	2 379	(298)	(11.1)
The Pools	607	(2)	(0.3)

\# Includes commissions

As illustrated above the major contribution to the increase in sales is due to Lotto, SA Lotto and Instant Scratchies games, whilst the other products have decreased.

The table below describes the percentage of sales (after commissions) allocated for prizes and the increase in trading profit over the past two years.

	Allocation to Prizes		Trading		
	2000	1999	Profit	Increase	Percentage
	Percent	Percent	$'000	$'000	Increase
Lotto products*	**60**	60	72 588	1 989	2.8
Keno	**75**	80	15 611	2 997	23.8
Instant Scratchies	**65**	65	10 165	879	9.5
The Pools	**50**	50	282	(6)	(2.1)

* Comprises Lotto (Saturday), Super 66, SA Lotto, OZ Lotto and Powerball

The above table shows that the main contribution to the increase in trading profit came from Keno which increased by $3 million (24 percent). The increase of $3 million for Keno occurred despite gross sales for Keno decreasing by $0.7 million (1 percent). This is due to the Commission approving a decrease in the percentage allocated for prizes from 80 percent to 75 percent. The effect of this decrease is also reflected in the provision for Keno prizes which decreased by $2.5 million from $6.2 million as at 30 June 1999 to $3.7 million as at 30 June 2000.

Expenses

During the year expenses increased by $3.1 million reflecting, to a significant extent, increased costs associated with the replacement of the On-Line Wagering System implemented on 27 June 1999. Major expense increases related to the acquisition of the On-Line Wagering System were, depreciation $1.8 million and interest $575 000.

Balance Sheet

Cash and Investments

The table below details information relating to cash and investments, certain prize liabilities and provisions.

	2000	1999	1998	1997	1996
	$'000	$'000	$'000	$'000	$'000
Cash and investments	**41 452**	38 667	35 750	32 008	31 020
Prize liability reserves and provision:					
Bonus prize reserve	**5 085**	4 060	4 362	3 501	3 271
Unclaimed prizes reserve	**11 661**	10 295	9 121	7 882	6 408
Provision for keno prizes	**3 662**	6 213	5 490	4 147	4 980
	20 408	20 568	18 973	15 530	14 659

The above table shows that cash and investments have increased by $10.4 million since 1996 and that large portions of those monies have been retained for:

- unclaimed prizes. The unclaimed prizes reserve comprises prize monies forfeited to the Commission in accordance with the *State Lotteries Act 1966*. These funds may be used to provide increased prizes in subsequent lotteries, prizes in promotional lotteries and make ex-gratia payments. Refer to Note 1(n) to the financial statement for further information.

- bonus prizes. The bonus prize reserve comprises monies retained for future prizes.

- keno prizes. The trend in this reserve has been discussed under the analysis of the profit and loss statement.

In addition, as at 30 June 2000, the current liabilities of the Commission includes $6.8 million ($6.5 million) relating to undistributed funds. Refer to Notes 1(p) and 17 to the financial statements.

Funds and Reserves

The Commission does not retain any accumulated profits, rather all profits are distributed in accordance with the *State Lotteries Act 1966*. The Commission may, however, retain funds for capital and other designated purposes. These funds are recorded as funds and reserves in the balance sheet. The increase of $1.2 million in funds and reserves is attributable to the capital asset reserve. Refer Note 16 to the financial statements.

Borrowings

The Commission's borrowings increased by $3.9 million to $10.7 million. The borrowings were made to fund payments associated with the acquisition of the new On-Line Wagering System.

FURTHER COMMENTARY ON OPERATIONS

Staff and Agents

Administration and selling staff (FTE):	**2000**	1999	1998
Permanent	**78**	71	68
Permanent part-time	**12**	13	12
Ticket Selling Agents:			
Metropolitan	**367**	385	405
Country	**168**	165	173

Casino Operations

Commission as Licence Holder

In October 1996, the Treasurer tabled in Parliament a report of the Gaming Supervisory Authority Inquiry pursuant to subsection 13(1)(a) of the *Gaming Supervisory Authority Act 1995*. One of the recommendations was that the Lotteries Commission not hold the licence to the Casino and that the Commission play no regulatory role in relation to the Casino.

On 19 June 1997, the *Casino Act 1997* was assented to by both Houses of Parliament to repeal the *Casino Act 1983* and regulate the licensing and control of the Adelaide Casino. This Act was proclaimed on 11 September 1997, however, the operation of parts 5 and 7, and section 71 of the Act were suspended until a day to be fixed by proclamation. The Repeal and Transitional provisions of the *Casino Act 1997* (the new Act) provides that the:

- licence issued under the former Act (the *Casino Act 1983*) continues in force until a licence granted under the new Act comes into force;
- former Act continues to apply, to the exclusion of the new Act, to the former licence and operation of the casino under the former licence until a licence first granted under the new Act comes into force;
- *Casino Act 1983* (the former Act) be repealed.

In June 1998 the Commission made a submission to the Gaming Supervisory Authority to approve the appointment by the Commission of a new operator to operate the Adelaide Casino on the Commission’s behalf. On 29 June 1998 the Gaming Supervisory Authority approved the appointment of a new operator to operate the Adelaide Casino.

During August 1999 the *Casino (First Licence) Amendment Act 1999*, was passed through both Houses of Parliament. This Act amends the *Casino Act 1997* and provides for the first grant of a casino licence to be made to the Adelaide Casino Pty Ltd. In accordance with the *Casino Act 1997* the licensee must enter into an Approved Licensing Agreement with the Minister and a Casino Duty Agreement with the Treasurer. On 25 November 1999 the Governor granted the Casino licence to the Adelaide Casino Pty Ltd. From that date the Commission no longer had any involvement with the Casino under the *Casino Act 1997*.

Casino Receipts

Pursuant to the *Casino Act 1983*, the Commission appointed a company to establish and operate the Casino on its behalf. The arrangements were incorporated in an indenture which provides for the Casino Operator to pay the Commission certain fees and taxes. The Treasurer approved the following tax structure from 1 July 1998:

- 43.5 percent of net gambling revenue from gaming machines;
- 10 percent of net gambling revenue from other gaming operations.

For the year ended 30 June 2000, these payments amounted to $9.8 million ($20.7 million). As detailed above the decrease of $10.9 million is due to the Commission ceasing to hold a licence from 25 November 1999. As required by the *Casino Act 1983*, the Commission applied this amount as follows:

	2000	1999
	$’000	$’000
Housing Improvement Fund	**368**	767
Consolidated Account	**9 403**	19 981
	9 771	20 748

Section 20 of the *Casino Act 1983* requires the Commission, as licence holder, to cause proper accounts to be kept of gross gambling revenue and net gambling revenue for each month in relation to the licensed casino. These accounts must be audited by the Auditor-General at least once per year.

On the basis of the on-going scrutiny of operations by the Liquor Licensing Commissioner and certificates provided by the company auditor, Audit is satisfied that the amount of $9.8 million received by the Commission was in accordance with the provisions of the Indenture between the Commission and the Casino Operator and the *Casino Act 1983*.

Profit and Loss Statement for the year ended 30 June 2000

	Note	2000 $'000	1999 $'000
SALES REVENUE	2	**295 018**	287 461
Cost of Sales:			
Prizes		**174 519**	173 982
Agents' commission	3	**21 853**	20 692
		196 372	194 674
TRADING PROFIT		**98 646**	92 787
Other revenue	4	**6 520**	5 117
		105 166	97 904
EXPENSES:			
Marketing		**4 935**	4 311
Human resources		**4 785**	4 554
Computer operations		**3 468**	3 777
Depreciation	5	**2 431**	637
Other	6	**4 678**	3 872
		20 297	17 151
OPERATING PROFIT BEFORE INCOME TAX EQUIVALENT		**84 869**	80 753
Income tax equivalent expense attributable to operating profit	17	**30 553**	29 071
OPERATING PROFIT AFTER INCOME TAX EQUIVALENT		**54 316**	51 682
Net transfers to reserves	16	**1 188**	1 654
PROFIT AVAILABLE FOR DISTRIBUTION		**53 128**	50 028
PROFIT DISTRIBUTED	17	**53 128**	50 028
RETAINED PROFITS AT 30 JUNE		**-**	-

Balance Sheet as at 30 June 2000

	Note	2000 $'000	1999 $'000
CURRENT ASSETS:			
Cash		**125**	125
Investments	1(k)	**41 327**	38 542
Receivables	1(j), 7	**2 444**	1 146
Inventories	1(f), 8	**393**	227
Prepayments		**469**	369
Total Current Assets		**44 758**	40 409
NON-CURRENT ASSETS:			
Property, plant and equipment	1(b)(c)(d), 9	**22 855**	22 918
Total Non-Current Assets		**22 855**	22 918
Total Assets		**67 613**	63 327
CURRENT LIABILITIES:			
Accounts payable	1(l), 10	**4 510**	6 146
Borrowings	1(q)	**1 172**	695
Provisions	11	**364**	282
Other	12	**20 012**	18 003
Total Current Liabilities		**26 058**	25 126
NON-CURRENT LIABILITIES:			
Borrowings	1(q)	**9 493**	6 117
Provisions	13	**4 281**	6 857
Unclaimed prizes reserve	14	**11 661**	10 295
Total Non-Current Liabilities		**25 435**	23 269
Total Liabilities		**51 493**	48 395
NET ASSETS		**16 120**	14 932
FUNDS AND RESERVES:			
Funds retained for capital purposes	15	**2 976**	2 976
Reserves	16	**13 144**	11 956
TOTAL FUNDS AND RESERVES		**16 120**	14 932
Commitments	23		
Contingencies	28		

Statement of Cash Flows for the year ended 30 June 2000

	Note	**2000 Inflows (Outflows) $'000**	**2000 Inflows (Outflows) $'000**	1999 Inflows (Outflows) $'000	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers		**277 074**		269 944	
Prizes paid		**(172 195)**		(170 598)	
Payments to suppliers and employees		**(16 754)**		(15 449)	
Interest received		**2 045**		1 802	
Borrowings costs paid		**(539)**		-	
Net Cash provided by Operating Activities	27(ii)		**89 631**		85 699
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payments for property, plant and equipment		**(5 059)**		(7 053)	
Proceeds from sale of equipment		**41**		4	
Net Cash used in Investing Activities			**(5 018)**		(7 049)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings		**4 700**		6 812	
Repayment of borrowings		**(847)**		-	
Distribution to the Hospitals Fund for income tax equivalent	17	**(30 101)**		(29 375)	
Distribution to the Hospitals Fund and Recreation and Sport Fund	17	**(55 580)**		(53 170)	
Net Cash used in Financing Activities			**(81 828)**		(75 733)
NET INCREASE IN CASH HELD			**2 785**		2 917
CASH AT 1 JULY			**38 667**		35 750
CASH AT 30 JUNE	27(i)		**41 452**		38 667

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Accounting Policies

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the *State Lotteries Act 1966*, the requirements of the Treasurer's Instructions relating to financial reporting which are issued pursuant to the *Public Finance and Audit Act 1987*, and Accounting Policy Statements issued pursuant to those Instructions, the Statements of Accounting Concepts, applicable Accounting Standards and Urgent Issues Group Consensus Views (except where otherwise stated - refer to Note 1(f)).

The financial statements are based on the historical cost convention and have not been adjusted to take account of current valuations or current costs, except where stated.

(b) Changes in Financial Statement Preparation and Accounting Policies

Depreciation on buildings was recognised since 1 July 1998 based on the revaluation of land and buildings undertaken in March 1998. The amount of depreciation on buildings recognised in the Profit and Loss Statement is $59 000 ($74 000) (refer to Note 5 and Note 9).

(c) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or at independent valuation.

Following advice from the Department of Treasury and Finance, the Commission has adopted the policy to capitalise the wholesale sales tax equivalent on plant and equipment rather than charge the expense to the Profit and Loss Statement.

Property, plant and equipment, excluding freehold land, are depreciated by the Commission on the straight line basis to reflect their decline in service potential over their estimated useful lives.

The depreciation rates used for each class of asset are as follows:

	Percent
Property:	
Freehold land	Nil
Buildings	2.5
Plant and equipment:	
Furniture, fixtures and fittings	5 & 10
Plant and office equipment	5, 6.7, 10, 20 & 33.3
On-line lotteries system	12.5, 20 & 33.3

(d) Revaluation of Non-Current Assets

The Commission's policy is to independently revalue non-current assets every three years, with adjustments to book value as appropriate. The policy applies to non-current assets where the fair value at the time of acquisition is equal to or greater than $1 million and the estimated useful life is equal to or greater than five years.

(e) Recognition of income

Sales for Lotto, SA Lotto, Oz Lotto, Powerball, Keno, Super 66 and The Pools are recorded as at the date of the draw or competition. Sales for Instant Scratchies are recorded when books of tickets are activated. Lotto, SA Lotto, Oz Lotto, Powerball, Super 66 and The Pools sales as at 30 June for draws or competitions subsequent to that date are treated as sales in advance.

1. Accounting Policies (continued)

(f) Inventories

Inventories are carried at actual cost. As they are held only for use in providing services, net realisable value, as specified in Accounting Standard AAS 2 Inventories, is not applicable.

(g) Employee Entitlements

Provision has been made in the financial statements for the Commission'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 the determination of the liability.

(i) Superannuation

The Commission contributes to externally managed superannuation funds. Contributions are charged as an expense in the period in which they occur (refer to Note 22).

(ii) 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.

(iii) Long Service Leave

Provision has been made for employee entitlements to long service leave. An estimate of the present value of future cash outflows for all eligible employees has been made using the Department of Treasury and Finance benchmark of eight years service as a method of estimating long service leave liability. Provision for employees with service entitlements expected to be settled within the next 12 months is accounted for as a current liability with the balance of the provision accounted for as a non-current liability.

(iv) 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.

(h) Building Maintenance Reserve

This reserve was established to meet future major building maintenance costs (refer to Note 16(ii)).

(i) Capital Asset Reserve

This reserve was established to contribute to the financing of the cost of replacement/upgrade of the on-line lotteries system hardware and software, and the purchase of other non-current assets. Non-current assets financed from the capital asset reserve include wholesale sales tax equivalent (refer to Note 16(iii)).

(j) Receivables

Trade and Other Debtors

Debtor agents and sundry debtors are settled within seven days and 30 days respectively and are carried at amounts due. All debts considered bad or doubtful are written off to bad debt expense in the year in which they are recognised as irrecoverable. Bad debts written-off for the year ended 30 June 2000 totalled $33 000 ($6 000) (refer to Notes 7 and 24).

Receivables from Bloc

Lotto, Oz Lotto, Powerball, The Pools and Super 66 are games supported by inter-jurisdiction prize pooling arrangements. The lottery operators from states participating in these games form a Bloc. Amounts receivable from Bloc members are carried at the excess of actual prizes payable over the relevant percentage of draw turnover prescribed for each product. Settlement of amounts receivable from Bloc members are due 10 working days after the date of draw, in accordance with Bloc agreements (refer to Note 7).

(k) Investments

Deposits are held with the South Australian Government Financing Authority (SAFA) in short term financial instruments and are valued at cost. Interest is paid at SAFA's overnight at call deposit rate. These deposits principally reflect funds available for unclaimed prizes and for distribution to the Hospitals Fund and the Recreation and Sport Fund (refer to Note 24).

(l) Accounts Payable

Trade and Other Creditors

Accounts payable are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 30 days (refer to Notes 10 and 24).

Accounts Payable to Bloc

Lotto, Oz Lotto, Powerball, The Pools and Super 66 are games supported by inter-jurisdiction prize pooling arrangements. The lottery operators from states participating in these games form a Bloc. Amounts payable to other Bloc members are carried at the excess of the relevant percentage of draw turnover prescribed for each product over actual prizes payable. Settlement of amounts payable to Bloc members are due 10 working days after the date of draw, in accordance with Bloc agreements (refer to Note 10 and Note 24).

(m) Foreign Currency

Exchange differences arising up to the date of purchase or sale are deferred and are included in the measurement of the purchase or sale (refer to Note 23 and Note 24).

(n) Unclaimed Prizes

If a prize in a lottery has not been collected or taken delivery of within 12 months of the date of the draw or relevant day, the prize is forfeited to the Commission and transferred to the unclaimed prizes reserve. Section 16C(4) of the *State Lotteries Act 1966* requires the Commission to pay 50 percent of the amount derived from unclaimed prizes in The Pools to the Recreation and Sport Fund and 50 percent of the amount derived from unclaimed prizes in other lotteries to the Hospitals Fund. The balance in the Reserve is applied by the Commission from time to time for the purposes of providing additional increased prizes in subsequent lotteries, providing prizes in promotional lotteries or making ex-gratia prize payments.

(n) Unclaimed Prizes (continued)

The *State Lotteries Act 1966* provides for ex-gratia payments to a person who satisfies the Commission that he or she is a winner of a prize in a lottery conducted by the Commission, despite the fact that a prize has been forfeited to the Commission, the winning ticket has been lost or destroyed or a notice of a claim for the prize has not been complied with in accordance with the Rules.

Ex-gratia prize payments are charged to the unclaimed prizes reserve. Subsequent payments to either the Recreation and Sport Fund or Hospitals Fund are reduced by an amount equivalent to 50 percent of the ex-gratia payment, depending on the game played.

(o) Tax Equivalent Regime

Pursuant to Treasurer's Instruction 22, a tax equivalent regime applies to the Commission. The regime requires the Commission to pay amounts deemed equivalent to that which would have been paid to the Commonwealth if it was not exempt from the taxation laws of the Commonwealth.

With respect to income tax, the Commission is obliged to adopt the accounting profit method of tax effect accounting whereby income tax expense is calculated on the accounting profit. Permanent and timing differences do not arise. Tax due but not paid at balance date is recognised as a current liability.

In addition, the Commission is subject to Sales Tax Equivalent taxation. This regime applies to purchases of all goods, whether for operational or capital purposes, upon which the Commission is exempt from Federal Sales Tax by virtue of the Commission's status as a government entity.

The tax equivalent regime has been applied in a manner that is consistent with the requirement of the Commission, pursuant to section 16(3) of the *State Lotteries Act 1966*, to pay surplus funds to the Hospitals Fund. Surplus funds represent the balance of funds remaining after making allowance for operating and capital expenses; applying net proceeds of The Pools to the Recreation and Sport Fund; and retaining funds for certain designated purposes (refer to Note 1(p)).

(p) Distribution of Funds to Government

In accordance with section 16(3) of the *State Lotteries Act 1966*, the Commission is required to pay to the Hospitals Fund the balance of surplus funds remaining after making allowances for operating and capital expenses; applying the net proceeds of The Pools to the Recreation and Sport Fund; and retaining funds for certain designated purposes.

As detailed in Note 1(o), the Commission is required to make tax equivalent payments as a result of the application of the tax equivalent regime. In recognition of the provisions of the *State Lotteries Act 1966*, and in accordance with Schedule 1 of Treasurer's Instruction 22, the transfer of funds to the Hospitals Fund is reflected in the financial statements in the form of:

(i) an after tax surplus distribution payment, recorded as a profit distribution item in the Profit and Loss Statement;

(ii) a wholesale sales tax equivalent payment (calculated on an actual basis), recorded as an expenditure item in the Profit and Loss Statement for purchases of consumable items, and recorded in the Balance Sheet as part of the acquisition cost for purchases of capital items;

(iii) an income tax equivalent payment (calculated on an accounting profit method), recorded as an expense item in the Profit and Loss Statement;

(iv) unclaimed prizes.

The composition of amounts due and payable to government on account of the Hospitals Fund and Recreation and Sport Fund is detailed in Note 17.

(q) Borrowings and Borrowing Costs

Borrowings are initially brought to account at their principal amounts. Interest expense is brought to account on an accrual basis over the period it becomes due. Borrowing costs are recognised as expenses in the period in which they are incurred. No borrowing costs have been capitalised in the financial period.

The on-line lotteries system has been financed, in part, from borrowings from the Treasurer of South Australia and in part from the capital asset reserve. The loan is unsecured. Repayments are made six monthly on a credit foncier loan basis, with interest charged at the lenders benchmark rate. The carrying amount for borrowings therefore approximates fair value (refer to Note 24).

(r) Year 2000 Compliance Costs

Expenditure incurred in upgrading existing computer software in order to make systems Year 2000 compliant is expensed as incurred in line with generally accepted accounting policy.

(s) Goods and Services Tax (GST)

Costs incurred in upgrading existing computer software to deal with the GST have been expensed. The changes have not resulted in an enhancement of future economic benefits.

2. Sales Revenues

	2000	1999
	$'000	$'000
Lotto	**120 304**	115 074
SA Lotto	**21 292**	18 756
Oz Lotto	**16 662**	16 977
Powerball	**34 288**	35 200
Keno	**68 620**	69 308
Instant Scratchies	**30 866**	28 860
The Pools	**607**	609
Super 66	**2 379**	2 677
	295 018	287 461

Sales revenue includes agents' commission.

3. Agents' Commission

Agents' commission represents the service fee on sale of lottery tickets retained by agents at point of sale with net sales proceeds being remitted to the Commission.

4. Other Revenue

Agents' fees and charges	**3 285**	2 234
Interest from investments	**2 102**	1 792
Commission on Head Office sales	**443**	437
Easiplay Club service fee	**281**	286
Sundry	**409**	368
	6 520	5 117

5. Depreciation

Asset Class:		
Buildings	**59**	74
Plant and equipment	**235**	294
On-line computer equipment	**2 137**	269
	2 431	637

6. Other

Wholesale sales tax equivalent	**445**	382
Printing of tickets	**907**	960
Interest paid	**654**	79
General	**2 672**	2 451
	4 678	3 872

7. Current Assets - Receivables

Debtor - Agents	**2 068**	611
Prize money due from Blocs	**-**	72
Sundry	**376**	463
	2 444	1 146

8. Current Assets - Inventories

Ticket stock	**393**	227

Ticket stock includes Instant Scratchies tickets, on-line coupons, ticket rolls and ribbons.

9. Non-Current Assets - Property, Plant and Equipment

Freehold land and buildings:		
Buildings at independent valuation March 1998*	**2 360**	2 360
Accumulated depreciation	**(133)**	(74)
	2 227	2 286
Land at independent valuation March 1998*	**3 280**	3 280
	5 507	5 566
Plant and equipment:		
At historical cost	**4 060**	4 161
Accumulated depreciation	**(3 379)**	(3 455)
	681	706
On-line lotteries system:		
At historical cost	**20 006**	21 888
Accumulated depreciation	**(3 339)**	(5 242)
	16 667	16 646
Total Property, Plant and Equipment	**22 855**	22 918

* Pursuant to the Commission's policy of revaluing freehold land and buildings (refer to Note 1(c) and 1(d)), independent valuations of $5.64 million were obtained in March 1998 from Simon Hickin BAppSc (Val), AVLE (Val), ASIA of JLW Advisory Corporate Property Services. Adjustments were made to the asset revaluation reserve to reflect the decrement.

10. Current Liabilities - Accounts Payable

	2000 $'000	1999 $'000
Advertising Investment Services Pty Ltd	**193**	277
GTECH Australasia Corporation	**1 406**	4 418
KPMG	**17**	62
Oberthur Gaming Technologies Pty Ltd	**188**	-
Spectron Security Print Pty Ltd	**-**	54
SSA Pacific Pty Ltd	**54**	-
Young & Rubicam Adelaide	**116**	47
Zipform Computer Stationery	**-**	123
Prize money due to Blocs	**2 183**	918
Other	**353**	247
	4 510	6 146

The liability to Advertising Investment Services Pty Ltd, the Government's Master Media Agency, covers the placement of the Commission's media advertising through television, radio, outdoor and press. The liability to GTECH Australasia Corporation, the Commission's on-line lotteries system supplier, covers software fees. The liability to KPMG covers taxation advice. The liability to Oberthur Gaming Technologies Pty Ltd covers the print and supply of Instant Scratchies tickets. The liability to SSA Pacific Pty Ltd covers the purchase of a GST Tax Pack. The liability to Young & Rubicam Adelaide, the Commission's advertising agency for Keno and Instant Scratchies, covers production of television, press, radio advertising and point of sale material. Prize money due to Blocs (refer to Note 1(l)).

11. Current Liabilities - Provisions

	2000 $'000	1999 $'000
Employee entitlements:		
Annual leave (refer to Note 1(g)(ii))	**291**	238
Long service leave (refer to Note 1(g)(iii))	**73**	44
	364	282

12. Current Liabilities - Other

	2000	1999
Accruals	**626**	418
Undistributed funds (refer Note 17)	**6 832**	6 514
Prizes payable	**5 446**	5 833
Bonus prize reserve(i)	**5 085**	4 060
Sales in advance (refer Note 1(e))	**2 023**	1 178
	20 012	18 003
(i) Bonus Prize reserve:		
Balance at 1 July	**4 060**	4 362
Allocated to reserve during the year	**8 022**	7 739
	12 082	12 101
Applied to prizes during the year	**(6 997)**	(8 041)
Balance at 30 June	**5 085**	4 060

The reserve allocation comprises the following percentages of net sales (sales revenue less agents' commission) for the following games:

	Percent
Lotto and SA Lotto	5.0
Oz Lotto and Super 66	3.5
Powerball	2.5
The Pools	2.0

These funds are applied from time to time either to boost the first division prize or to provide additional prize money for the respective games.

13. Non-Current Liabilities - Provisions

	2000 $'000	1999 $'000
Employee entitlements:		
Long service leave (refer Note 1(g)(iii))	**619**	644
Provision for Keno prizes(i)	**3 662**	6 213
	4 281	6 857

(i) Prize money is based on 75 percent (80 percent) of net Keno sales. This provision is the difference between actual prizes payable and this percentage.

14. Unclaimed Prizes Reserve

	2000	1999
Balance at 1 July	**10 295**	9 121
Unclaimed monies forfeited	**3 070**	2 559
	13 365	11 680
Monies provided for distribution to the Hospitals Fund	**(1 534)**	(1 279)
Monies provided for distribution to the Recreation and Sport Fund	**(1)**	-
Allocated to prizes	**(169)**	(106)
Balance at 30 June	**11 661**	10 295

Refer to Note 1(n).

15. Funds Retained for Capital Purposes

The Commission has retained funds of $2.976 million which represent the historical cost of the investment in land and buildings at 23 Rundle Mall, Adelaide and 26 Payneham Road, Stepney.

16. Reserves

	2000 $'000	1999 $'000
Asset revaluation(i)	**2 664**	2 664
Building maintenance(ii)	**94**	94
Capital asset(iii)	**10 386**	9 198
	13 144	11 956
Net transfer to Reserves	**1 188**	1 654

	2000	1999
(i) *Asset Revaluation*		
Balance at 30 June	**2 664**	2 664
Refer to Note 1(d).		
(ii) *Building Maintenance*		
Balance at 1 July	**94**	91
Transfer to reserve during the year	**-**	100
Transfer to profit and loss	**-**	(97)
Net transfer to Reserve	**-**	3
Balance at 30 June	**94**	94
Refer to Note 1(h).		
(iii) *Capital Asset*		
Balance at 1 July	**9 198**	7 547
Transfer to reserve during the year	**2 000**	2 000
Transfer to profit and loss	**(812)**	(349)
Net transfer to Reserve	**1 188**	1 651
Balance at 30 June	**10 386**	9 198
Capital asset comprises the:		
Capital fund account	**5 249**	3 981
Capital fund assets (at amortised value)*	**5 137**	5 217
	10 386	9 198
Capital Fund account - Movements during the year:		
Balance at 1 July	**3 981**	7 040
Transfer to reserve during the year	**2 000**	2 000
Assets financed during the year	**(732)**	(5 059)
Balance at 30 June	**5 249**	3 981
Capital Fund assets - Movements during the year:		
Amortised value at 1 July	**5 217**	507
Assets financed during the year	**732**	5 059
Depreciation	**(812)**	(349)
Amortised value at 30 June	**5 137**	5 217
Refer to Note 1(i).		
* Assets financed from the capital fund		
Balance at 1 July	**6 996**	2 920
Assets financed during the year	**732**	5 059
	7 728	7 979
Assets disposed during the year	**(394)**	(983)
Balance at 30 June	**7 334**	6 996
Accumulated depreciation write-down	**(2 197)**	(1 779)
Capital fund assets (at amortised value)	**5 137**	5 217

17. Distribution of Funds to Government

	Balance 1 July $'000	Distribution Provided $'000	Distribution Paid $'000	**Balance 30 June $'000**
Distribution of Funds to Government:				
Profit distributed	3 780	53 128	52 691	**4 217**
Income tax equivalent	1 974	30 553	30 101	**2 426**
Sales tax equivalent #	672	783	1 375	**80**
Unclaimed prizes	88	1 535	1 514	**109**
	6 514	85 999	85 681	**6 832**
Comprising:				
Distribution to Recreation and Sport Fund:*				
Profit distributed	14	248	241	**21**
Unclaimed prizes	-	1	1	**-**
	14	249	242	**21**
Distribution to Hospitals Fund*	6 500	85 750	85 439	**6 811**
Total 1999-2000	6514	85 999	85 681	**6 832**
Total 1998-99	6 377	82 682	82 545	**6 514**

Comprises Sales Tax Equivalent on operating expenses of $445 000 and asset purchases of $338 000.
* Refer Note 1(p).

18. Commission Members' Fees

The number of Commission members whose total remuneration package was within the following bands:

	2000 Number of Members	1999 Number of Members
$1 - $10 000	**3**	3
$10 001 - $20 000	**2**	1

		2000	1999
18.	**Commission Members' Fees (continued)**	**$'000**	$'000
	Total fee received, or due and receivable, by the members of the Commission	**46**	34

		2000	1999
19.	**Remuneration of Employees**		
	The number of employees whose total remuneration package was within the following bands:	**Number of Employees**	Number of Employees
	$110 001 - $120 000	**1**	-
	$120 001 - $130 000	**-**	2
	$130 001 - $140 000	**1**	-
	$140 001 - $150 000	**1**	-
	$170 001 - $180 000	**-**	1
	$200 001 - $210 000	**1**	-

		2000	1999
	Total remuneration packages received, or due and receivable, by employees whose remuneration is $100 000 or more	**$'000** **599**	$'000 429
20.	**Remuneration of Auditors**		
	Amounts received, or due and receivable, by the auditors for auditing the accounts	**123**	130

		2000	1999
21.	**External Consultants**		
	The external consultants used by the Commission and expenditure has been grouped under the following ranges:	**Number of Consultants**	Number of Consultants
	Below $10 000	**8**	8

$10 000 - $50 000

- Colmar Brunton Research - new product research
- Department for Administrative and Information Services - accommodation options
- Flinders Technologies Pty Ltd - product analysis
- Management Resource Consulting - staff recruitment
- Moore Stephen Hughes Fincher - product audit
- Morgan & Banks - staff recruitment
- The Marketing Centre - mystery shopping
- William M Mercer Cullen Egan Dell - evaluation and remuneration reviews

Above $50 000

- KPMG - project management and general consulting
- McGregor Tan Research - market research
- Market Equity - product research
- PricewaterhouseCoopers - internal audit

	2000	1999
	$'000	$'000
Total expenditure on consultancies	**590**	768

22. Superannuation

The Commission contributed to the following employee superannuation schemes:

(a) The Commission has an established superannuation scheme for its employees. The scheme provides defined benefits on resignation, retirement, death or disability and the employees contributions are:

Category A defined benefit members - 6 percent of base salary
Category B defined benefit members - 5 percent of base salary
Category C defined benefit members - 4 percent of base salary
Category D defined benefit members - 4 percent of base salary
Category E accumulation section members

The scheme is subject to a triennial review and is externally managed. The last full actuarial investigation was conducted as at 1 August 1997 by Andrew Duncanson, BEc, FIAA, ASA, Superannuation Actuary. The report was dated 15 May 1998.

Information from the last actuarial report:	$'000
Accrued benefits as at 1 August 1997- the last measurement date	3 375
Net market value of assets as at 1 August 1997	5 346
Net market value of assets as at 1 August 1997 in excess of accrued benefits	1 971
Information from the last audited annual accounts:	
Vested benefits as at 30 June 1999	4 822
Net market value of assets as at 30 June 1999	6 381

During the year the assets of the old scheme, known as the Lotteries Commission of South Australia Staff Retirement Benefit Fund, were transferred to a sub plan in the Mercer Retirement Trust and the old scheme was closed. Funds are now invested in a 'diversified growth' strategy in the new scheme known as Mercer Retirement Trust - Lotteries Commission of South Australia Superannuation Plan. The arrangements have been continued in their entirety with the financial position unchanged.

22. Superannuation (continued)

As at 30 June 2000 the Policy Committee for the new scheme comprised:

Commission appointed	- D P LeMessurier - J M Patten - J R Roache.
Member representatives	- P J Dutton - D J Gazzola - S J Harvey.

The Commission pays the contribution level recommended by the actuary appropriate to meet the expected long term costs of benefits being provided. In accordance with the advice of the actuary, the Commission has taken a contribution holiday from 1 August 1999 to 30 June 2001. $15 000 was paid in contributions this financial year for defined benefit members of the Lotteries Commission of South Australia Superannuation Plan.

To comply with the Commonwealth Superannuation Guarantee legislation, the Commission has made contributions of 7 percent effective for the full year of eligible earnings. This amounts to $31 000 for Category E members of the plan. These contributions are invested in a 'diversified growth' strategy under the Mercer Retirement Trust.

(b) The Commission contributed $14 000 for superannuation on behalf of employees who are members of private funds.

23. Commitments

	2000	1999
Capital Commitments	**$'000**	$'000
Contracted but not provided for and payable:		
Not longer than one year	**-**	1 403
Longer than one year but not longer than two years	**-**	-
	-	1 403

24. Financial Instruments

(a) Interest Rate Risk

With the exception of investments and loans, all other financial assets and financial liabilities are non-interest bearing. The Commission's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at balance date are as follows:

	Floating Interest Rate	Fixed Interest Rate	Non-Interest Bearing	**Total**
Financial Assets:	$'000	$'000	$'000	**$'000**
Cash	-	-	125	**125**
Investments	41 327	-	-	**41 327**
Receivables	-	-	2 444	**2 444**
Total financial assets 1999-2000	41 327	-	2 569	**43 896**
Weighted average interest rate	5.39%			
Total financial assets 1998-99	38 542	-	1 271	**39 813**
Weighted average interest rate	4.48%			
Financial Liabilities:				
Loans	-	10 665	-	**10 665**
Accounts payable	-	-	2 327	**2 327**
Accounts payable - Bloc	-	-	2 183	**2 183**
Undistributed funds	-	-	6 832	**6 832**
Prizes payable	-	-	5 446	**5 446**
Total financial liabilities 1999-2000	-	10 665	16 788	**27 453**
Weighted average interest rate		6.83%		
Total financial liabilities 1998-99	-	6 812	18 493	**25 305**
Weighted average interest rate		5.59%		

(b) Foreign Exchange Risk

SA Lotteries entered into forward exchange contracts to hedge anticipated purchase commitments in US dollars.

The following table sets out the gross value to be paid under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of the outstanding contracts.

	Weighted Average Rate			
	2000	1999	**2000**	1999
Buying US Dollars:			**$'000**	$'000
Not longer than one year	**0.61**	0.62	**446**	6 130
Longer than one year but not longer than two years	**-**	-	**-**	-
			446	6 130

(c) Credit Risk

The Commission's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Balance Sheet. Credit risk represents the loss that would be recognised if parties holding financial assets of SA Lotteries at balance date fail to honour their obligations under contract.

SA Lotteries minimises its credit on trade debtors by undertaking its sales transactions with a large number of retailers and requiring those retailers to remit outstandings on a weekly basis. Investments are held in A grade securities with SAFA. SA Lotteries is therefore not materially exposed to credit risk.

24. Financial Instruments (continued)

(d) Net Fair Values

The Commission's accounting policies used to determine the net fair value of financial assets and liabilities are disclosed in Note 1. The aggregate net fair values of recognised financial assets and financial liabilities at the balance date are equal to the carrying values as per the Balance Sheet.

25. Related Party Disclosures

Commission Members

During the financial year the following persons held the position of Member of the Lotteries Commission of South Australia: Chairman, Mr W V Wilson, FAIM, FAMI, FCIM; Chairperson, Ms S C Biggs, LLB, FAICD Dip; Mr D P LeMessurier, Ass Dip (Man), SIA (aff), FAICD, MBA; Mr J M Patten, BEc (Commerce), FCA; Mr P H Plummer, FCA, MTIA.

Mr W V Wilson resigned on 8 February 2000.

Details of Commission Members' fees are set out in Note 18.

No Commission Member has entered into a material contract with the Commission since the end of the previous financial year and there were no material contracts involving Commission Members' interests subsisting at the end of the financial year.

26. Statement of Receipts and Disbursements as Casino Licensee for the period ended 30 June

	2000 $'000	1999 $'000
Receipts from Casino Operator	**9 771**	20 748
Transferred to South Australian Government:		
Housing Improvement Fund	**368**	767
Consolidated Account	**9 403**	19 981
	9 771	20 748

In accordance with Section 20(5) of the *Casino Act 1983*, the monies received from the Casino Operator represent unclaimed prizes, licence fees and taxes for the period 1 July 1999 to 24 November 1999, being the last date the Adelaide Casino Licence was held by the Commission. The tax structure applicable to gaming operations at the Adelaide Casino from 1 July 1998 was as follows:

- Gaming Machines - 43.5 percent of Net Gambling Revenue (NGR)
- Other gaming operations - 10.0 percent of NGR

As required by the *Casino Act 1983*, amounts received have been directly applied to the Housing Improvement Fund and to the Consolidated Account and consequently do not form part of the Commission's Profit and Loss Statement, Balance Sheet and Statement of Cash Flows.

27. Statement of Cash Flows

(i) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in bank and investments with SAFA.

Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

	2000 $'000	1999 $'000
Cash	**125**	125
Short-term deposits with SAFA	**41 327**	38 542
	41 452	38 667

(ii) Reconciliation of the Net Cash provided by Operating Activities to Surplus Funds available for Retention and Distribution

	2000	1999
Surplus funds available for retention and distribution	**84 869**	80 753
Wholesale sales tax equivalent	**445**	382
Depreciation	**2 431**	637
Provision for long service leave	**4**	79
Provision for annual leave	**53**	59
Prepayments, stock on hand and debtors	**(1 564)**	(120)
Unclaimed prizes reserve	**2 901**	2 453
Bonus prize reserve	**1 025**	(302)
Provision for Keno prizes	**(2 551)**	723
Profit on sale of equipment	**(41)**	(4)
Accounts payable and accrued liabilities	**1 601**	(1 033)
Prizes payable	**(387)**	1 823
Sales in advance	**845**	249
Net Cash provided by Operating Activities	**89 631**	85 699

28. Contingencies

The GTECH contract, for the on-line lotteries system installed late in June 1999, provides for SA Lotteries to claim liquidated damages for delays in installation. A delay did occur and SA Lotteries is working with Crown Law on the extent of the claim. The amount expected to be recovered is not material to SA Lotteries' operating result.

On 8 February 2000, the State Government's in principle decision to sell SA Lotteries via a parallel trade sale with the South Australian TAB was announced. The Minister for Government Enterprises introduced the Lotteries (Disposal) Bill and the Authorised Lotteries Bill on 28 June 2000, however, on 5 July 2000 the Minister announced that the debate on the Bills had been delayed.

SOUTH AUSTRALIAN PORTS CORPORATION

FUNCTIONAL RESPONSIBILITY

The South Australian Ports Corporation (the Corporation) is a public corporation pursuant to the provisions of the *South Australian Ports Corporation Act 1994*.

The primary function of the Corporation is to manage the ports and related facilities vested under the Act on a sound commercial basis and to use its best endeavours to:

- ensure that orderly, efficient and reliable services, including safe and secure cargo storage and handling facilities, are provided to users;

- maximise the use and promote the proper exploitation of the ports and related facilities both within and outside Australia;

- encourage and facilitate private or public sector investment and participation, whether from within or outside the State, in the provision of services and facilities;

- undertake such activities as will encourage and facilitate the development of trade or commerce for the economic benefit of the State.

The port facilities managed by the Corporation are located at Port Adelaide, Port Giles, Wallaroo, Port Pirie, Port Lincoln, Thevenard, Klein Point, Cape Jervis, Penneshaw and Kingscote.

The Corporation is not responsible for indentured ports which are privately operated, or for certain recreational facilities (eg jetties) which are managed by the Department for Transport, Urban Planning and the Arts.

REVIEW OF GOVERNMENT OWNERSHIP

During 1997-98, the South Australian Government announced that it was considering the sale of the Corporation. As a result, a scoping review was initiated to examine a range of feasible options and to provide the Government with relevant advice so that it may determine its long term policy and regulatory role in sea transport in South Australia. In particular, the scoping review was to look at the future of the Corporation and to advise on the approach necessary to implement the selected option.

Following the announcement of the scoping review, a Ministerial direction was given to the Corporation pursuant to section 6 of the *Public Corporations Act 1993*, which limited the Corporation entering into any long term commitments, and providing direction on information to be made available to the review team.

In April 1999 the Government announced its intention to proceed in principle with the sale of the Corporation and established the Ports Corp Sale Project Team within the Department for Administrative and Information Services. Since that time a private sector corporate advisory firm has been appointed to '… assist the Government to achieve a vibrant, competitive transport sector for South Australia and maximise the value of the Ports Corp trade sales'.

In November 1999 the Government announced that the Kangaroo Island ports, including Kingscote, Penneshaw and Cape Jervis would be separated from the sale, as these ports '… are community ferry ports and quite different from the larger commercial wharves that operate elsewhere in the state'. Navigational aids, channels and breakwaters have also been excluded from the proposed divestment of South Australian Ports Corporation.

Three bills were introduced into Parliament in May 2000 to provide for the disposal of the assets of the South Australian Ports Corporation. At the time of the preparation of this Report, the legislation was still before Parliament.

Ministerial Directions

As a result of the sale process a Ministerial Direction was given to the Corporation on 28 May 2000, pursuant to section 6 of the *Public Corporations Act 1993*. The Direction included:

- limitation on the Corporation employing staff and entering into agreements without the approval of the Minister;
- a requirement for the Corporation and its staff to cooperate with those responsible for the sale or lease of the Corporation;
- a requirement ‘To enter into negotiations with any potential purchaser or lessee of Ports Corp assets … in accordance with a request by the Minister …’

With respect to the latter point, subsequent requests have been made in writing by the Minister with respect to:

- a site currently used by the Royal South Australian Yacht Squadron;
- parcels of land located at Port Pirie;
- the transfer of Kangaroo Island related ports (Cape Jervis, Penneshaw and Kingscote) to the Minister for Transport and Urban Planning;
- the negotiation of recreational access arrangements with relevant local councils.

SIGNIFICANT FEATURES

The Corporation made a repayment of borrowings of $12.1 million which contributed to a decrease in cash of $8 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 32(4) of the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts of the Corporation in respect of each financial year.

Scope of Audit

The audit program covered all 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 control.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Work undertaken by Audit during the year indicated that there was a sound internal control environment in place, although opportunities were identified to enhance the existing controls. These matters were raised with the Corporation for consideration and a satisfactory response was received.

Audit Committee

The Board Audit Committee met on a regular basis during the year to oversee the financial reporting and auditing processes. Representatives of the Auditor-General attended meetings of the Committee as observers.

Directors’ Questionnaires

Directors’ Questionnaires were used again in 1999-2000 to provide the Directors’ with a mechanism for assessing the internal controls and corporate governance practices within the Corporation. The representations from management included matters relating to the integrity and fairness of information conveyed within the financial statements, legal compliance, and the effectiveness of internal controls.

Internal Audit

The Corporation has an established internal audit function, which has been contracted to an external accounting firm. An internal audit plan was approved and monitored by the Board Audit Committee. Work undertaken by Internal Audit was considered in determining the nature and extent of external audit coverage.

Asset Management

Revaluation of Non-Current Assets

The Department of Treasury and Finance's Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' requires physical non-current assets greater than $1 million to be revalued every three years. As the assets of the Corporation had last been revalued in July 1995 they were due for revaluation during 1998-99.

In June 1999 the Treasurer exempted the Corporation from compliance with APS 3 in the 1998-99 year due to the decision in principle to sell the Corporation. In June 2000 a further exemption was granted with respect to the 1999-2000 year.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Ports Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by the South Australian Ports Corporation in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

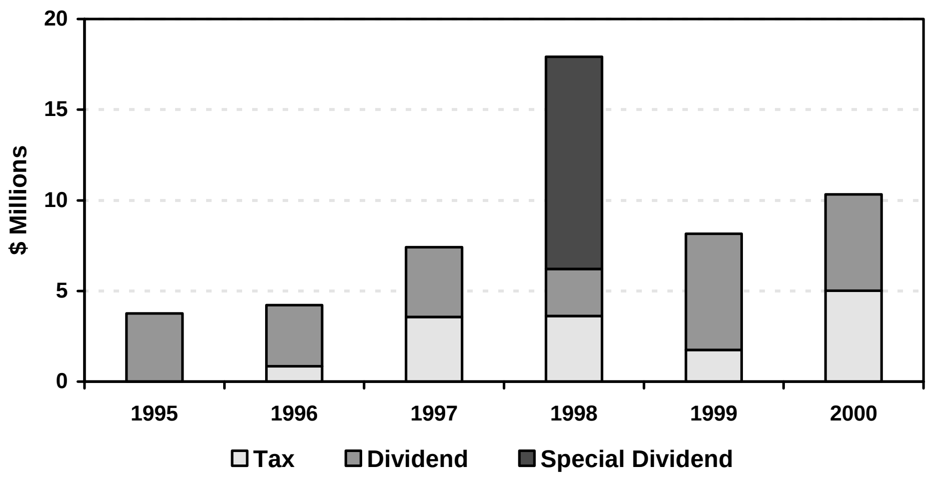
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Income from Port Activities

Income from Cargo and Shipping Services and Port Operations decreased by $2 million (6 percent) due mainly to a decrease in usage of port facilities associated with a lower grain harvest.

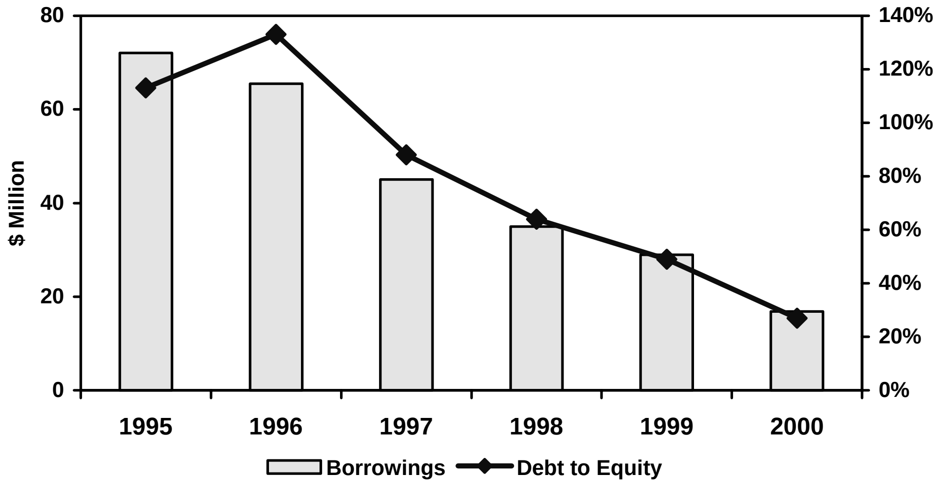
Contributions to Government

Contributions to Government through dividend and tax payments increased by $2.2 million (27 percent). Contributions by the Corporation since 1995 have been as follows:



Borrowings

As a result of strong cash flows from operating activities and asset sales over the past four years, the Corporation has been able to significantly reduce its level of borrowings from $72.1 million in 1995 to $16.8 million in 2000. The significance of borrowings to the Corporation's financial position is demonstrated in the following diagram:



Profit and Loss Statement for the year ended 30 June 2000

	Note	2000 $'000	1999 $'000
OPERATING PROFIT BEFORE ABNORMAL ITEMS AND INCOME TAX	2	**13 072**	14 577
Abnormal items before income tax	4	**(572)**	740
OPERATING PROFIT AFTER ABNORMAL ITEMS AND BEFORE INCOME TAX		**12 500**	15 317
Income tax attributable to operating profit	5	**(4 216)**	(5 279)
OPERATING PROFIT AFTER INCOME TAX		**8 284**	10 038
RETAINED PROFITS AS AT 1 JULY		**16 992**	12 275
Total available for appropriation		**25 276**	22 313
Transfer to reserve	12	**-**	(1 000)
Transfer from reserves	12	**-**	1 185
Dividends provided for or paid		**(4 971)**	(5 506)
RETAINED PROFITS AS AT 30 JUNE		**20 305**	16 992

Balance Sheet as at 30 June 2000

	Note	2000 $'000	1999 $'000
ASSETS:			
CURRENT ASSETS:			
Cash		**3 637**	11 663
Receivables	6	**3 195**	4 522
Inventories		**11**	8
Other	7	**140**	111
Total Current Assets		**6 983**	16 304
NON-CURRENT ASSETS:			
Property, plant and equipment	8	**84 699**	85 144
Other	7	**1 147**	1 324
Total Non-Current Assets		**85 846**	86 468
Total Assets		**92 829**	102 772
LIABILITIES:			
CURRENT LIABILITIES:			
Creditors	9	**4 478**	5 197
Provisions	10	**3 253**	4 652
Borrowings	9	**5 000**	9 500
Total Current Liabilities		**12 731**	19 349
NON-CURRENT LIABILITIES			
Provisions	10	**5 525**	4 491
Borrowings	9	**11 841**	19 420
Total Non-Current Liabilities		**17 366**	23 911
Total Liabilities		**30 097**	43 260
NET ASSETS		**62 732**	59 512
EQUITY:			
Contributed equity	11	**15 000**	15 000
Asset revaluation reserve	12	**24 927**	25 020
Asset development reserve	12	**2 500**	2 500
Retained profits		**20 305**	16 992
TOTAL EQUITY		**62 732**	59 512
Contingent Liabilities	14		
Commitments	19		

Statement of Cash Flows for the year ended 30 June 2000

	Note	**2000** Inflows (Outflows) $'000	**2000** Inflows (Outflows) $'000	1999 Inflows (Outflows) $'000	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:	13				
RECEIPTS:					
From customers		**40 269**		43 330	
From indentured ports		**4 017**		3 896	
Interest received		**456**		475	
Abnormal receipts		**-**		1 000	
			44 742		48 701
PAYMENTS:					
Salaries and wages and related payments		**(12 671)**		(12 124)	
Suppliers		**(9 514)**		(9 247)	
Indentured ports		**(4 017)**		(3 896)	
Income tax equivalents		**(5 018)**		(1 746)	
Interest		**(1 820)**		(2 290)	
			(33 040)		(29 303)
Net Cash provided by Operating Activities	13.1		**11 702**		19 398
CASH FLOWS FROM INVESTING ACTIVITIES:					
RECEIPTS:					
Proceeds from the sale of property, plant and equipment		**703**		1 458	
PAYMENTS:					
Payments for property, plant and equipment		**(3 045)**		(5 580)	
Net Cash used in Investing Activities			**(2 342)**		(4 122)
CASH FLOWS FROM FINANCING ACTIVITIES:					
PAYMENTS:					
Repayment of borrowings		**(12 079)**		(6 080)	
Dividend paid to government		**(5 307)**		(6 413)	
Net Cash used in Financing Activities			**(17 386)**		(12 493)
NET (DECREASE) INCREASE IN CASH HELD			**(8 026)**		2 783
CASH AT 1 JULY			**11 663**		8 880
CASH AS AT 30 JUNE	13.2		**3 637**		11 663

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

The significant policies which have been adopted in the preparation of this financial report are:

1.1 Basis of Preparation

The financial report is a general purpose financial report which has been prepared under the accrual method of accounting in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views, Accounting Policy Statements and Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, as amended.

The financial report has been prepared using the historical cost convention and has not been adjusted to take account of changing money values except where stated.

The accounting policies have been consistently applied, unless otherwise noted.

All values expressed in the notes are to the nearest thousand dollars unless otherwise specified.

1.2 Property, Plant and Equipment

The Corporation has valued its non-current assets in accordance with the South Australian Department of Treasury and Finance's Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' and Accounting Policy Statement APS 6, 'Land and Improvements'. In doing so the Corporation has also satisfied the requirements of Australian Accounting Standard AAS 10 'Accounting for the Revaluation of Non-Current Assets'.

Given the in principle decision to divest the Corporation, the Treasurer granted a further exemption from compliance with APS 3 which requires non-current assets to be revalued every three years.

Property, plant and equipment are brought to account at cost or at independent valuation, less where applicable, any depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the employment and subsequent disposal of these assets. The expected net cash flow has been discounted to present value in determining the recoverable amount.

The revaluations have not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

The depreciable amount of all non-current assets, excluding land, is depreciated on a straight line basis over the estimated remaining useful life to the Corporation, with depreciation commencing from the time the asset is commissioned.

1.2 Property, Plant and Equipment (continued)

The range of depreciation rates used within the following classes of non-current assets are:

	Percent
Berths structures and fixed cargo handling equipment	2.5 - 10
Buildings	2.5 - 20
Areas (roads and areas, ramps and slipways)	2.5 - 10
Waterways (berths and channels)	2.5 - 10
Breakwaters	2.5 - 7
Navigational aids	3.0- 13
Plant and equipment	2.5 - 50

1.3 Inventories

Inventories are valued on the lower of cost and net realisable value. Costs have been assigned to inventories on a weighted average cost basis.

1.4 Employee Entitlements

The Corporation has applied the requirements of Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

(i) Salaries, Wages and Annual Leave

The provisions for employee entitlements to salaries, wages and annual leave represent amounts for which the Corporation has a present obligation resulting from employees' services provided up to balance date. The provision has been calculated at nominal amounts based on current salary and wage rates and includes related on-costs.

(ii) Long Service Leave

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made to employees resulting from the service of employees who have completed seven or more years of service up to balance date. This policy is based on the shorthand method of calculation as outlined in AAS 30.

(iii) Superannuation

The Corporation contributed to employee superannuation and pension funds in addition to contributions made by employees. Such contributions are paid to the South Australia Department of Treasury and Finance towards the accruing liability for superannuation in respect of employees and are charged against income.

There is no liability for payments to beneficiaries as they have been assumed by the superannuation and pension funds.

(iv) Workers Compensation

The Corporation has provided for the estimated liability of all outstanding claims as at 30 June 2000, including a proportional estimate of inactive claims and expected future liabilities for which the Corporation may become liable.

During the 1999-2000 financial year the Corporation has changed its policy to include a provision for claims that may have been incurred but not reported, as part of the Corporation's estimated liability as at 30 June 2000. An adjustment of $154 000 has been recognised as an expense this financial year.

1.5 Taxation

(i) Income Tax Equivalents

The Corporation adopts the principles of tax effect accounting in accordance with Australian Accounting Standard AAS 3, 'Accounting for Income Tax'. The income tax equivalent expense in the profit and loss statement represents the tax on the pre-tax accounting profit adjusted for income and expenses as a result of permanent and timing differences. The provision for deferred income tax liability and the future income tax benefit result from the tax effect of timing differences between income and expense items, recognised in different accounting periods for accounting and tax purposes, calculated at tax rates expected to apply when the differences reverse. The components of the future income tax benefit and provision for deferred income tax are shown in Notes 7 and 10 respectively.

The Corporation has reviewed the components of its future income tax benefit and as at balance date these are expected to be realised.

(ii) Sales Tax Equivalents

The Corporation is required to pay to the South Australian Department of Treasury and Finance amounts determined to be equivalent to the Commonwealth sales tax that would have been payable on goods acquired by the Corporation, with the exception of those goods which in the normal course of business would be exempt from Commonwealth sales taxes.

For accounting purposes and for the year ended on 30 June 2000, sales tax equivalents have been expensed as incurred.

(iii) Land Tax

In accordance with the *Public Corporations Act 1993* and from 1 July 1995 the Corporation became liable for land tax under the *Land Tax Assessment Act 1936*.

For accounting purposes and for the year ended on 30 June 2000, land tax has been expensed.

1. Statement of Accounting Policies (continued)

1.6 Financial Instruments included in Liabilities

Loans and notes payable are recognised when issued at the amount of the net proceeds received, with the premium or discount on issue amortised over the period to maturity. Interest is recognised as an expense over a straight line basis.

1.7 Financial Instruments included in Assets

Trade debtors are initially recorded at the amount of contracted sales proceeds.

The provision for doubtful debts recognises the extent that recovery of the outstanding receivable balance is considered less than likely. Any provision established is based on a review of all outstanding amounts at balance date. The provision contains a specific calculation of identified doubtful debts and a general component with respect to receivables which are doubtful of recovery but which have not been specifically identified.

2. Operating Profit

	Note	**2000**	1999
Operating profit before abnormal items and income tax is arrived at after:		**$'000**	$'000
(i) Crediting as Income:			
Cargo and shipping services		**23 907**	25 330
Port operations		**9 117**	9 709
Facilities services		**1 185**	790
Industrial estate management		**2 265**	2 472
Other revenue:			
Interest received or receivable		**435**	479
Miscellaneous		**1 085**	1 399
Profit from the sale of property, plant and equipment	3	**59**	14
Sundry income		**117**	587
		38 170	40 780
(ii) Charging as an Expense:			
Operations and services		**19 639**	20 084
Interest paid or payable		**1 463**	2 048
Bad debts written-off		**18**	33
Loss on disposal of property, plant and equipment	3	**307**	284
Depreciation of property, plant and equipment		**2 922**	2 745
Transfer to provisions for:			
Employee entitlements		**423**	521
Workers compensation		**326**	441
Doubtful debts		**-**	47
		25 098	26 203

3 Sales of Property, Plant and Equipment

Sales of property, plant and equipment in the ordinary course of business have given rise to the following loss:		
Gross proceeds from sale of property, plant and equipment	**110**	1 445
Less: Written-down value of assets sold	**358**	1 715
Profit (Loss) on sale of Property, Plant and Equipment	**(248)**	(270)

The current year's result includes a $289 000 loss which related to the demolition of a cargo shed, excluding this transaction would result in a $41 000 profit on sale of other items disposed of.

4. Abnormal Items

	2000	1999
	$'000	$'000
Transfer of land, which had been previously vested to the Corporation, to the Treasurer as required under the Ministerial Directive issued 8 March 1999	**-**	(260)
Government grant for the development of port facilities	**-**	1 000
The Corporation incurred employee related costs relating to a workers compensation claim and a retrospective super payment which are unlikely to occur	**(572)**	-
	(572)	740

5. Income Tax Expense

The prima facie income tax expense on pre-tax accounting income reconciles to the income tax expense in the accounts as follows:		
Operating profit after abnormal items and before income tax	**12 500**	15 317
Prima facie tax payable on operating profit before income tax at 36 percent	**4 500**	5 514
Add (Less): Tax effect of permanent differences:		
Exempt income	**(9)**	(440)
Non-allowable depreciation	**46**	200
Other non-deductible items	**8**	5
Change in net deferred tax liability due to change in tax rate	**(329)**	-
	(284)	(235)
Income Tax Expense attributable to Operating Profit/Loss	**4 216**	5 279
Income tax expense comprises:		
Current income tax payable	**3 577**	4 335
Future income tax benefit	**177**	(50)
Provision for deferred income tax	**462**	994
	4 216	5 279

6. Receivables

	2000	1999
Current Assets:	**$'000**	$'000
Trade debtors	**3 844**	3 888
Less: Provision for doubtful debts	**(100)**	(186)
	3 744	3 702
Sundry debtors	**124**	1 572
Less: Unearned income	**(673)**	752
Total Receivables	**3 195**	4 522

Unearned income comprises commercial lease rentals relating to periods beyond 30 June 2000 and the unamortised component of the accommodation lease payment.

7. Other Assets

Current:		
Prepayments	**140**	111
Non-Current:		
Future income tax benefit	**1 147**	1 324

8. Property, Plant and Equipment

Real Property:		
Land at:		
Independent valuation 1999	**31 095**	31 200
Total Real Property	**31 095**	31 200
Infrastructure:		
Berth Structures and Fixed Cargo Handling Equipment (Wharves and Cargo Handling Equipment) at:		
Independent valuation 1995	**29 951**	29 951
Less: Accumulated depreciation	**5 717**	4 571
Cost	**3 836**	3 191
Less: Accumulated depreciation	**242**	100
	27 828	28 471
Buildings at:		
Independent valuation 1995	**3 945**	4 266
Less: Accumulated depreciation	**805**	680
Cost	**1 282**	1 254
Less: Accumulated depreciation	**182**	113
	4 240	4 727
Areas (Roads and Areas, Ramps and Slipways) at:		
Independent valuation 1995	**3 495**	3 495
Less: Accumulated depreciation	**485**	388
Cost	**1 479**	936
Less: Accumulated depreciation	**91**	50
	4 398	3 993
Waterways (Dredged Berths/Channels) at:		
Independent valuation 1995	**5 961**	5 961
Less: Accumulated depreciation	**1 269**	1 015
Cost	**1 559**	76
Less: Accumulated depreciation	**69**	-
	6 182	5 022
Breakwaters at:		
Independent valuation 1995	**3 103**	3 103
Less: Accumulated depreciation	**407**	326
Cost	**780**	-
Less: Accumulated depreciation	**55**	-
	3 421	2 777
Navigational Aids (Navigational Facilities) at:		
Independent valuation 1995	**2 201**	2 203
Less: Accumulated depreciation	**768**	615
Cost	**10**	6
Less: Accumulated depreciation	**3**	2
	1 440	1 592
Total Infrastructure	**47 509**	46 582
Plant and Equipment at:		
Independent valuation 1995	**3 442**	3 779
Less: Accumulated depreciation	**2 103**	2 058
Cost	**3 790**	2 833
Less: Accumulated depreciation	**1 061**	699
Total Plant and Equipment	**4 068**	3 855
Work in Progress at:		
Cost	**2 027**	3 507
Total Non-Current Assets	**84 699**	85 144

Infrastructure and plant and equipment assets at valuation were revalued as at 1 July 1995. The independent valuation was undertaken on the basis of an assessment of recoverable amount and deprival value and was performed by Mr P Tilley FVLE [Val], AREI, REIV [Aust] of Edward Rushton Aust Pty Ltd.

8. Property, Plant and Equipment (continued)

The independent valuation undertaken as at 1 July 1995 grouped assets in terms of whether they directly related to the provision of ship or cargo related activities, or alternatively, provided only indirect support to port related activities or form part of other non-port related core activities (ie land management).

Land assets were revalued as at 30 June 1998. The independent valuation was undertaken on the basis of deprival value and was performed by Mr D Harris (AAPI).

The Corporation's Directors were satisfied that the Corporation's carrying values were not greater than their recoverable amount, given current economic indications.

9. Creditors and Borrowings

	2000 $'000	1999 $'000
Creditors		
Current:		
Amounts payable to suppliers and employees	**4 115**	4 477
Interest payable	**363**	720
	4 478	5 197
Borrowings		
Current	**5 000**	9 500
Non-Current	**11 841**	19 420
	16 841	28 920

All loans are provided by the South Australian Government Financing Authority (SAFA). Interest rates include both fixed and floating arrangements. Interest rates on floating borrowings are set quarterly at 0.17 percent below quoted 90 day bank bill rates. Repayment dates vary from 15 October 2000 to 15 September 2003. On all outstanding borrowings there is a 0.75 percent charge levied by the South Australian Department of Treasury and Finance reflecting the Guarantee provided by the South Australian Government on these borrowings.

9.1 Interest Rate Exposure

The Corporation is subject to interest rate exposures primarily through financial assets and liabilities. The following table summarises the extent of the Corporation's exposure within their maturity profiles, together with effective interest rates as at balance date.

2000

	Floating Interest Rate[(a)] $'000	**Fixed Interest Rate Maturing In: 1 Year or less $'000**	**Over 1 to 5 years $'000**	**More than 5 years $'000**	**Non-Interest Bearing $'000**	**2000 Total $'000**	**Average Interest Rate: Floating Percent**	**Fixed Percent**
Financial Assets:								
Cash	**3 637**	**-**	**-**	**-**	**-**	**3 637**	**5.58**	**-**
Trade debtors	**-**	**-**	**-**	**-**	**3 844**	**3 844**	**-**	**-**
	3 637	**-**	**-**	**-**	**3 844**	**7 481**	**-**	**-**
Financial Liabilities:								
Trade creditors	**-**	**-**	**-**	**-**	**4 115**	**4 115**	**-**	**-**
SAFA loans	**5 000**	**-**	**11 841**	**-**	**-**	**16 841**	**6.66**	**7.03**
	5 000	**-**	**11 841**	**-**	**4 115**	**20 956**		

1999

	Floating Interest Rate[(a)] $'000	Fixed Interest Rate Maturing In: 1 Year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-Interest Bearing $'000	1999 Total $'000	Average Interest Rate: Floating Percent	Fixed Percent
Financial Assets:								
Cash	11 663	-	-	-	-	11 663	4.75	-
Trade debtors	-	-	-	-	3 888	3 888	-	-
	11 663	-	-	-	3 888	15 551	-	-
Financial Liabilities:								
Trade creditors	-	-	-	-	4 477	4 477	-	-
SAFA loans	5 000	9 500	14 420	-	-	28 920	5.51	6.86
	5 000	9 500	14 420	-	4 477	33 397		

(a) Floating interest rates represent the most recently determined rate applicable to the instruments at balance date.

9.2 Net Fair Values of Financial Assets and Liabilities

The carrying amounts and estimated net fair values of financial assets and financial liabilities held at balance date are given below. Short term instruments, where carrying amounts approximate net fair values, are omitted. The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled, in a current transaction between willing parties after allowing for transaction costs.

	2000 Carrying Amount $'000	**2000 Net Fair Values $'000**	1999 Carrying Amount $'000	1999 Net Fair Values $'000
Financial Liabilities:				
Current debt	**5 000**	**5 056**	9 500	9 789
Non-current debt	**11 841**	**12 115**	19 420	19 941
	16 841	**17 171**	28 920	29 730

9.2 Net Fair Values of Financial Assets and Liabilities (continued)

The net fair values of short and long-term debt are estimated by discounting expected cash flows at the interest rates currently offered to the Corporation for debt of the same remaining maturity and security, plus costs expected to be incurred if the liability were settled at balance date.

10. Provisions

	2000	1999
	$'000	$'000
Current:		
Income Tax	**1 827**	3 268
Employee entitlements:		
Annual leave	**870**	869
Long service leave	**57**	64
Workers compensation	**499**	451
	3 253	4 652
Non-Current:		
Provision for deferred income tax	**2 518**	2 057
Employee entitlements:		
Long service leave	**2 307**	2 237
Workers compensation	**700**	197
	5 525	4 491
	8 778	9 143

11. Contributed Equity

	Opening Balance 1.7.99 $'000	Additions $'000	Reductions $'000	**Closing Balance 30.6.00 $'000**
Contributed equity	15 000	-	-	**15 000**

12. Reserves

	2000	1999
Asset Revaluation Reserve	**$'000**	$'000
Opening balance	**25 020**	26 205
Revaluation decrement on land	**(93)**	-
Reduction in reserves due to its realisation following sale of land	**-**	(1 185)
Closing Balance	**24 927**	25 020
Asset Development Reserve		
Opening balance	**2 500**	1 500
Asset Development Fund	**-**	1 000
Closing Balance	**2 500**	2 500
Total Reserves	**27 427**	27 520

13. Notes to Statement of Cash Flows

13.1 Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities

	2000		1999	
	$'000	**$'000**	$'000	$'000
Operating profit after income tax		**8 284**		10 038
Add (Less): Non-cash items in operating profit:				
Depreciation and amortisation	**2 922**		2 745	
Loss on disposed assets	**307**		544	
Profit on sale of assets	**(59)**		(14)	
Bad and doubtful debts	**18**		80	
		3 188		3 355
Changes in assets or liabilities:				
Decrease in receivables	**716**		1 721	
(Increase) Decrease in other assets	**(29)**		28	
(Increase) Decrease in inventory	**(3)**		60	
Decrease (Increase) in future income tax benefits	**177**		(50)	
(Decrease) Increase in creditors	**(266)**		264	
(Decrease) Increase in provision for income tax	**(1 441)**		2 590	
Increase in workers compensation provision	**551**		240	
Increase in provision for deferred income tax	**461**		994	
Increase in provision for employee entitlements	**64**		158	
		230		6 005
		3 418		9 360
Net Cash provided by Operating Activities		**11 702**		19 398

13.2 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, 'cash' includes cash on hand and at call deposits with financial institutions, investments in money market instruments maturing with less than two months and net of overdrafts.

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

	2000	1999
Reconciliation of Cash:	**$'000**	$'000
At call deposits with financial institutions	**3 594**	11 620
Cash advances	**43**	43
	3 637	11 663

13.3 Credit Standby and Loan Facilities

The Corporation has a bank overdraft facility amounting to $7 million. At 30 June 2000 none of this facility was utilised.

14. Contingent Liabilities

14.1 Container Crane Equipment Buy Back

Under the container terminal equipment sale arrangements the Corporation under specific circumstances may be liable to repurchase the equipment at the end of the current lease agreement in 2004. The net purchase price for this equipment is expected to be in line with the market value for the equipment at the time of repurchase. However due to the uncertainty associated with likely events at the time of the cessation of the current leasing arrangements no provision for this repurchase has been established.

Arrangements continued during the financial year to ensure that the cranes and other equipment are maintained in good operating condition. The Board will continue to monitor the circumstances of this event and will take action as appropriate.

14.2 Adelaide Brighton Cement Ltd

The proceedings undertaken by Adelaide Brighton Cement Ltd against the State of South Australia and South Australian Ports Corporation are continuing in both the Supreme Court and the High Court. The action seeks repayment of cargo services charges and harbour services charges imposed by the Corporation (and its predecessors). The claim is based on an assertion that the charges are excises and therefore constitutionally invalid. The action also includes a claim for money allegedly arising out of an interpretation of an agreement entered into in 1965.

This action continues to be strongly defended.

14.3 Environmental Issues

The Corporation has responsibilities for environmental management arising from shipping and cargo handling facilities within its ports and for any residual contamination on lands vested to the Corporation.

The Corporation works closely with the oil and shipping industries in the management of ship derived environmental issues. The Corporation provides resources and support to the national oil pollution response plan and has undertaken work on behalf of the Centre for Research into Introduced Marine Pests on port contamination arising from marine pests introduced through ballast water discharge or hull fouling.

The Corporation has in place an agreed Environmental Improvement Plan for the reduction of environmental issues arising from cargo handling activities. This plan has been in place for a number of years and is being implemented according to the defined programme.

Due to the nature of past business operations conducted on lands vested to the Corporation, potential residual environmental risk exposure may exist. The Corporation has undertaken a site history survey of lands vested to it, which indicated that the potential residual contamination is unlikely to present immediate problems and that remediation would potentially only be required if the land use changed.

The Corporation was granted Quality Certification to the Environmental Standard ISO 14001 during the year. The overall Environmental Management System, which includes an Environmental Management Plan provides the basis for the ongoing management of environmental issues.

As at balance date the detailed work undertaken by the Corporation had not identified in any detail any extent of possible remedial work required and hence the assessment of the financial impact and liability (if any) arising cannot be reliably estimated.

14.3 Retirement and Redundancy Claims

A third party operator has informed the Corporation that it would seek compensation from the Corporation for potential retirement and redundancy payments. The Corporation's solicitors have advised that the Corporation is not liable.

15. Remuneration Benefits

15.1 Directors Remuneration

	2000 Number of Directors	1999 Number of Directors
Number of Directors whose remuneration was due and receivable from the Corporation was within the following bands:		
\$10 000 - \$19 999	**-**	1
\$20 000 - \$29 999	**3**	3
\$30 000 - \$39 999	**1**	-

	2000 \$'000	1999 \$'000
Aggregate remuneration received or due and receivable by Directors for the year was	**115**	95

The names of the Directors who have held office during the financial year are:

Geoffrey Alfred Fry	Nicholas Roy Le Messurier
John Alfred Michell	Yvonne Sneddon

15.2 Directors Related Party Disclosure

The Directors of the Corporation, or their director-related entities, have transactions with the Corporation 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 transaction were undertaken with any other entity at arm's length in similar circumstances.

15. Remuneration Benefits (continued)

15.3 Remuneration of Officers

The number of employees whose income was within the following bands:

	2000 Number of Employees	1999 Number of Employees
$100 000 - $109 999	**15**	8
$110 000 - $119 999	**1**	2
$120 000 - $129 999	**2**	2
$130 000 - $139 999	**2**	-
$200 000 - $209 999	**-**	1
$240 000 - $249 999	**1**	-
	21	13

	2000 $'000	1999 $'000
Aggregate remuneration received or due and receivable by those employees within these bands including those on contract for the year was:	**2 419**	1 491

16. Auditors Remuneration

Amount received or due and receivable by the Corporation's Auditor for auditing of the accounts during 1999-2000 was $81 000 ($85 000).

17. Targeted Voluntary Separation Packages (TVSPs)

No TVSPs were offered during the financial year.

18. Consultants

Expenditure of $290 000 was incurred during 1999-2000 as a result of engaging consultants. These consultancies related to debt management advisory specialists, environmental reviews, actuarial assessments, tax and other professional services advice.

19. Commitments

	2000 $'000	1999 $'000
Capital Expenditure:		
Capital expenditure commitments contracted for and payable not later than one year	**471**	398
Operating Leases:		
Non-cancellable operating lease contracted for but not recognised in the accounts:		
Not later than one year	**386**	386
Later than one but not later than five years	**1 610**	1 582
Later than five years	**1 133**	1 547
	3 129	3 515
	3 600	3 913

The property lease is a non-cancellable lease with a 10 year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement required that the minimum lease payments shall be increased by the lower of CPI or 3.5 percent. An option exists to renew the lease at the end of the 10 year term for an additional five years.

20. Events Occurring After Reporting Date

At the time of balance date the Corporation was in the process of negotiating a number of transactions which are expected to be finalised in the early part of the 2000-01 financial year. These include:

- sale of land at Outer Harbour Port Adelaide for the development of storage/warehousing facilities;
- sale of land at Outer Harbour Port Adelaide to the Royal South Australian Yacht Squadron;
- transfer of the Corporation's ports of Cape Jervis, Penneshaw and Kingscote to Transport SA.

The financial effects of these transactions have not been brought to account this financial year.

SOUTH AUSTRALIAN TOTALIZATOR AGENCY BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

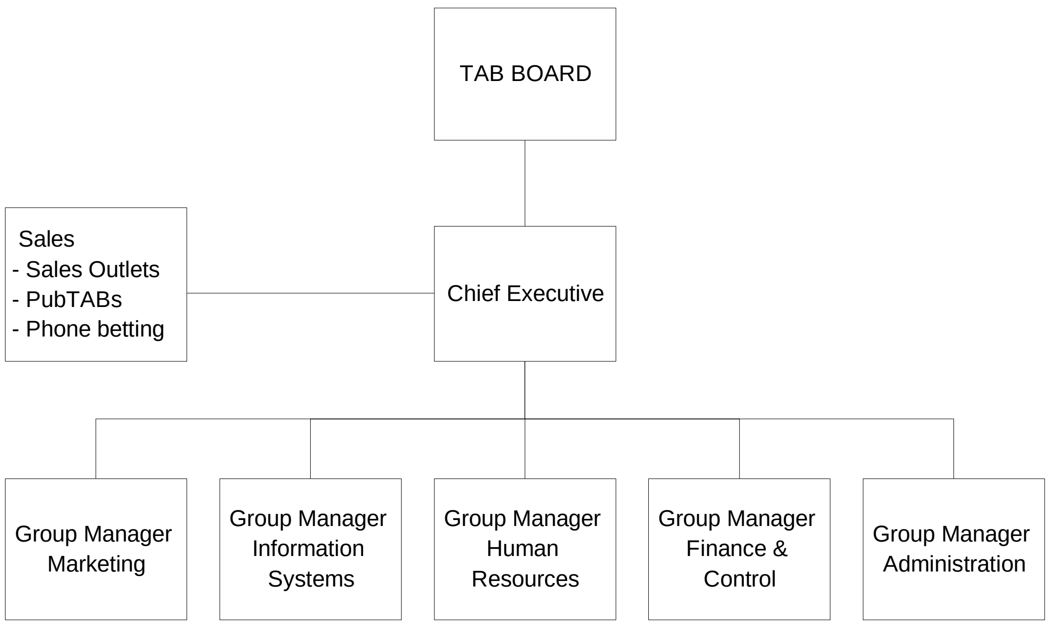
The South Australian Totalizator Agency Board (TAB), a body corporate, is constituted pursuant to the *Racing Act 1976*. The TAB is empowered by the *Racing Act 1976*, to conduct off-course totalizator betting on thoroughbred, harness and greyhound races held within or outside Australia, and to act as the agent of an authorised racing club in the conduct by that club of on-course totalizator betting. The TAB is also empowered to conduct off-course totalizator betting on football and other sporting events, held within or outside Australia as approved by the Minister.

The TAB is the licence holder of TABRadio. This investment provides for the availability of race broadcasting of events covered by the TAB and other racing information.

The controlling authorities for the three racing codes and football are the:

- South Australian Thoroughbred Racing Authority
- South Australian Harness Racing Authority
- South Australian Greyhound Racing Authority
- South Australian National Football League Inc

The structure of the TAB is represented as follows:



REVIEW OF GOVERNMENT OWNERSHIP

In February 1998, the South Australian Government announced that it was considering the sale of the South Australian Totalizator Agency Board. As a result, a scoping review was initiated to determine whether a sale was the best option for the State. The primary objective of the scoping review is to identify an appropriate commercial outcome for the Government which will determine its relationship with the TAB and will maximise financial returns while minimising the commercial risks.

Following the announcement of the scoping review, a Ministerial direction was given to the TAB pursuant to section 52 of the *Racing Act 1976* whereby certain restrictions were placed on the conduct and affairs of the TAB.

The scoping review continued throughout 1999-2000.

In February 2000, the Government announced the sale of the TAB and a Bill for the disposal of the TAB was introduced into Parliament in June 2000. The debate on the Bill was adjourned. In a subsequent media release, the Minister for Government Enterprises announced the delay of the legislation and stated that the legislation would be reintroduced at a later date.

SIGNIFICANT FEATURES

- Turnover for the year was $619.7 million ($620.3 million), a decrease of $600 000 (increase $27.3 million). The turnover attributable to Footypunt and other sporting events was $3.3 million ($2.5 million).
- $1.3 million was transferred from accumulated capital for distribution.
- The amount available for distribution increased by $430 000 (decrease $709 000) to $54.2 million ($53.8 million).
- The total distributions available to the Government and the Racing Industry were $22.4 million ($22.2 million) and $31.6 million ($31.4 million) respectively.
- Expenses relating to staffing costs and operations and services increased by $1.6 million ($4.9 million) to $42.5 million ($40.9 million).
- Agents fees decreased by $481 000 (increase $785 000) to $9.8 million ($10.2 million). Turnover by PubTABs was $305.9 million ($303.8 million) an increase of $2.1 million ($23.6 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 58 of the *Racing Act 1976*, provides for the Auditor-General to audit the accounts of the TAB in respect of each financial year.

Scope of Audit

The audit covered the major financial systems of the TAB and included an assessment of the adequacy of internal controls within those systems. The extent of audit coverage was influenced by the work performed by the Audit Department of the TAB. The specific areas of audit attention included:

- wagering system, including bets and dividends;
- expenditure, including accounts payable and salaries and wages;
- budgetary control and management reporting;
- non-current assets, including adequacy of asset register maintenance;
- internal audit activities;
- distributions.

Audit Communications to Management

Issues arising from the audit were communicated in a letter forwarded to the Chief Executive. The issues contained in that letter are discussed in ‘Audit Findings and Comments’ hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

While the overall internal control structure of the TAB was assessed as satisfactory, Audit has sought further clarification, on several issues, with respect to the response in relation to the Wagering System review conducted in 1998-99.

Last year's Report referred to an audit review undertaken in respect of some aspects of security and control exercised over the Wagering System. The Report indicated that the system was approximately 15 years old and as such certain limitations within the system can inhibit the effectiveness of the operating and control environment associated with system operation. This matter, together with other issues identified in the review (concerning finalisation of IT Strategy, security policy and system testing procedures) were reported to the Chief Executive in August 1999.

A response was received from the Chief Executive in January 2000. Management has developed an IT Strategy for consideration by the Board; a Security Policy has been formalised and implemented; and certain action progressed in relation to system testing. Regarding the operating life of the Wagering System, the Board has communicated to the responsible Minister in regard to this matter. The responsible Minister has formally indicated to the Board that the replacement of the current system has been the subject of consideration with other matters associated with the TAB sale process.

A follow up review of these matters during 1999-2000 highlighted several issues that required further clarification. These issues were referred to the Chief Executive in September 2000.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Totalizator Agency Board included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the South Australian Totalizator Agency Board in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Additional Distribution

It is a normal process for the TAB to advise the racing industry, usually in August of each year, of its expected distribution, for the forthcoming financial year, to the industry. In August 1999, the TAB advised the Racing Industry Development Authority that the distribution to the racing industry for 1999-2000 was expected to be $31.55 million. In order to facilitate the progress of negotiations with the South Australian racing industry in relation to the sale of the TAB, Cabinet, in March 2000, guaranteed the distribution to the racing industry at the estimate advised by TAB in August 1999.

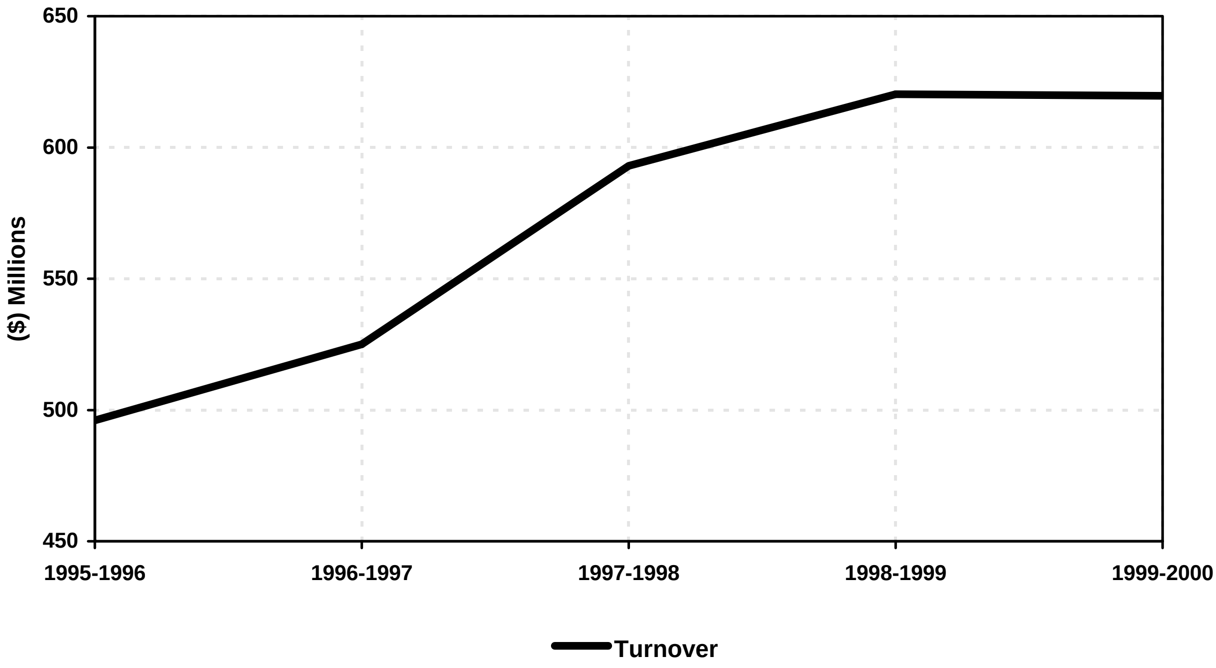
The results for the year revealed a shortfall in distribution to the racing industry of $717 000. The TAB met the shortfall through utilisation of funds within accumulated capital (other capital). These funds represented a portion of the proceeds from the sale of assets over a number of years.

The amount transferred from accumulated capital was $1.3 million and was distributed, in accordance with subsection 69 (2) of the *Racing Act 1976*, to the various racing authorities $717 000 and to the Treasurer $587 000.

Turnover

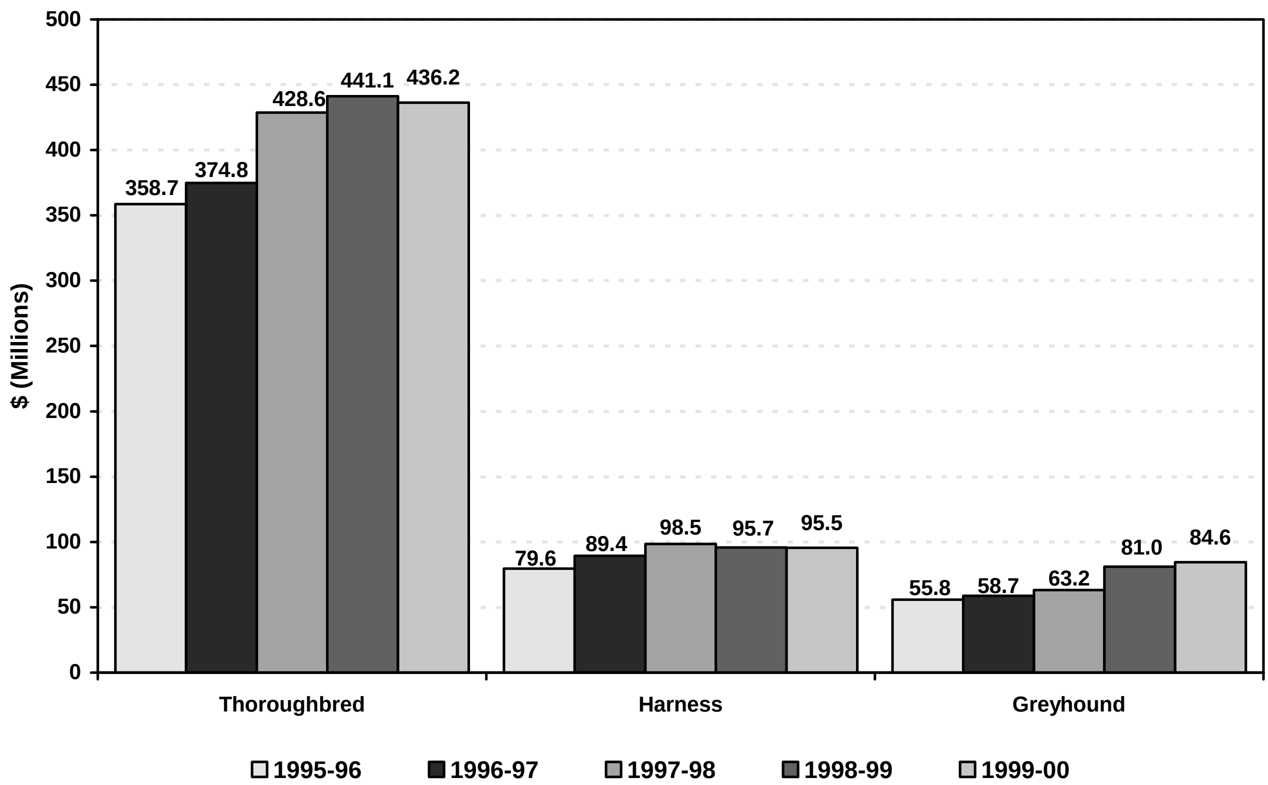
Turnover decreased by $600 000 to $619.7 million. The following graph shows the turnover for the last five years.

Five Year Analysis of Turnover



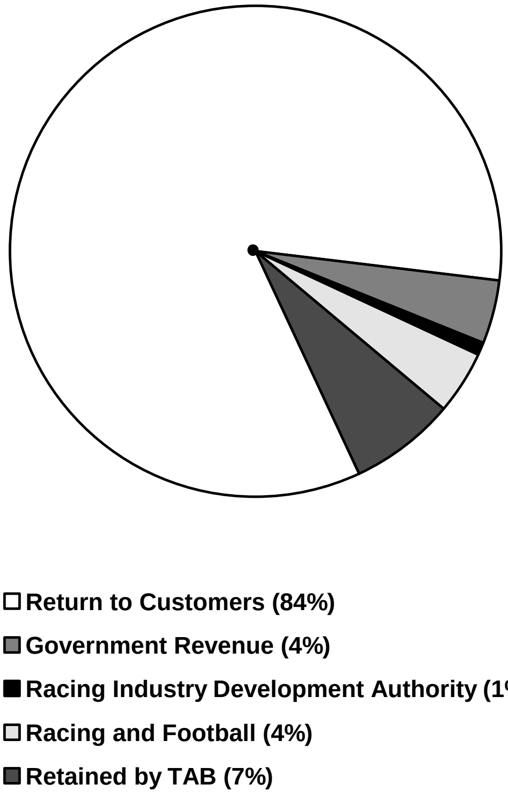
The sources of turnover, for the last five years, from racing are summarised as follows:

Sources of Turnover

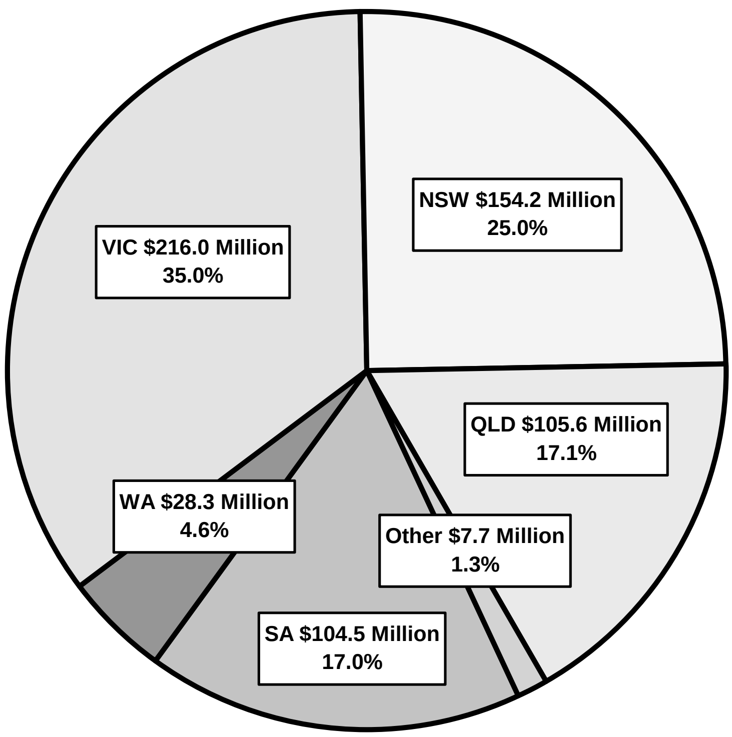


In 1999-2000, 84 percent of investments with the TAB were returned, by way of dividends, to customers. The percentage distribution of turnover is represented in the following manner:

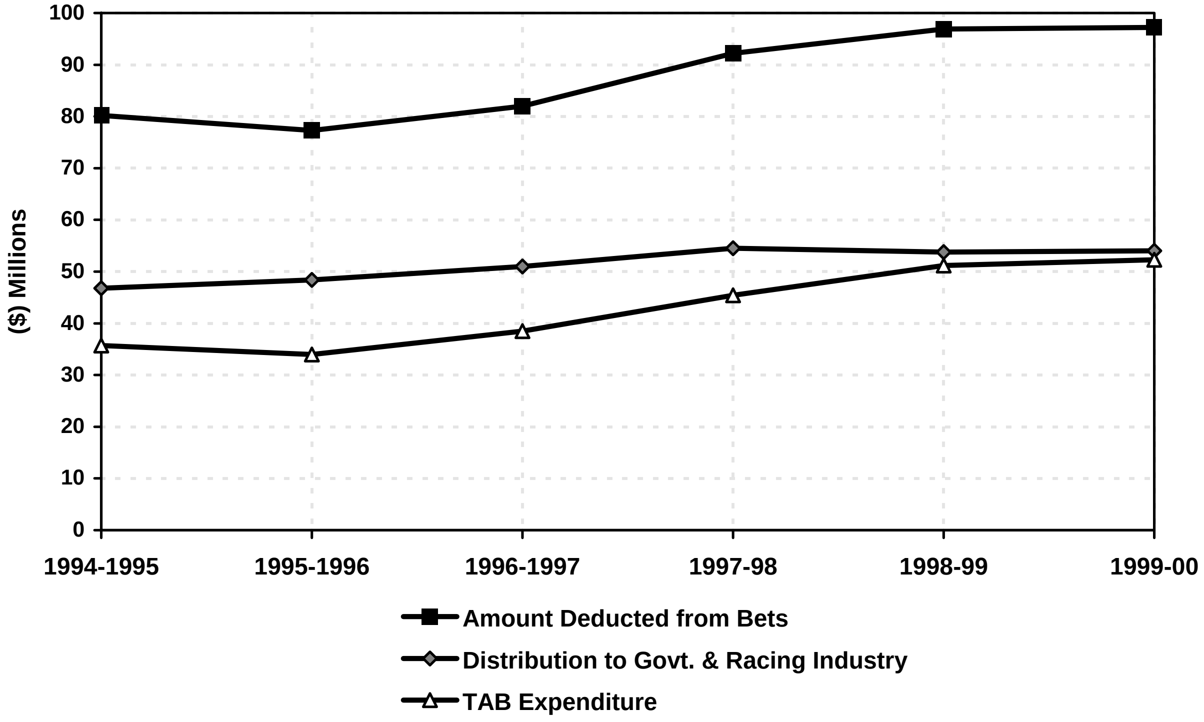
Distribution of Turnover for 1999-2000



Racing Turnover by State Event 1999-2000



Expenditure — Deduction, Distribution to Government and the Racing Industry and TAB Expenditure



The revenue available to the TAB to meet its operating expenses and to provide for distribution and retention increased by $136 000 ($5.8 million).

This was offset by the following variations in operating expenses:

- An increase in operations and services of $1.3 million to $26.3 million. Reflected in this was an increase in:
  - pooling costs of $1 million to $4.4 million. This is predominantly due to fees associated with pool settlements paid to the TAB,
  - product supply costs, including racing information and broadcasting/satellite costs, of $725 000 to $8.5 million.
- An increase in staffing costs of $235 000.
- A decrease in Agent's fees of $481 000.

In addition, $1.3 million was transferred from accumulated capital for distribution following a shortfall in turnover.

FURTHER COMMENTARY ON OPERATIONS

Sources of Turnover

The following table shows turnover for the past three years:

	1999-2000		1998-99		1997-98	
	$'000	**% of Turnover**	$'000	% of Turnover	$'000	% of Turnover
Metropolitan sales outlets	**206 009**	**33**	210 032	34	213 227	36
Country sales outlets	**15 486**	**3**	17 127	3	18 962	3
PubTABs	**305 881**	**49**	303 847	49	280 219	47
Telephone betting	**92 293**	**15**	89 294	14	80 663	14
	619 669	**100**	620 300	100	593 071	100

Personnel Employed

Personnel employed at 30 June for the past three years were:

	2000	1999	1998
Full-time	**128**	124	112
Part-time/Casual	**421**	460	448
	549	584	560

Agencies

The number of sales outlets and PubTABs operating at 30 June was 77 (80) and 306 (308) respectively.

Statement of Financial Position

Net assets were $15.4 million, a decrease of $1.7 million. Reflecting in this was:

- A net decrease in property, plant and equipment of $745 000 to $10.8 million which included:
  - — acquisitions of plant and equipment of $2.9 million,
  - — depreciation charges of $3.3 million,
  - — proceeds from the sale of property, plant and equipment of $148 000.

Operating Statement for the year ended 30 June 2000

	Note	2000 $'000	1999 $'000
OPERATING INCOME:			
Turnover		**619 669**	620 300
Fractions and unclaimed dividends		**6 872**	6 782
Other revenue		**4 311**	4 428
Total Operating Income	2	**630 852**	631 510
OPERATING EXPENSES:			
Dividends paid to customers		**522 459**	523 376
Staffing costs		**16 142**	15 907
Agents' fees		**9 768**	10 249
Operations and services		**26 361**	25 029
Total Operating Expenses		**574 730**	574 561
OPERATING PROFIT BEFORE ABNORMAL ITEMS AND INCOME TAX	3(a)	**56 122**	56 949
Abnormal items before income tax	3(b)	**-**	(2 089)
OPERATING PROFIT BEFORE INCOME TAX	24	**56 122**	54 860
Income tax attributable to operating profit	4,6	**6 836**	6 779
OPERATING PROFIT AFTER INCOME TAX		**49 286**	48 081
Profit on extraordinary items	5,6	**-**	13
OPERATING PROFIT AND EXTRAORDINARY ITEMS AFTER INCOME TAX		**49 286**	48 094
TOTAL AVAILABLE FOR APPROPRIATION		**49 286**	48 094
Distribution provided for or paid	6	**47 361**	46 988
Amounts transferred from (to) reserves	3(b), 17	**1 304**	(2 089)
Amounts transferred to reserve for Capital Fund	6(c)	**3 229**	3 195
RETAINED PROFITS AT 30 JUNE		**-**	-

Statement of Financial Position as at 30 June 2000

	Note	2000 $'000	1999 $'000
CURRENT ASSETS:			
Cash		**2 314**	1 673
Receivables	7	**120**	115
Investments	8	**24 391**	23 176
Inventories	9	**844**	1 221
Other	10	**1 228**	1 714
Total Current Assets		**28 897**	27 899
NON-CURRENT ASSETS:			
Investments	11	**67**	67
Property, plant and equipment	12	**10 750**	11 495
Total Non-Current Assets		**10 817**	11 562
Total Assets		**39 714**	39 461
CURRENT LIABILITIES:			
Accounts payable	13	**3 001**	2 857
Provisions	14	**1 934**	1 997
Other	15	**19 005**	17 300
Total Current Liabilities		**23 940**	22 154
NON-CURRENT LIABILITIES:			
Provisions	16	**348**	201
Total Non-Current Liabilities		**348**	201
Total Liabilities		**24 288**	22 355
NET ASSETS		**15 426**	17 106
FUNDS AND RESERVES:			
Accumulated capital	17	**15 426**	17 106
TOTAL FUNDS AND RESERVES		**15 426**	17 106
Commitments	21		
Contingent Liabilities	22		

Statement of Cash Flows for the year ended 30 June 2000

	Note	2000 Inflows (Outflows) $'000	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**619 669**	620 300
Rental received		**1 034**	1 021
Interest and bill discounts received		**1 165**	1 199
Proceeds from sundry activities		**1 803**	1 635
Proceeds from refunds outstanding		**317**	823
Increase (Decrease) in refunds outstanding		**33**	(370)
Proceeds from unclaimed dividends		**1 567**	1 541
Decrease in unclaimed dividends		**(24)**	(83)
Proceeds from fractions		**5 305**	5 241
Payment of dividends to customers		**(522 459)**	(523 376)
Payments to suppliers and employees		**(50 995)**	(52 192)
Increase in telephone betting deposits		**249**	223
Proceeds from extraordinary item	5	**-**	128
Payment of extraordinary item	5	**-**	(115)
Net Cash provided by Operating Activities	24	**57 664**	55 975
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		**(3 223)**	(5 786)
Proceeds from sale of property, plant and equipment		**148**	879
Net Cash used in Investing Activities		**(3 075)**	(4 907)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Distributions paid		**(52 733)**	(53 503)
Net Cash used in Financing Activities		**(52 733)**	(53 503)
NET INCREASE (DECREASE) IN CASH HELD		**1 856**	(2 435)
CASH AT 1 JULY		**24 849**	27 284
CASH AT 30 JUNE	24	**26 705**	24 849

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Accounting Policies

The accounts have been prepared in accordance with the *Racing Act 1976*, the requirements of the Accounting Policy Statements issued by the Treasurer pursuant to the *Public Finance and Audit Act 1987*, the Statements of Accounting Concepts, applicable Australian Accounting Standards (except where otherwise noted), and, as far as practicable, with the disclosure requirements of the Australian Accounting Standards Board AASB 1034 'Information to be Disclosed in Financial Reports' and paragraph 4 of Australian Accounting Standards Board AASB 1017 'Related Party Disclosures'. The accounts have been prepared on the basis of historical cost and do not take into account changes in money values, or expect where stated, current valuations of non-current assets. The accounting policies adopted have been consistently applied, unless otherwise stated.

The policies are continuously reviewed to reflect the current status of the organisation. In the current year, recognition of the potential sale together with ongoing growth and development has led to accounting changes in the:

(i) accumulated capital account;
(ii) long service leave provision;
(iii) provision for obsolete stock.

These changes are detailed throughout the Accounts and Notes.

(a) Income Tax Equivalent Regime

Pursuant to a Ministerial Direction and Treasurer's Instruction 22, an income tax equivalent regime applies to the SA TAB. The regime requires the SA TAB to pay amounts (to the South Australian Government as part of its distribution) deemed equivalent to that which would have been paid to the Commonwealth if it was not exempt from the taxation laws of the Commonwealth.

The income tax equivalent regime has been applied in a manner that is consistent with the requirement, pursuant to section 69(2) of the *Racing Act 1976*, to pay 45 percent of the balance remaining, after deducting the amount of the payments required by subsection (1a) of Section 69, to the Treasurer to be credited to the Hospitals Fund.

As a result of the application of the income tax equivalent regime, the transfer of funds to the Hospitals Fund has been reflected in the financial statements as:

(i) income tax attributable to operating profit;
(ii) profit distributable to the South Australian Government (refer Note 6).

(b) Investments

Current Assets

The investments in short term financial instruments are valued at cost.

1. Accounting Policies (continued)

(c) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or at independent valuation. The carrying amount of property, plant and equipment is reviewed annually by the SA TAB to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed on the basis of SA TAB's assessment of the assets' current valuation.

Property, plant and equipment including buildings but excluding freehold land, are depreciated/amortised on the straightline basis over their useful lives from the date of acquisition.

The depreciation rates used for each class of asset are within the following ranges:

	Percent
Buildings	1.5
Plant and equipment	10 - 33.3

Since July 1981 assets acquired by the SA TAB have been funded at the time of purchase from a Capital Fund which was established pursuant to the *Racing Act 1976*, to finance asset purchases. The annual write-down of the carrying amount of the Capital Fund assets has not been charged to the Operating Statement but to Accumulated Capital to reflect the reducing service potential of Fund assets. Consequently, the legislative requirements mean that it is not appropriate to apply the provisions of Australian Accounting Standard AAS 4 'Depreciation'.

(d) Revaluation of Non-Current Assets

The land and buildings of the SA TAB are independently valued every three years. Valuations are performed on the basis of current market values (refer Note 12).

(e) Inventories

Inventories are carried at the lower of cost and net realisable value.

(f) Employee Entitlements

(i) Long Service Leave

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to balance date. Liabilities for employee entitlements which are not expected to be settled within 12 months are discounted using the interest rate applicable to 10 year Commonwealth Government bonds at balance date. In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates. Related on-costs have also been included in the liability.

This policy has changed since last year. The previous policy followed advice from the Department of Treasury and Finance that SA TAB could use a benchmark used by agencies for the 'short hand' calculation of long service leave in accordance with the provisions of Australian Accounting Standard Board AASB 1028 'Accounting for Employee Entitlements'. The benchmark number of years was eight. The current policy does not follow the 'short hand' technique it follows the requirements of AASB 1028 as described above for each employee. The financial effect of the change for the current year is to recognise an additional charge of $206 000.

(ii) Annual Leave

The annual leave liability recognised in the accounts represents the amount unpaid at the reporting date, at current pay rates in respect of employees' services up to that date.

(iii) Sick Leave

No provision has been made in respect of sick leave, as on average, sick leave taken is less than the total entitlements that accrue each year.

(iv) Superannuation

The SA TAB contributes to separate externally managed superannuation funds. Contributions are charged as an expense in the period in which they occur.

(g) Leased Non-Current Assets

Operating lease payments are charged as an expense in the period in which they are incurred.

(h) Requirements of the* Racing Act 1976 *and Other Related Matters

(i) Fractions

- *Racing*

  Section 76 of the *Racing Act 1976*, provides for fractions to accrue to the SA TAB for payment in equal shares to the South Australian Government and the Racing Industry Development Authority Fund.

- *Football*

  Section 84G of the *Racing Act 1976*, provides for fractions to accrue to the SA TAB for payment in equal shares to the South Australian Government and the South Australian National Football League Inc.

(ii) Unclaimed Dividends

Unclaimed dividends for a period of less than six months are recorded as a current liability.

- *Racing*

  Section 78 of the *Racing Act 1976*, provides for dividends unclaimed for a period of six months to accrue to the SA TAB for payment in equal shares to the South Australian Government and the Racing Industry Development Authority Fund.

(ii) *Unclaimed Dividends (continued)*

- *Football*

  Section 84H of the *Racing Act 1976*, provides for dividends unclaimed for a period of six months to accrue to the SA TAB for payment in equal shares to the South Australian Government and the South Australian National Football League Inc.

(iii) *Refunds Outstanding*

In accordance with Board policy the SA TAB records Refunds Outstanding for a period of less than six months as a liability. Refunds Outstanding more than six months accrue to the SA TAB as general revenue and form part of trading distributions.

(iv) *Racing Industry Development Authority*

Section 69(1a)(b) of the *Racing Act 1976*, provides for 1 percent of turnover from doubles and 1.4 percent of turnover from multiple betting made with the SA TAB to be payable to the Racing Industry Development Authority Fund.

(i) ***Comparative Figures***

Comparative figures are where appropriate, reclassified so as to be comparable with the figures presented for the current financial year.

2. Operating Revenue

	2000	1999
	$'000	$'000
Turnover	**619 669**	620 300
Other Revenue:		
Interest received/receivable	**1 152**	1 122
Rental Income	**1 034**	1 026
Fractions	**5 305**	5 241
Unclaimed dividends	**1 567**	1 541
Outstanding refunds	**317**	823
On-course costs recovered	**737**	605
Sundry income	**1 071**	852
	630 852	631 510
Abnormal item – refer Note 3(b)	**-**	(2 089)
	630 852	629 421

3. Operating Profit

	2000	1999
(a) Operating profit before abnormal items and tax is arrived at after crediting and charging the following items:		
Credits:		
Interest received/receivable	**1 152**	1 122
Charges:		
Other Provisions:		
Employee entitlements	**916**	888
Rental expenses relating to operating leases	**2 838**	2 648
(b) Operating profit after tax is also arrived at after crediting and charging the following abnormal item:		
Transfer of capital fund interest (no applicable income tax (Note 1(a))	**-**	(2 089)

In 1998 Capital Fund interest was brought to account for the following reasons:

The *Racing Act 1976* requires the TAB to withhold a percentage of turnover to be applied towards future capital purchases. The money withheld is maintained in a Capital Fund. The Capital Fund was first established in January 1977 and the percentage contributed each year has varied between 0.5 percent and 1 percent.

The Racing Act does not specify how interest earned and relating to the Capital Fund should be treated for accounting and distribution purposes.

In previous years the interest earned on the Capital Fund was either added to the fund balance thus providing a greater amount for future capital purchases or brought to account as income in the Operating Statement and included with the regular distributions to the Industry and Government.

Past treatment has been as follows:

In the years 1977 to 1981 the interest was included in the Operating Statement.

In 1982 interest for that year together with interest for 1977 to 1981 was capitalised.

In the years 1983 to 1993 the interest was included in the Operating Statement.

In the year 1994 to 1997 the interest was capitalised.

In 1998 interest for that year was included in the Operating Statement. In addition interest for the years 1994 to 1997 (previously capitalised) was included in the Operating Statement.

In the 1998 accounts interest was included in the profit on the basis that this treatment was in accordance with the requirements of the Accounting Standards for the recognition of income.

The Auditor-General confirmed that this accounting treatment was in accordance with the requirements of the Accounting Standards for the recognition of income.

(b) Operating profit after tax is also arrived at after crediting and charging the following abnormal item (continued)

Due to the varied treatment over the past years and to ensure the correct treatment of this item for accounting and distribution purposes the Board sought legal advice on its obligations. The legal advice received from the Crown Solicitor differed with legal advice received from other solicitors and an opinion from senior counsel.

In the 1999 year the above treatment was reversed following a Direction from the Minister. The treatment for the 1999 and prior years and future years follows that Direction and requires that all interest on the Capital Fund be recognised as income in the Operating Statement and that the interest is then transferred to the Capital Fund.

	2000	1999
4. Income Tax	**$'000**	$'000
Income tax attributable to income tax equivalent regime (Note 1(a))	**6 836**	6 779
5. Extraordinary Items		
(i) Sales tax refund (no applicable income tax (Note 1(a))	**-**	128
(ii) Scoping review costs (no applicable income tax (Note 1(a))	**-**	(115)
	-	13
6. Distributions and Retentions		
(a) Distribution Recipients		
(i) Ordinary:		
South Australian Thoroughbred Racing Authority	**19 129**	19 094
South Australian Harness Racing Authority	**4 555**	4 546
South Australian Greyhound Racing Authority	**2 342**	2 338
Racing Industry Development Authority	**5 524**	5 460
Total Racing Industry	**31 550**	31 438
South Australian National Football League Inc	**221**	102
South Australian Government	**22 426**	22 214
	54 197	53 754
(ii) Extraordinary:		
South Australian Thoroughbred Racing Authority	**-**	5
South Australian Harness Racing Authority	**-**	1
South Australian Greyhound Racing Authority	**-**	1
Total Racing Industry	**-**	7
South Australian Government	**-**	6
	-	13
Total Ordinary and Extraordinary	**54 197**	53 767
(b) Distribution Source		
(i) Trading:		
Racing	**44 799**	44 705
Footypunt	**434**	192
Other	**-**	1
	45 233	44 898
(ii) Non Trading:		
Fractions	**5 305**	5 241
Unclaimed dividends	**1 567**	1 541
Doubles and Multiples	**2 092**	2 074
	8 964	8 856
(iii) Extraordinary:		
Sales tax refund	**-**	128
Scoping review costs	**-**	(115)
	-	13
Total Trading, Non Trading and Extraordinary	**54 197**	53 767
(c) Retentions:		
Capital Fund	**3 229**	3 195
7. Current Assets - Receivables		
Debtors	**120**	115
8. Current Assets - Investments		
Investments	**19 135**	13 974
Short-term deposits	**1 115**	5 367
Section 69 - Capital Fund Investments(i)	**2 416**	2 193
Capital Infrastructure Fund	**1 725**	1 642
	24 391	23 176
(i) Section 69 Capital Fund		
Balance at 1 July	**2 193**	2 725
Add: 0.5 percent of racing turnover and 1 percent of sports turnover	**3 114**	3 114
Interest on funds	**115**	81
	5 422	5 920
Assets financed from the Fund	**(3 006)**	(5 816)
Abnormal item (Note 3(b))	**-**	2 089
Balance at 30 June	**2 416**	2 193

		2000	1999
9.	**Current Assets - Inventories**		
	At cost:	**$'000**	$'000
	Betting ticket stock	**605**	887
	Terminal maintenance stock	**227**	208
	Other stocks	**122**	126
	Less provisions for obsolete stock	**(110)**	-
		844	1 221
10.	**Current Assets - Other**		
	Prepayments	**319**	304
	Other Debtors	**900**	1 389
	Accrued income	**9**	21
		1 228	1 714
11.	**Non-Current Assets - Investments**		
	Unlisted Investments:		
	Shares - At cost	**67**	67

SA TAB holds 50 percent of the ordinary shares of TAB Radio Facilities Pty Ltd, a company jointly owned with Festival City Broadcasters Ltd.

		2000	1999
12.	**Non-Current Assets - Property, Plant and Equipment**		
	Freehold Land (Note 1(d)):		
	At independent valuation 1999	**1 050**	1 050
	At cost	**313**	313
		1 363	1 363
	Buildings (Note 1(d)):		
	At independent valuation 1999	**320**	320
	Accumulated depreciation	**(8)**	-
		312	320
	Plant and Equipment (Note 1(c)):		
	At cost	**36 476**	34 745
	Accumulated depreciation	**(27 401)**	(24 933)
		9 075	9 812
	Total Property, Plant and Equipment - Net Book Value	**10 750**	11 495
13.	**Current Liabilities - Accounts Payable**		
	Trade creditors and accruals	**3 001**	2 857
14.	**Current Liabilities - Provisions**		
	Employee entitlements:		
	Annual leave	**673**	602
	Long service leave	**1 022**	1 147
		1 695	1 749
	On-costs associated with employee entitlements	**239**	248
		1 934	1 997
15.	**Current Liabilities - Other**		
	Distributions payable	**14 063**	12 616
	Unclaimed dividends (Note 1(h))	**993**	1 017
	Refunds outstanding (Note 1(h))	**196**	163
	Telephone betting deposits	**3 753**	3 504
		19 005	17 300
16.	**Non-Current Liabilities - Provisions**		
	Employee entitlements:		
	Long service leave	**300**	178
	On-costs associated with employee entitlements	**48**	23
		348	201

17. Accumulated Capital

The Accumulated Capital balance is comprised primarily of funds provided from racing turnover. The actual cash funds available for capital expenditure is $2.416 million (refer Note 8) plus the amount in the Capital Infrastructure Fund $1.725 million (refer Note 8).

As SA TAB's assets are purchased from section 69 Capital Fund, the accounting treatment to introduce the transactions into the financial records of SA TAB is to charge the Fund account with the cost of the assets, with a contra entry to the Accumulated Capital account.

	Capital Fund		Other Capital		Total	
	2000	1999	**2000**	1999	**2000**	1999
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Balance at 1 July	**2 193**	2 725	**14 913**	15 407	**17 106**	18 132
Net increase (decrease) (refer Note 8)	**223**	(532)	**-**	-	**223**	(532)
Net asset movements	**-**	-	**(599)**	(494)	**(599)**	(494)
Transfer from reserves	**-**	-	**(1 304)**	-	**(1 304)**	-
Balance at 30 June	**2 416**	2 193	**13 010**	14 913	**15 426**	17 106

18. Directors' Remuneration

	2000	1999
Total income received or due and receivable by all Directors of the economic entity:	$'000	$'000
Directors' fees	**136**	118

The number of Directors of the Board whose income from the economic entity falls within the following bands	2000 Number of Directors	1999 Number of Directors
$0 - $9 999	**-**	4
$10 000 - $19 999	**2**	6
$20 000 - $29 999	**3**	-
$30 000 - $39 999	**1**	-

19. Executives' Remuneration

	2000	1999
Total remuneration package received, or due and receivable including, lump sum payments associated with redundancies from the economic entity by Executive Officers whose remuneration package exceeds $100 000	$'000 **643**	$'000 566

The number of Executive Officers whose remuneration package from the economic entity falls within the following bands:	2000 Number of Executives	1999 Number of Executives
$100 000 - $109 999	**1**	1
$110 000 - $119 999	**-**	2
$120 000 - $129 999	**2**	-
$220 000 - $229 000	**-**	1
$280 000 - $289 999	**1**	-

20. Auditor's Remuneration

	2000	1999
Remuneration for audit or review of the financial reports of the SA TAB:	$'000	$'000
Auditors of the SA TAB: Auditor-General of South Australia	**87**	88

21. Commitments

(i) Superannuation Commitments

The SA TAB Staff Superannuation Fund provides defined benefits on resignation, retirement, death or disability.

An actuarial assessment of the Fund as at 1 July 1999 was carried out by NSP Buck Pty Ltd. The next actuarial review will be carried out as at 1 July 2002.

Following actuarial advice, the SA TAB reduced the rate of contributions paid to the SA TAB Staff Superannuation Fund from 2 percent of members base salary to nil with effect from 1 December 1999. The SA TAB contributed $59 000 ($151 000) to the Fund during the year in respect of defined benefits. In addition, the SA TAB contributed $53 000 ($91 000) in respect of members to provide additional accumulation style benefits. These contributions were also suspended from 1 December 1999 following actuarial advice.

The defined benefit structure of the Fund and the size of the Fund's assets are both of a sufficient level to ensure that even though SA TAB contributions have been suspended, the security of members' benefits was retained and that all legislative requirements remain satisfied. These requirements include those of the *Superannuation Guarantee (Administration) Act 1992*.

Additionally, the SA TAB paid $730 500 ($691 000) in contributions to the Southern State Superannuation Scheme on behalf of employees who were non-Fund members. These contributions relate to the Superannuation Guarantee Levy.

(ii) Lease Commitments

	2000	1999
Non-Cancellable Operating Leases:	$'000	$'000
Not later than one year	**2 597**	2 365
Later than one year and not later than five years	**6 734**	5 543
Later than five years	**4 100**	2 698
	13 431	10 606

The operating lease commitments are not recognised in the accounts as liabilities.

The property leases are non-cancellable leases, with rental payable monthly in advance. Contingent rental provisions within lease agreements require lease payments to be reviewed every two years and to be adjusted either in line with market rates or the Consumer Price Index. Options exist to renew the leases at the end of their terms.

(iii) Capital Expenditure Commitments

Contracted but not provided for and payable:		
Not later than one year	**81**	310

22. Contingent Liabilities

The SA TAB is aware of a potential claim for breach of lease obligations. The claim has not been quantified.

Proceedings have been lodged against TAB for an alleged breach of contract. The TAB is currently defending the claim. The maximum exposure for TAB is $5 000.

23. Related Parties' Disclosure

During the financial year the following persons held the position of Board Member of the SA TAB:

Mr John G Branson, LL.B (Presiding Member)	
Reappointed Presiding Member	15.4.2000 to 14.4.2001
Reappointed	15.4.2000 to 14.4.2001
Mr William (Bill) A Dawson	
Appointed	15.6.2000 to 14.4.2001
Ms Janet E Grieve	
Reappointed	15.4.2000 to 14.4.2001
Mr David J Seymour-Smith	
Reappointed	15.4.2000 to 14.4.2001
Ms Vickie A Chapman, LL.B, GDLP	
Reappointed	15.4.2000 to 14.4.2001
Mr Richard P Krantz, FCA	
Reappointed	15.4.2000 to 14.4.2001
Mr John M Patten, B.Ec, FCA	
Reappointed	15.4.2000 to 14.4.2001

Details of Directors' remuneration are set out in Note 18.

No Director has, since becoming a Director of the SA TAB, entered into a contact or transaction with the SA TAB.

Mr Seymour-Smith also holds the office of Presiding Member of the Racing Industry Development Authority.

Mr Branson holds a $1.00 ordinary share in SA TAB Staff Superannuation Fund Pty Ltd, the trustee company of the SA TAB's staff superannuation fund.

Apart from the above interests, no Directors have a pecuniary interest, either direct or indirect, in any firm, trust or company with which the SA TAB or any entity controlled by the SA TAB, had entered into a transaction during 1999-2000.

24. Statement of Cash Flows

(i) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, and short-term investments in money market instruments.

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:	**2000** **$'000**	1999 $'000
Cash	**2 314**	1 673
Short-term investments	**24 391**	23 176
	26 705	24 849

(ii) Reconciliation of Net Cash provided by Operating Activities to Profit from Operations

Profit from operations	**56 122**	54 860
Add: Abnormal item	**-**	2 089
Add: Extraordinary items	**-**	13
Change in operating assets and liabilities	**1 284**	(757)
Telephone betting deposits	**249**	223
Refunds outstanding	**33**	(370)
Unclaimed dividends outstanding	**(24)**	(83)
Net Cash provided by Operating Activities	**57 664**	55 975

25. Consultancies

Amounts paid for consultancies	**275**	364

26. Additional Financial Instruments Disclosure

(a) Credit Risk Exposure

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

The economic entity is not materially exposed to any individual overseas country or individual customer.

The credit risk on financial assets of the economic entity, is generally the carrying amount, net of any provision for doubtful debts.

(b) Interest Rate Risk Exposure

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

The economic entity has investments placed in a portfolio managed by an independent investment manager. The fund manager may enter into interest rate swaps, futures contracts, interest rate options and other forms of agreements to manage cash flow risks associated with the interest rates on investments that are floating, or alter interest rate exposures.

(b) Interest Rate Risk Exposure (continued)

		2000					
		Floating Interest Rate	One Year or Less	Over one to five years	More than five years	Non-Interest Bearing	**2000 Total**
Financial Assets:	Note	$'000	$'000	$'000	$'000	$'000	**$'000**
Cash		-	-	-	-	2 314	**2 314**
Receivables	7	-	-	-	-	120	**120**
Investments	8	2 917	16 737	2 008	2 729	-	**24 391**
Other	10	-	-	-	-	900	**900**
Total		2 917	16 737	2 008	2 729	3 334	**27 725**
Weighted average interest rate		5.68%	5.53%	5.75%	6.38%	-	**-**
Financial Liabilities:							
Trade creditors	13	-	-	-	-	3 001	**3 001**
Other	15	-	-	-	-	19 005	**19 005**
Total		-	-	-	-	22 006	**22 006**

	1999					
	Floating Interest Rate	One Year or Less	Over one to five years	More than five years	Non-Interest Bearing	1999 Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets	10 423	11 732	1 021	-	3 177	26 353
Weighted average interest rate	4.81%	5.01%	6.25%	-	-	
Financial Liabilities:	-	-	-	-	20 157	20 157

(c) Net Fair Value of Financial Assets and Liabilities

On-Statement of Financial Position

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities of the economic entity approximate their carrying value.

The net fair value of investments placed in a portfolio managed by an independent investment manager are based on the current book value and interest has been accrued to current market value.

SOUTH AUSTRALIAN WATER CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The South Australian Water Corporation (the Corporation) was established on 1 July 1995 pursuant to the *South Australian Water Corporation Act 1994* (the Act).

Application of the *Public Corporations Act 1993*

The South Australia Water Corporation is a public corporation subject to the provisions of the *Public Corporations Act 1993*. That Act requires a charter and performance statement to be prepared by the Corporation's Minister and the Treasurer after consultation with the Corporation. The charter for the Corporation outlines:

- the nature and scope of commercial and non-commercial activities, including financial investment activities;
- financial standards and reporting, including interim reports on operations; the form and content of accounts and financial statements; and accounting and internal auditing systems and practices;
- the operating environment of the Corporation, asset management and control and the basis for setting fees and charges.

Objectives and Functions

The key objectives of the Corporation are to:

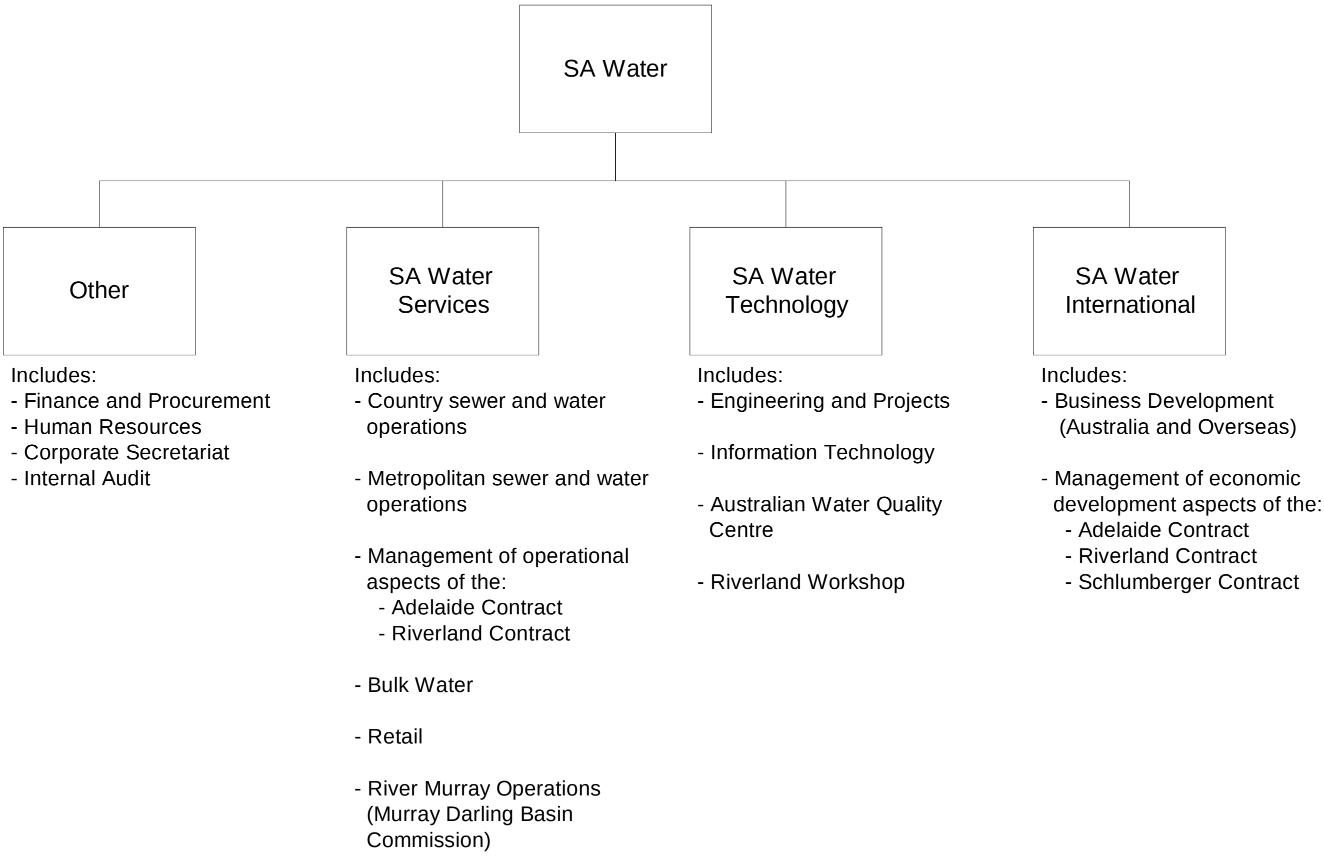
- ensure South Australia's water and wastewater services are operated in a way which provides continuous, high quality supply, protects the health of the public, and minimises environmental impacts;
- ensure South Australia's water and wastewater services are operated in a commercial manner, delivering high quality value-for-money services to customers and adequate financial returns to the Government as owner within the context of government pricing decisions;
- facilitate the development of a viable, export-focused, vigorous water industry in South Australia.

The primary functions of the Corporation in accordance with the Act are to provide services for the:

- supply of water by means of reticulated systems;
- storage, treatment and supply of bulk water;
- removal and treatment of wastewater by means of sewerage systems.

Additional functions of the Corporation as set out in the Act include researching and undertaking works to improve water quality and wastewater treatment; developing and marketing commercially viable products, processes and intellectual property; and encouraging and facilitating private or public sector investment and participation in the provision of water and wastewater services and facilities.

The functional structure of the Corporation as at 30 June 2000 was as follows:



SIGNIFICANT FEATURES

- Operations resulted in a profit before income tax of $196.6 million ($179.8 million).
- The Corporation recognised revenue of $85.3 million ($77.1 million) from the State Government for community service obligations.
- A dividend of $175.2 million ($144.4 million) was paid to the State Government.
- Borrowing costs (including finance charges on capitalised leases) of $92.8 million and depreciation and amortisation expense of $101.8 million, accounted for 49 percent of total operating expenses of $395.3 million.
- Abnormal items before income tax were $8.8 million ($1.1 million) and were due mainly to the abandonment of waste water treatment plants of $4.8 million and targeted voluntary separation packages of $2.4 million.
- The Corporation incurred consultancy costs of $10.5 million ($6.4 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 32(4) of the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts of the South Australia Water Corporation in respect of each financial year.

Scope of Audit

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

During 1999-2000 specific areas of audit attention included:

- asset management and control
- treasury management
- revenue raising
- contract procedures and monitoring
- salaries and wages
- intellectual property
- accounts payable
- budgetary control and management reporting.

Audit Communications to Management

During the year Audit attended meetings with management with respect to all management letters issued. All Audit management letters issued during the year were forwarded to the Chief Executive and, by arrangement, copies were forwarded to the Chair of the Corporation's Audit Committee. Satisfactory responses were received with respect to the issues raised by Audit.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Audit Committee

Section 31 of the *Public Corporations Act 1993*, requires a public corporation to establish an Audit Committee and that the composition of the committee include members of the Corporation Board.

In accordance with the above requirements the Corporation has established an Audit Committee whose membership comprises four Corporation Board members. The Audit Committee Charter embodies the functions detailed in the *Public Corporations Act 1993*, and includes the requirement to understand the risks of the business and assess the effectiveness of internal controls. The Charter requires at least four regular meetings each year. The Audit Committee met on five occasions during 1999-2000 and Audit attended all meetings as an observer.

Internal Audit

In accordance with section 31 of the *Public Corporations Act 1993*, the Corporation has established an Internal Audit function. The scope of the operations of Internal Audit are detailed in the Internal Audit Charter. The Charter establishes Internal Audit as an independent appraisal function to examine and evaluate the Corporation's activities and to provide a service to management and the Board.

The Audit Committee directs and evaluates Internal Audit by defining expectations; reviewing and approving the audit plan; evaluating the effectiveness, quality and competency of Internal Audit; and ensuring no management restrictions are placed on the internal auditors.

Management Representations

The Corporation seeks representations concerning the discharge of management responsibilities through a Directors' Questionnaire which accompanies the financial statements presented to the Board. The Questionnaire is extensive and seeks specific representations from the Corporation's management concerning such matters as the control exercised over cash, receivables, assets, liabilities, borrowings, commitments, insurance, as well as relating to issues of legal compliance, contract management, environmental considerations, and fraud control.

Overall Assessment

As part of the audit process, consideration was given to the general control environment operating for the financial systems of the Corporation. The audit assessment covered the key internal controls in place, their application and monitoring, and whether the established South Australian Water Corporation policies and procedures detailing the activities to be performed and the tools to assist in monitoring compliance with policies and procedures, were being applied. Audit noted that the operations of some areas where characterised by on-line processing, checking and authorisation of transactions.

The overall assessment of the Corporation's financial control structure was that is was satisfactory. Audit findings and commentary on the more salient findings and issues addressed in the Audit letters to management are detailed below, under the appropriate heading, along with the Corporation's responses.

Commentary on Computer Information Systems (CIS) Environment

The audit of the Corporation's financial systems encompassed a review of the CIS control environment, covering system access controls, processing controls, data integrity and back-up and recovery procedures. The overall assessment was that the CIS control environment was satisfactory.

Revenue - Customer Service Information System (CSIS)

The Customer Service Information System (CSIS) is the Corporation's main revenue system. Its function includes the billing and recovery cycle process, the recording of customer property valuations, and the application of customer rates and exemptions to charges. The system is highly automated and is characterised by on-line processing, checking and authorisation of transactions. Accordingly, there is a significant reliance on automated system controls.

Since its inception in 1996 Audit has raised a number of internal control issues with respect to CSIS and a number of reviews have been conducted by the Corporation to improve the control environment of the system.

One of these reviews led to the development of a Policies and Procedures Manual - Billing and Revenue (the Procedures Manual) which fully documents the policies and procedures surrounding the system. In last year's Report, Audit noted that a number of the procedures set out in the Procedure Manual had not been implemented, or were inconsistent with actual practices observed by Audit.

Work undertaken by Audit in 1999-2000 indicated that the Procedure Manual was being applied and was consistent with existing practices.

In another review the Corporation formed an 'Exemption Review Team' to address a number of issues raised by Audit with respect to the granting of rate exemptions. As a result an Exemption Rating Manual has been created and specific reviews have commenced of exemption schedules applied to customers/properties.

Notwithstanding this, work undertaken by Audit in 1999-2000 identified instances of possible exemption errors.

The Corporation provided a satisfactory response and indicated that the matters identified by Audit would continue to be investigated.

Salaries and Wages - Complete Human Resources and Payroll Information System (CHRIS)

During 1999-2000 the Corporation implemented the Complete Human Resource and Payroll Information System (CHRIS). The audit of CHRIS identified, assessed and tested the key internal controls to form a preliminary assessment and evaluation of the internal control environment in operation to support the system. It was noted that the operations of the payroll function are characterised by on-line processing, checking and authorisation of transactions.

The audit revealed that there is room for improvement in a number of key controls over the payroll function, including the timely completion of payroll system reconciliations and the review of system access user levels.

As these matters were communicated to the Corporation in late August 2000, Audit is awaiting a response.

Management of Major Contracts

Since 1995 significant water industry outsourcing contracts have been entered into by the Government, in particular with:

- United Water International Pty Limited (United Water) for the operation, maintenance and management of Adelaide's water and wastewater systems (the Adelaide Contract).

- Riverland Water Pty Limited (Riverland Water) for the design, construction and operation of ten water treatment plants to provide filtered water to the Adelaide Hills, Barossa Valley, Mid North and Riverland towns (the Riverland Contract).

- Schlumberger Measurement & Systems Pty Limited (Schlumberger) for the manufacture and supply of water meters in South Australia (the Schlumberger Contract).

Work undertaken by Audit during the year included a specific review of the processes established by the Corporation to monitor the performance of the above contractors with respect to:

- operations and maintenance (in particular the Adelaide and Riverland Contracts);
- economic development obligations.

Audit comments on the more salient issues identified by the Audit reviews of these contracts are detailed below.

Operations and Maintenance

The Corporation has established a Contract Management Framework for the purpose of monitoring the performance under both the Adelaide and Riverland Contracts.

In last year's Report, Audit noted that the Corporation's Business Improvement Unit was in the process of reviewing the Contract Management Framework, including a reassessment of risks. The 1999-2000 review revealed that this process had not been finalised.

During 1999-2000, Audit observed that the existing Contract Management Framework, and the associated verification checklists, had been consistently applied throughout the year for the Adelaide Contract. The Audit review did, however, identify some minor control issues with respect to the certification of verification checklists for the Riverland Contract. A satisfactory response was received from the Corporation for all matters raised by Audit.

Economic Development Obligations

The agreements entered into with United Water, Riverland Water and Schlumberger all include significant economic development obligations.

A key element of the contractual arrangements is the objective of stimulating economic growth in South Australia through the creation of an export focused water and metering industry. The contracted parties are obligated over the term of the contracts to achieve certain 'economic development commitments' through the following strategies:

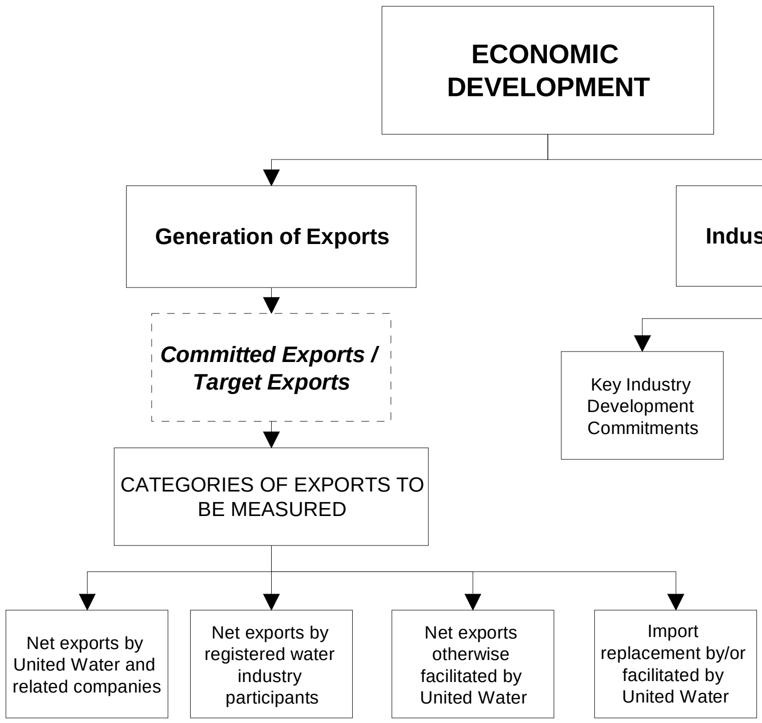
- Generation of a minimum level of exports in each calendar year.

- Generation of a minimum level of local purchases for each calendar year (Riverland contract only).

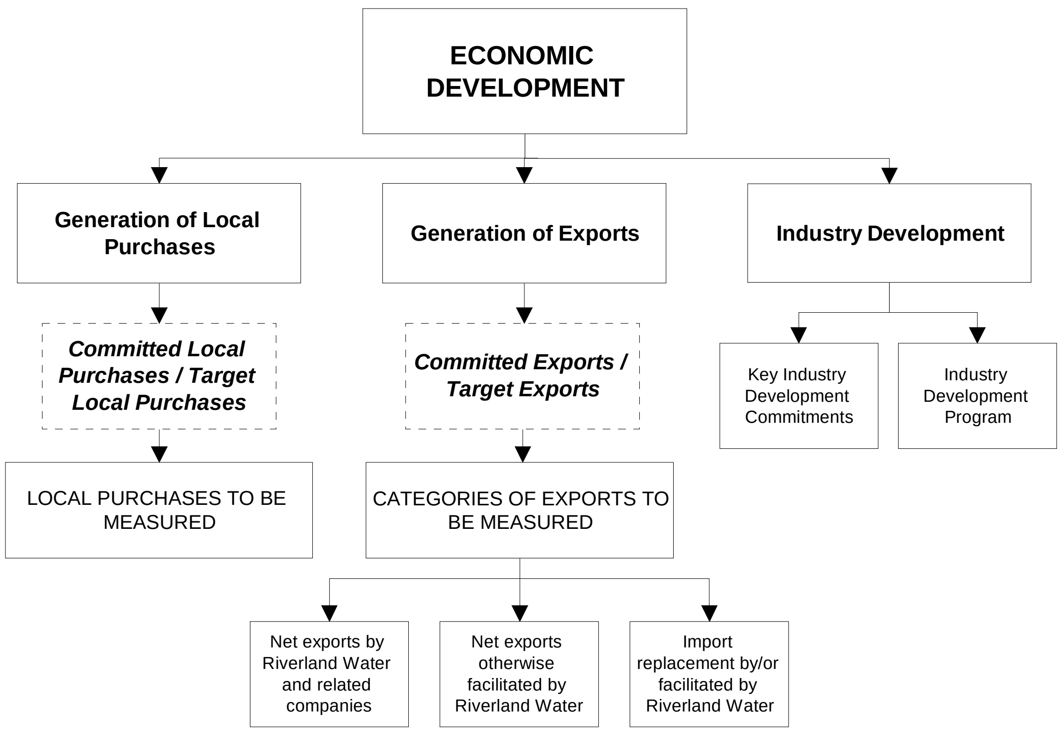
- The creation and implementation of an industry development strategy and the performance of the specified 'Key Commitments'.

The following diagrams outline the key aspects of the economic development obligations under each of the contracts.

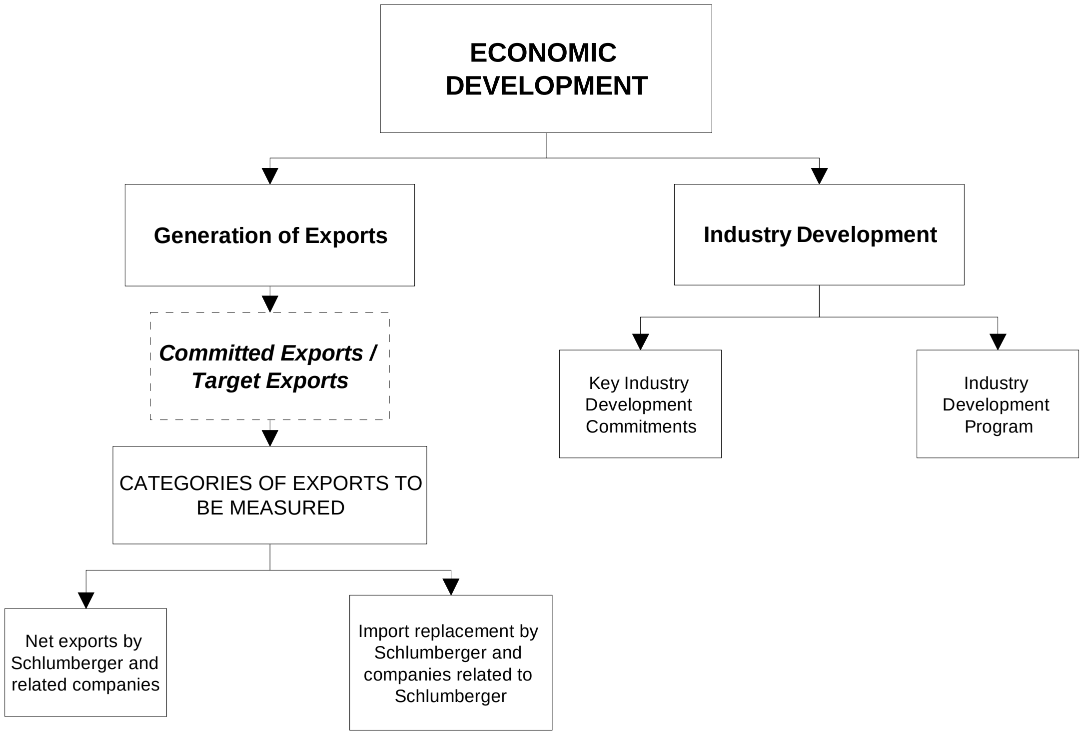
United Water Economic Development



Riverland Water Economic Development



Schlumberger Economic Development



The SA Water International Division of the Corporation is responsible for monitoring the economic development component of the contracts. This Division has day-to-day interaction with the contractors regarding progress with 'economic development' matters, reviews of reports and other information submitted by the contractors, and undertakes various reviews of the progress in relation to the achievement of contracted outcomes.

In addition, in accordance with the Adelaide Contract, specific joint committees have been established for the purpose of developing and maintaining the ongoing relationship between the parties to the contract.

The Corporation has also established an Economic Development Performance Review Committee and an Economic Development Committee (a Board Sub-Committee) to review economic development matters.

Schedules to the Adelaide and Riverland Contracts specify the formal reviews to be undertaken to assess the progress of the contractors in meeting their economic development commitments under the respective contract. The principal types of review prescribed by these schedules include:

- an Annual Performance Appraisal to assess the extent to which the economic development commitments are being achieved and an overall evaluation of the performance relating to exports, local purchases and industry development;

- a Triennial Review, which represents a major milestone, to conduct a comprehensive assessment of the performance of United Water and Riverland Water in the delivery of their contractual obligations.

The Schlumberger Contract does not require these formal reviews to be performed.

Audit Review

A review of the processes established by the Corporation to monitor the economic development performance obligations specified in the Adelaide, Riverland and Schlumberger Contracts was undertaken during 1999-2000.

The review included obtaining an understanding of the Corporation's management structures and responsibilities associated with monitoring the contracts, the Annual Performance Appraisal, and the follow up of issues raised pursuant to the Triennial Review conducted in 1999.

The following commentary sets out Audit observations and findings arising from the review.

Breach of Riverland Contract

Audit noted that in June 2000 the Minister (who is a party to the contract) served notice on Riverland Water that, in his opinion, a breach of contract had occurred. The contract includes penalties should these breaches be confirmed. Audit noted that the dispute resolution process pursuant to the contract has been activated and that the penalties set out in the contract have been suspended pending the outcome of that process.

Contract Review and Amendment

Audit noted that due to the size and nature of the contracts the need may arise for changes to the initial contractual arrangements. Where circumstances change, or more information becomes available, it is considered important that the matters be dealt with in a timely manner to ensure that the rights and obligations of the parties to the contracts are clearly defined.

During the 1998-99 year Audit identified that the Corporation had undertaken an extensive consultative process of contract review with United Water and Riverland Water to identify refinements to the respective contracts. Audit is aware that similar processes have taken place in 1999-2000 with respect to the Schlumberger contract.

Notwithstanding the performance of these reviews, Audit understands that no changes have been made to the initial contract documents.

Specific Audit Findings

A number of specific issues relating to economic development obligations under the contracts were raised with the Corporation, particularly with respect to the Riverland and Schlumberger contracts. These issues related predominantly to the:

- verification of claims made for export credits under the contracts;
- absence of reports required to be provided under the contracts to ensure adequate monitoring of contract performance.

Corporation Response

The Corporation has provided a satisfactory response to the matters raised, indicating that claims for export credits will continue to be monitored, and that reporting requirements will be reinforced with the contracted parties.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Water Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by the South Australian Water Corporation in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Community Service Obligations

As part of the Government's Community Service Obligation (CSO) framework, the Corporation identifies activities viewed as non-commercial. As a result of that framework the Corporation has negotiated payments from a number of Ministers, including the:

- Minister for Primary Industries, Natural Resources and Regional Development for country water and wastewater services;
- Minister for Human Services for administration of payments for the pensioner concession scheme and the provision of water and wastewater concessions to exempt properties and charities.

In total, the amount recognised as revenue in the 1999-2000 financial statements is $85.3 million ($77.1 million).

Investments

In accordance with the Corporation's Charter and with the approval of the Minister for Government Enterprises and the Treasurer, the Corporation is a participant in the funding arrangements for the Virginia Pipeline Scheme (VPS). The VPS involves the construction of a 14 kilometre pipeline and up to 200 kilometres of distribution network to carry recycled water from the Bolivar Wastewater Treatment Plant to the Virginia horticulture triangle.

The Corporation's involvement in this scheme will result in an option at the end of the contract to acquire the scheme.

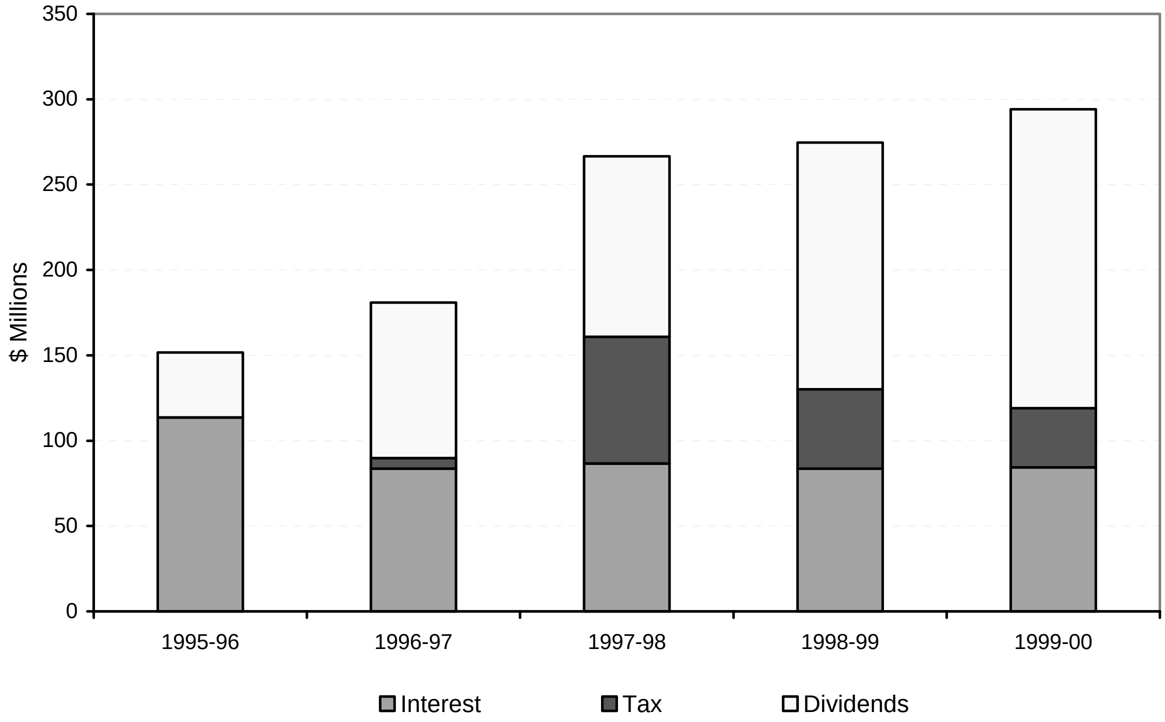
As part of the arrangement, the Corporation makes advances to the operating company of the VPS, Water Reticulation Systems (Virginia) Pty Ltd (WRS), a subsidiary of Euratech Limited.

During the year $6.7 million ($8.15 million) advanced to WRS was converted to non-voting B class shares (refer Note 10 to the Financial Statements).

Contributions to Government

The Corporation has been a significant source of revenue to the Government. This revenue has comprised dividends, payments representing taxation equivalents and interest on the funds borrowed from the South Australian Government Financing Authority (SAFA).

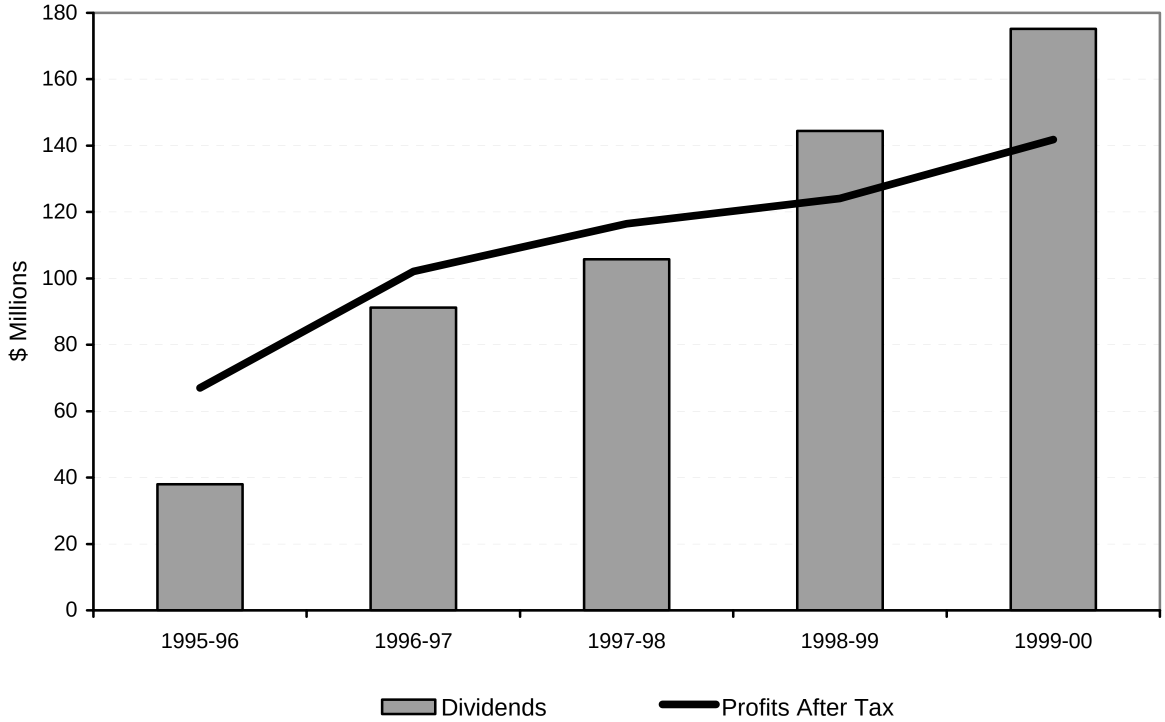
The following diagram represents the actual payments for the past five years:



Audit notes that dividends paid over the past two years are greater than the profits earned in those years. A continual draw on retained profits has the potential to impact on the ability of the Corporation to internally fund future operations and future capital projects.

Audit understands that the Corporation is negotiating with the Department of Treasury and Finance with respect to future dividend policies.

The extent to which dividends have been supported by operating profits over the past five years is set out in the following diagram:



FURTHER COMMENTARY ON OPERATIONS

The Corporation's Charter

Performance Measurement

The Corporation's Charter, as agreed to between the Corporation, the Minister for Government Enterprises and the Treasurer, prescribes a range of performance targets to be achieved by the Corporation. These financial performance targets are directed towards both the Corporation's annual performance and long-term performance. The following table comprises the targets established under the Charter for the 1999-2000 year with the Corporation's actual performance on the 1999-2000 audited results.

Performance measure	Actual 1996-97 Result	Actual 1997-98 Result	Actual 1998-88 Result	**Actual 1999-2000 Result**	1999-2000 Target
Rate of return (percent) (1)	4.5	4.7	4.8	**5.1**	4.8
Return on equity (percent) (2)	2.2	2.5	2.7	**3.0**	2.7
Interest cover (times) (3)	2.7	2.9	3.0	**3.1**	3.0

(1) Earnings before interest and tax dividend divided by the total infrastructure assets.
(2) Earnings after interest and tax dividend divided by the total equity.
(3) Interest expense plus operating profit after abnormal items divided by interest expense.

Profit and Loss Statement for the year ended 30 June 2000

	Note	2000 $'000	1999 $'000
REVENUE	2	**604 652**	565 099
OPERATING PROFIT BEFORE ABNORMAL ITEMS AND INCOME TAX	3	**205 332**	180 942
Abnormal items	4	**(8 776)**	(1 140)
OPERATING PROFIT BEFORE INCOME TAX		**196 556**	179 802
Income tax equivalent attributable to operating profit	5(a)	**54 706**	(55 762)
OPERATING PROFIT AFTER INCOME TAX		**141 850**	124 040
RETAINED PROFITS AS 1 JULY		**111 141**	131 501
TOTAL AVAILABLE FOR APPROPRIATION		**252 991**	255 541
DIVIDEND PAID	25	**175 200**	144 400
RETAINED PROFITS AT 30 JUNE		**77 791**	111 141

Balance Sheet as at 30 June 2000

	Note	2000 $'000	1999 $'000
CURRENT ASSETS:			
Cash	16(a)	**441**	558
Receivables	7	**22 601**	27 903
Inventories	8	**3 275**	4 367
Other	9	**96 332**	92 332
Total Current Assets		**122 649**	125 160
NON-CURRENT ASSETS:			
Receivable	7	**4**	12
Investments	10	**14 851**	10 840
Infrastructure, plant and equipment	11	**5 862 557**	5 736 172
Other	9	**26 288**	25 122
Total Non-Current Assets		**5 903 700**	5 772 146
Total Assets		**6 026 349**	5 897 306
CURRENT LIABILITIES:			
Accounts payable	12	**54 940**	58 986
Borrowings	13	**101 808**	63 251
Provisions	14	**37 349**	19 714
Other	15	**2 933**	2 148
Total Current Liabilities		**197 030**	144 099
NON-CURRENT LIABILITIES:			
Borrowings	13	**957 636**	958 194
Provisions	14	**55 819**	51 034
Other	15	**121 468**	100 241
Total Non-Current Liabilities		**1 134 923**	1 109 469
Total Liabilities		**1 331 953**	1 253 568
NET ASSETS		**4 694 396**	4 643 738
SHAREHOLDERS' EQUITY:			
Contributed equity	17	**304 650**	307 850
Reserves	18	**4 311 955**	4 224 747
Retained profits		**77 791**	111 141
TOTAL SHAREHOLDERS' EQUITY		**4 694 396**	4 643 738
Commitments	20		
Contingent Liabilities	22		

Statement of Cash Flows for year ended 30 June 2000

	Note	**2000 Inflows (Outflows) $'000**	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**489 739**	456 509
Receipts from community service obligations funding		**77 538**	73 288
Receipts from contributions		**10 116**	8 105
Payments to suppliers and employees		**(214 303)**	(200 316)
Interest received		**234**	380
Borrowing costs paid		**(95 578)**	(92 765)
Income tax equivalent paid	5(b)	**(34 580)**	(46 500)
Net Cash provided by Operating Activities	16(b)	**233 166**	198 701
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for construction and purchase of infrastructure assets, plant and equipment		**(96 156)**	(94 318)
Payment for investments		**(4 011)**	(9 247)
Proceeds from sales of infrastructure assets, plant and equipment		**6 728**	2 746
Net Cash used in Investing Activities		**(93 439)**	(100 819)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**541 610**	414 846
Repayment of borrowings		**(503 054)**	(368 595)
Repayment of capital	17	**(3 200)**	-
Dividends paid	25	**(175 200)**	(144 400)
Net Cash used in Financing Activities		**(139 844)**	(98 149)
NET DECREASE IN CASH HELD		**(117)**	(267)
CASH AT 1 JULY		**558**	825
CASH AT 30 JUNE	16(a)	**441**	558

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

The South Australian Water Corporation (SA Water or the Corporation) was incorporated on 1 July 1995, as a state-owned statutory corporation pursuant to the *South Australia Water Corporation Act 1994*, to which the provisions of the *Public Corporations Act 1993* apply. Property, rights, powers and liabilities of the Minister for Government Enterprises arising from the operation of the *Sewerage Act 1929* and the *Waterworks Act 1932* were vested in the Corporation, with the exception of certain assets, mainly in relation to the operation of the *Irrigation Act 1994.*

The significant policies which have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation

The financial statements have been prepared as a general purpose financial report which complies with the requirements of Australian Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group Consensus Views, the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*. Additionally, the Corporation has undertaken to prepare its financial statements in accordance with the Corporations Law.

The financial statements have been prepared in accordance with the historical cost convention, except for infrastructure, land and building assets which are stated using Optimised Deprival Value (ODV) as detailed in Note 1(e).

The Corporation has adopted the new Australian Accounting Standard AAS 34, 'Borrowing Costs' and has capitalised borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset in accordance with the terms of the Standard. The Corporation has also observed the Urgent Issues Group Consensus Views with regard to the Goods and Services Tax (GST) accounting in considering the treatment of costs incurred in achieving tax reform readiness. The other accounting policies adopted are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) Rates and Charges

Rates and other charges billed, but not yet received at balance date are recognised as revenue for the period. Water consumption recorded in unread meters as at 30 June 2000 is not taken into account in determining revenue for the year ended 30 June 2000.

This method is in accordance with accepted industry practice where cyclical readings are used to assess water charges.

(c) Community Service Obligations (CSOs)

The Corporation provides services to the community on behalf of the Government at a lower than commercial rate of return. CSOs represent recognition of the non-commercial impact of these services provided to the community.

These amounts are recognised as revenue when agreements are reached with appropriate Government Departments.

During the year, payments have been negotiated with the Minister for Primary Industries, Natural Resources and Regional Development for the pricing of country water and wastewater services and the Minister for Human Services for the administration of payments of the pensioner concession scheme and the provision of water and wastewater concessions to exempt properties - charities.

1. Statement of Significant Accounting Policies (continued)

(d) Contributed Assets

Contributed assets principally arise from:

(i) Consumers who make a contribution where a service or connection has been requested which requires construction of a new main; and

(ii) Subdividers who make contributions where either:

(a) water and sewerage infrastructure are constructed by the subdivider within yet to be completed subdivisions. The contribution is equivalent to the Corporation's estimated cost of construction; or

(b) the Corporation constructs the infrastructure at the subdivider's request.

Contributed assets are recognised as a revenue in the period in which the Corporation gains control of the asset.

(e) Infrastructure, Plant and Equipment

Acquisition of Assets

Items of property, plant and equipment are initially recorded at cost including capitalised borrowing costs in accordance with AAS 34, and are depreciated as outlined below. Assets acquired under Build Own Operate Transfer (BOOT) Agreements are brought to account when commissioned and accounted for as outlined in Note 1(f).

Valuations of Infrastructure, Plant and Equipment

To comply with South Australian Government Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets', the Corporation has adopted the ODV method for measuring and presenting land and buildings and infrastructure assets in the Balance Sheet. ODV for an asset, held for continued use, is determined by reference to the current market buying price of a similar asset or the current replacement cost of the future economic benefits expected to be derived from use of the asset. ODV represents the Government's investment in the Corporation's assets in today's values.

The ODV concept provides financial information necessary to measure the current costs of long life assets and to identify the decline in the future service potential of those assets.

The Corporation annually revalues its long term assets at Director's valuation through the application of appropriate indices. The annual revaluation is processed with effect from 1 July each year, with additions during the year brought to account at cost.

Additionally, and in accordance with APS 3, the values and the valuation methodologies applied are reviewed and endorsed every three years by an independent party. Hunter Water Australia Pty Ltd, a subsidiary of Hunter Water Corporation Pty Ltd, undertook an independent review during the year ended 30 June 1999 and endorsed the Director's valuations applied as at 1 July 1998. Further details regarding the basis of valuation is provided in Note 11.

Depreciation

Infrastructure assets, buildings, plant and equipment and other assets are depreciated using the straight line method over their estimated useful lives ranging from 5 to 160 years.

The useful lives of assets are reviewed annually and have been assessed as follows:

	Years
Water and sewer infrastructure assets	7-160
Buildings	50
Other - Various assets	5-50
Plant and equipment - Various assets	5-15
Land (not depreciated)	

The method of depreciation has proper regard to current understanding of the underlying nature of the assets and their expected use in the operations of the Corporation. Work in progress is not depreciated until assets are completed and have been commissioned for operation.

(f) Leases

Operating Leases

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are included in the determination of operating profit. Payments are made in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Finance Leases

Leases for infrastructure, plant and equipment under which the Corporation assumes substantially all the risks and benefits of ownership are classified as finance leases. Finance leases are capitalised and amortised over the term of the lease in accordance Australian Accounting Standard AAS 17 'Accounting for Leases'.

The Corporation has entered into BOOT agreements for a number of infrastructure facilities. These BOOT agreements include the requirement for an ongoing availability tariff, as escalated over time by certain indices, for the term of the agreement.

BOOT agreements have been classified as finance leases, with a lease asset and lease liability being recognised upon commissioning of the underlying asset. The lease asset is brought to account at the fair value of the underlying assets constructed. The equivalent liability is recognised at the present value of the future availability charges. These have been determined at the inception of the lease and do not take account of any future estimated escalation. Variation between the availability charges determined at the inception of the lease and the actual availability charges are brought to account as contingent rentals in accordance with AAS 17. Availability charges are allocated between the interest component (which is charged to the Profit and Loss Statement) and a reduction in the lease liability.

(f) Leases (continued)

Amortisation

Assets under finance lease are amortised using the straight-line method over their estimated useful lives.

Expenditures associated with establishing outsourcing and other contracts have been capitalised and amortised over the appropriate period of the contract.

(g) Expenditure on Behalf of State Government

Certain expenditure is incurred from time to time which is considered to be outside the normal course of the Corporation's business and for which no recovery is made or reimbursement received. These payments are made on behalf of the South Australian Government and accordingly are not considered as part of operating expenses. These amounts are disclosed in Note 3.

(h) Taxation Equivalents

The Corporation is subject to the payment of income tax equivalents, sales tax equivalents, land tax equivalents and council rate equivalents. This regime was introduced as part of the Council of Australian Governments agreement in March 1994. A Statement of Policy Intent requires implementation of a Tax Equivalent Regime comparable with Commonwealth income and sales tax systems.

The Corporation has adopted the liability method of tax effect accounting for income tax equivalents whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in accounting profit and when items are taken into account in determining taxable income, the net taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. These deferred balances have been restated to allow for future income tax rates. The net future income tax benefit relating to timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

The Corporation became subject to the Wholesale Sales Tax Equivalent (WSTE) System from 1 July 1995. This system applies to purchases of all goods and services upon which the Corporation has claimed Federal Sales Tax exemption, by virtue of the Corporation's status as a government entity. Calculation of WSTE payments are based on an average Wholesale Sales Tax (WST) rate aligned to the Federal WST system with payments made (monthly) to the State Government. In accordance with the WSTE System, sales tax levied is incorporated as an incremental cost of the goods acquired and treated as an integral part of the cost of those goods.

The charge for land tax and council rate equivalents has been calculated by Revenue SA - Department of Treasury and Finance based on valuations supplied by the Valuer General.

(i) Accounts Receivable

Receivables for rates and charges are normally settled within 21 days with sundry debtors settled within 30 days. These are recognised in the accounts at amounts due. A provision for doubtful debts is established based on a review of outstanding amounts at balance date.

Bad debts are written off when they are identified.

(j) Inventories

Inventory is valued on a weighted average cost basis. Costs have been assigned to inventory manufactured by the Corporation, including work-in-progress on a full absorption cost basis. Inventories are valued at the lower of cost and net realisable value.

Inventories are held for purposes of maintenance and construction.

(k) Employee Entitlements

Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at balance date at current pay rates in respect of employees' services provided up to that date. In accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements' these liabilities include related on-costs.

No provision is made for sick leave as entitlements do not vest and it is considered that sick leave is taken from the current year's accrual.

Long Service Leave

Liabilities arising in respect to long service leave expected to be settled within twelve months of balance date, are measured at their nominal rates. All other long service leave entitlements are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows. In accordance with AAS 30 these liabilities include related on-costs.

Superannuation

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

(l) Workers Compensation

The Corporation is registered with WorkCover as an exempt employer and is responsible for payment of workers compensation claims. The Corporation establishes a provision for any claims arising under the *Workers Rehabilitation and Compensation Act 1986* and the repealed *Workers Compensation Act 1971* outstanding at year end. The Corporation's outstanding claims liability is valued by Mr L Brett BSc FIA, FIAA of Brett & Watson Pty Ltd.

1. Statement of Significant Accounting Policies (continued)

(m) Insurance

The South Australian Government Captive Insurance Corporation (SAICORP) has assumed responsibility and liability for and will indemnify SA Water against, damage suffered to the Corporation's property or claims made against the Corporation and/or the South Australian Government. In addition, insurance arrangements are in place for construction works, travel insurance and Directors' and Officers' liability.

Workers compensation risks for which the Corporation is responsible are excluded from these arrangements. The Corporation makes payments of workers compensation claims and is registered with WorkCover as an exempt employer.

(n) Trade Creditors

Liabilities, whether or not billed to the Corporation, are recognised at amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 30 days.

(o) Foreign Currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. All monetary items in foreign currencies at balance date are converted to Australian currency at rates of exchange current at that date. Exchange differences relating to monetary items in foreign currencies are brought to account as exchange gains or losses in the Profit and Loss Statement.

Hedges

Where hedge transactions are designated as a hedge of the purchase of goods, exchange differences arising up to the date of the purchase, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the purchase.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur, the deferred gains and losses that arose on the foreign currency hedge prior to its termination continue to be deferred and are included in the measurement of the purchase.

The Board has a policy to hedge all of its foreign currency exposures.

(p) Borrowings

All loans are measured at the principal amount. Short-term borrowings are carried on the Balance Sheet at their face value. Long term borrowings are valued at their historical yield. Interest expense is accrued at the contracted rates on a daily basis and includes costs incurred in restructuring borrowings. The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the *Public Finance and Audit Act 1987*.

(q) Derivatives

The Corporation is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. To assist in managing these exposures, the following specific derivative instruments are utilised from time to time to hedge the exposure:

(i) Interest Rate Swaps

Interest payments and receipts under interest rate swaps are recognised on an accruals basis in the Profit and Loss Statement as an adjustment to interest expense during the period.

(ii) Interest Rate Futures Contracts

Interest rate futures contracts are purchased to hedge interest rate exposures. Any gains and losses arising are deferred and amortised over the life of the debt the futures contract was designed to hedge.

(iii) Forward Rate Agreements

Any realised gain or loss on forward rate agreements are recognised on an accruals basis in the Profit and Loss Statement as an adjustment to interest expense during the period in which settlement occurs.

(iv) Forward Foreign Exchange Contracts

The accounting for forward foreign exchange contracts is set out in Note 1(o) above.

The Corporation's exposure to commodities is managed through a natural hedge. This exposure is monitored, and if any conditions arise that changes the exposure profile of commodity prices, appropriate hedge transactions will be entered into.

Derivative financial instruments are not held for speculative purposes.

2. Revenue

	2000	1999
Revenue from Operating Activities:	**$'000**	$'000
Rates and charges	**445 114**	426 418
Community service obligations	**85 259**	77 135
Contributed assets	**34 957**	27 863
Recoverable works	**17 508**	16 785
Fees and charges	**11 822**	10 516
Miscellaneous	**2 073**	1 824
	596 733	560 541
Revenue from Outside Operating Activities:		
Gross proceeds from sale of non-current assets	**6 421**	3 278
Interest received	**124**	337
Rents	**1 374**	943
	7 919	4 558
	604 652	565 099

3. Operating Profit

	2000 $'000	1999 $'000
Operating profit before abnormal items and income tax has been arrived at after charging (crediting) the following items:		
Depreciation:		
Infrastructure assets	**96 143**	95 774
Plant and equipment	**2 355**	2 766
Amortisation:		
Adelaide outsourcing costs	**847**	847
Leased assets	**2 421**	1 673
	101 766	101 060
Borrowing costs:		
Interest expense	**81 632**	82 384
Finance charges on capitalised leases	**12 524**	9 092
Less: Capitalised borrowing costs	**1 337**	-
	92 819	91 476
Finance lease contingent rentals	**179**	20
Operating lease rental expense	**2 798**	2 766
Bad and doubtful debts	**(149)**	311
Net expense from movements in provision for:		
Employee entitlements	**5 494**	6 002
Damages and claims	**120**	310
Workers compensation	**925**	462
General provision	**928**	553
Disposal of assets	**358**	-
Profit (loss) on sale of infrastructure, plant and equipment	**(32)**	128
Expenditure on behalf of State Government:		
River Murray Catchment Water Management Board	**2 564**	2 507
Water Industry Best Practice Program	**978**	1 137
Cooperative Research Centre	**300**	300
Loxton Irrigation District administration fee	**177**	108
	4 019	4 052

4. Abnormal Items

	2000 $'000	1999 $'000
Included in the Operating Profit are the following abnormal items:		
Items Charged:		
Targeted voluntary separation packages	**(2 391)**	(1 120)
Income tax effect	**861**	403
	(1 530)	(717)
Incentive payments for the Corporation employees transferred to outsourced service providers	**-**	(46)
Income tax effect	**-**	17
	-	(29)
Provision for compensation claims made against the Corporation	**(1 100)**	-
Income tax effect	**396**	-
	(704)	-
Capital assets decommissioned or abandoned*	**(4 810)**	-
Income tax effect	**1 732**	-
	(3 078)	-
Year 2000 issue rectification costs	**-**	(1 124)
Income tax effect	**-**	405
	-	(719)
GST implementation costs	**(475)**	-
Income tax effect	**171**	-
	(304)	-
Items Credited:		
Provision for disposal of assets	**-**	1 000
Income tax effect	**-**	(360)
	-	640
Provision for compensation claims made against the Corporation	**-**	150
Income tax effect	**-**	(54)
	-	96
Aggregate abnormal items before income tax	**(8 776)**	(1 140)
Aggregate income tax effect	**3 160**	411
Aggregate Abnormal Items after Income Tax	**(5 616)**	(729)

* The majority of the abandonment costs have arisen from a decision of the Board and Cabinet to redirect waste emitted by the Port Adelaide Treatment Plant to the Bolivar Treatment Plant in line with community preference and to reduce the impact on the environment. Costs associated with the Port Adelaide infrastructure have lost their economic benefit and have accordingly been written down.

5. Income Tax

(a) *Income Tax Expense*

	Note	2000 $'000	1999 $'000
The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows:			
Operating Profit		**196 556**	179 802
Prima facie income tax expense calculated at 36 percent		**70 760**	64 729
Tax effect of permanent differences:			
Sundry expenses not deductible		**9**	9
Contributed assets		**(9 008)**	(7 114)
		61 761	57 624
Restatement of deferred tax balances due to change in company tax rate		**(6 707)**	-
Amounts overprovided in prior years		**(348)**	(1 862)
Income Tax Expense Attributable to Operating Profit		**54 706**	55 762
The income tax expense comprises movements in:			
Provision for income tax		**52 078**	45 122
Provision for deferred income tax*		**10 830**	10 685
Future income tax benefit		**(1 147)**	1 817
Amounts over-provided in prior years		**(348)**	(1 862)
Restatement of deferred tax balances due to change in company tax rate		**(6 707)**	-
		54 706	55 762

* This has been calculated at the current company tax rate of 36 percent.

(b) *Provision for Current Income Tax*

	Note	2000 $'000	1999 $'000
Movements during the year were as follows:			
Balance at 1 July		**9 751**	18 396
Income tax paid		**(34 580)**	(46 500)
Current year's income tax provision		**52 078**	45 122
Over provision in prior years		**(1 190)**	(7 267)
	14	**26 059**	9 751

(c) *Provision for Deferred Income Tax*

Provision for deferred income tax comprises the estimated expense at the applicable rate of 34 percent or 30 percent, depending on when the liability of the component is expected to be realised (36 percent) on the following items:

	Note	2000 $'000	1999 $'000
Expenditure currently deductible for tax but deferred and amortised for accounting purposes		**169**	282
Expenditure currently deductible for tax but capitalised and amortised/depreciated for accounting purposes		**4 660**	4 798
Income currently assessable for income tax but not earned for accounting purposes		**1**	50
Difference in depreciation and amortisation of infrastructure plant and equipment for accounting and income tax purposes		**32 833**	29 381
Environmental expenditure		**200**	222
Research and development		**868**	-
	14	**38 731**	34 733

(d) *Future Income Tax Benefit*

Future income tax benefit comprises the estimated future benefit at the applicable rate of the 34 percent or 30 percent, depending on when the benefit of the component is expected to be realised (36 percent) on the following items:

	Note	2000 $'000	1999 $'000
Provision and accruals for employee entitlements		**6 823**	6 874
Provision for obsolete stock		**86**	124
Provision for bad debts		**115**	231
Superannuation contributions		**(137)**	(201)
Sundry provisions		**1 048**	565
Accrued interest expense		**6 417**	7 208
Sundry items		**1 698**	1 328
Provision for the disposal of assets		**503**	586
Capitalised finance leases		**706**	363
	9	**17 259**	17 078

6. Operating Result by Business Undertaking

The Corporation operates primarily within South Australia and has two major business undertakings related to water supply and sewerage. Ownership of irrigation assets was not vested in the Corporation on 1 July 1995, however the Corporation continues to provide irrigation services on behalf of the Minister for Government Enterprises. The results noted below exclude the activities associated with irrigation, which are separately disclosed in Note 29. Operating results for each business undertaking are as follows:

6. Operating Result by Business Undertaking (continued)

Assets - $'billion	Metro Water 1.9	Country Water 1.8	Metro Sewer 1.7	Country Sewer 0.3	Other 0.2	2000 Total 5.9	1999 Total 5.7
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating Revenues:							
Rates and charges	**177 043**	**76 072**	**171 717**	**20 282**	**-**	**445 114**	426 418
Community Service Obligations	**1 529**	**67 510**	**5 266**	**10 434**	**520**	**85 259**	77 135
Contributed assets	**10 689**	**3 259**	**18 779**	**2 230**	**-**	**34 957**	27 863
Other revenue	**9 254**	**6 015**	**6 594**	**1 178**	**16 281**	**39 322**	33 683
Total Operating Revenues	**198 515**	**152 856**	**202 356**	**34 124**	**16 801**	**604 652**	565 099
Operating Expenses:							
Operations and services	**69 413**	**50 340**	**48 560**	**10 743**	**21 660**	**200 716**	187 569
Depreciation and amortisation	**33 519**	**32 148**	**29 927**	**6 152**	**20**	**101 766**	101 060
Borrowing costs	**27 371**	**36 348**	**24 550**	**4 548**	**2**	**92 819**	91 476
Total Operating Expenses	**130 303**	**118 836**	**103 037**	**21 443**	**21 682**	**395 301**	380 105
Expenditure of behalf of State Government	**1 795**	**769**	**-**	**-**	**1 455**	**4 019**	4 052
Total Expenditure	**132 098**	**119 605**	**103 037**	**21 443**	**23 137**	**399 320**	384 157
Operating Profit (Loss) before income tax	**66 417**	**33 251**	**99 319**	**12 681**	**(6 336)**	**205 332**	180 942
Operating Profit (Loss) June 1999	54 551	29 019	91 793	12 579	(7 000)		180 942
Unallocated items:							
Abnormal items						**(8 776)**	(1 140)
Operating Profit after abnormal items						**196 556**	179 802
Income tax equivalent						**(54 706)**	(55 762)
Operating Profit after Abnormal Items and Income Tax						**141 850**	124 040

Other

Assets for the 'Other' segment include computer hardware and software, depots and minor plant.

Revenues and expenses for the 'Other' segment includes revenues and expenses associated with the Murray Darling Basin Commission, the Australian Water Quality Centre, engineering workshops and water industry business development.

7. Receivables

	Note	2000	1999
Current:		$'000	$'000
Rates receivable (water and wastewater)		**18 299**	21 748
Provision for doubtful debts		**(210)**	(210)
		18 089	21 538
Sundry debtors		**4 642**	6 800
Provision for doubtful debts		**(130)**	(435)
		4 512	6 365
		22 601	27 903
Non-Current:			
Sundry debtors		**4**	12

8. Inventories

Finished goods	**3 530**	4 713
Provision for slow moving and obsolete inventory	**(255)**	(346)
	3 275	4 367

9. Other Assets

	Note	2000	1999
Current:			
Community service obligations		**84 858**	77 137
Prepayments		**1 074**	1 076
Interest receivable		**4**	140
Minister for Government Enterprises - Irrigation	29	**9 199**	9 896
Other		**1 197**	4 083
		96 332	92 332
Non-Current:			
Adelaide Outsourcing Contract costs*		**4 659**	4 659
Accumulated amortisation		**(3 812)**	(2 965)
		847	1 694
Preliminary investigations		**8 182**	6 350
Future income tax benefit	5(d)	**17 259**	17 078
		26 288	25 122

* Adelaide Outsourcing Contract costs incurred in establishing the United Water International Pty Ltd contract are being amortised over the initial pricing period of the contract.

10. Investments

	2000	1999
Non-Current:	**$'000**	$'000
Non-current advance	**-**	2 690
Other Corporations - Unlisted shares at cost	**14 850**	8 150
Controlled entities - Unlisted shares at cost	**1**	-
	14 851	10 840

During the year, the Corporation established a subsidiary, SA Water International Pty Ltd through which to conduct future overseas operations. This investment has not been consolidated into the Corporation's accounts as at 30 June 2000, in accordance with Australian Accounting Standard AAS 24 'Consolidated Financial Reports', on the grounds that its application is not of a material consequence to the accounts as it had not commenced trading.

The Corporation is a participant to the funding arrangements for the Virginia Pipeline Scheme (VPS). Its involvement in this scheme will result in an option at the end of the contract to acquire the scheme. As part of the arrangement, the Corporation makes advances to the operating company of the VPS, Water Reticulation Systems (Virginia) Pty Ltd (WRS), a subsidiary of Euratech Limited.

During the year $6.7 million advanced to WRS was converted to non-voting B Class shares, issued at a price of $1 per share.

11. Infrastructure, Plant and Equipment

	2000	1999
Infrastructure Assets:	**$'000**	$'000
Water	**5 605 939**	5 515 363
Accumulated depreciation	**(2 167 459)**	(2 127 853)
Sewer	**2 939 092**	2 860 626
Accumulated depreciation	**(1 042 851)**	(996 566)
Land and Buildings:		
Land	**166 492**	165 935
Buildings	**21 591**	21 489
Accumulated depreciation	**(2 380)**	(2 004)
Other:		
At cost	**62 147**	52 319
Accumulated depreciation	**(27 240)**	(23 337)
Leased Assets	**124 421**	101 608
Accumulated amortisation	**(4 513)**	(2 091)
Plant and Equipment:		
At cost	**35 002**	32 833
Accumulated depreciation	**(21 169)**	(19 941)
	5 689 072	5 578 381
Capital work in progress	**173 485**	157 791
Total	**5 862 557**	5 736 172

Basis of Valuation

Infrastructure Assets

The Corporation revalued all infrastructure assets on 1 July 1999 (Note 1(e)) using the following approaches:

(a) *Water, Sewer Mains and Water Meters* — Directors' valuations are predominantly based on current contract rates. For water mains and sewer mains, these rates were applied to the actual lengths of pre-defined modern equivalent asset types. Water meter valuations are based on current contract supply rates.

(b) *Other infrastructure assets* — Directors' valuations based on the current cost of replacing the existing asset or the modern equivalent asset where exact replacement cost would not be appropriate. These valuations were undertaken with reference to current construction cost data.

An independent review of SA Water's infrastructure asset valuation methodology and process was undertaken during the year ended 30 June 1999 by an audit team of senior managers from Hunter Water Australia Pty Ltd. The audit team reviewed each of SA Water's major asset categories. The review concluded that the valuations were reasonable and endorsed the methodology used and the costs, residual values and modern equivalent asset types adopted as consistent with other infrastructure utilities.

The cost of infrastructure assets constructed by the Corporation includes all materials used in construction, direct labour, an appropriate proportion of variable and fixed overheads and contract payments.

Land and Buildings

Land and Buildings — A combination of independent valuations, valuations provided from the State Valuer-General and Directors' valuations. A revaluation of land and buildings was last carried out as at 1 July 1999.

Other Assets and Plant and Equipment

Other assets and plant and equipment are brought to account at historical cost.

Leased Assets

Leased assets are valued at the fair value of the underlying assets constructed. The assets are amortised over their effective lives based on the lives of similar assets (refer Note 1(f)).

Borrowing Costs

Interest was capitalised to capital work in progress using funds borrowed generally at a weighted average rate of 7.5 percent.

12. Accounts Payable

		2000	1999
		$'000	$'000
Trade creditors		**26 911**	32 083
Interest payable		**18 562**	19 717
Other creditors		**9 467**	7 186
		54 940	58 986

13. Borrowings

		2000	1999
Current:			
Short-term borrowings		**101 808**	63 251

The Corporation has a $110 million short term borrowing facility with the Department of Treasury and Finance bearing interest at the daily cash rate charged by SAFA.

Non-Current:			
Long-term borrowings		**957 636**	958 194

The Corporation has a fully utilised long term borrowing facility with the Department of Treasury and Finance. The loan is denominated in Australian dollars and carries both fixed and floating interest rates.

14. Provisions

		2000	1999
Current:	Note	**$'000**	$'000
Income tax	5(b)	**26 059**	9 751
Employee entitlements	21	**5 974**	5 889
Asset disposal		**448**	597
Workers compensation		**1 503**	1 626
Damages and claims		**2 230**	878
Sundry		**1 135**	973
		37 349	19 714
Non-Current:			
Employee entitlements	21	**15 069**	14 180
Deferred income tax	5(c)	**38 731**	34 733
Workers compensation		**2 019**	2 121
		55 819	51 034

15. Other Liabilities

Current:			
Deposits from contractors		**442**	358
Unearned income		**1 063**	722
Lease liability	20	**1 428**	1 068
		2 933	2 148
Non-Current:			
Advances for work carried out on behalf of Murray Darling Basin Commission and Loxton War Service Land Settlement Scheme		**747**	747
Lease liability	20	**120 721**	99 494
		121 468	100 241

16. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

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 Balance Sheet as follows:

Cash on hand	**35**	33
Cash at bank	**406**	525
	441	558

(b) Reconciliation of Operating Profit after Income Tax to Net Cash provided by Operating Activities

Operating profit after income tax	**141 850**	124 040
Adjustments for non-cash income and expenditure items:		
Depreciation	**98 498**	98 540
Amortisation	**3 268**	2 520
Profit on sale of non-current assets	**(71)**	(1 265)
Contributed assets	**(25 022)**	(19 758)
Capital expenditure written off	**662**	896
Provision for employee entitlements	**974**	297
Provision for workers compensation	**(225)**	(1 524)
Adjustment for non business operations	**392**	(97)
Abnormal items	**6 660**	(3 950)
Decrease in future income tax benefit	**(180)**	1 886
Increase (Decrease) in provision for income taxes payable	**16 307**	(8 644)
Increase for deferred income tax	**3 999**	16 020
Changes in assets and liabilities:		
Decrease (Increase) in rates and sundry receivables	**5 034**	(2 921)
(Increase) Decrease in prepayments	**(60)**	1 096
Decrease (Increase) in inventories	**1 174**	(1 547)
Decrease in other operating assets	**(7 469)**	(5 784)
(Increase) Decrease in trade creditors	**(5 126)**	549
Decrease in other operating liabilities	**(7 459)**	(1 594)
Decrease in other provisions	**(40)**	(59)
Net Cash provided by Operating Activities	**233 166**	198 701

16. Notes to the Statement of Cash Flows (continued)

(c) Non-Cash Financing and Investing Activities

During the reporting period, the Corporation acquired infrastructure, plant and equipment with an aggregate fair value of $22.8 million ($41.1 million) by means of finance leases. These assets are not reflected in the Statement of Cash Flows.

17. Contributed Equity	Note	**2000**	1999
		$'000	$'000
Balance at 1 July		**307 850**	307 850
Repayment of capital re Brukunga mine site		**3 200**	-
Balance at 30 June		**304 650**	307 850

18. Reserves	Note		
Asset Revaluation Reserve:			
Balance at 1 July		**4 224 747**	4 160 692
Add: Revaluation increments on infrastructure, plant and equipment	1(e)	**87 208**	64 055
Balance at 30 June		**4 311 955**	4 224 747

19. Additional Financial Instruments Disclosure

(a) Objectives of Holding Derivative Financial Instruments

The Corporation is exposed to the risk of adverse movements in interest rates and the Australian Dollar relative to foreign currencies. The Corporation uses derivative financial instruments solely to hedge against interest rate and foreign currency risks.

Forward exchange contracts are purchased to hedge the Australian Dollar value of French Franc, Singapore Dollar and Deutschemark payments arising from the purchase of inventory. The forward exchange contracts commit the Corporation to purchase French Francs, Singapore Dollars and Deutschemarks at an agreed rate of exchange.

Interest rate swap agreements are used to convert interest rate exposures on certain debt from floating to fixed rates and vice versa. These swaps entitle the Corporation to either receive/pay floating interest quarterly or semi annually and receive/pay fixed interest semi annually.

Interest rate futures contracts and forward rate agreements are utilised by the Corporation to hedge interest rate exposures on borrowings.

(b) Interest Rate Risk Exposures

The Corporation's financial assets and financial liabilities are exposed to interest rate risk. The following table summarises interest rate risk for the Corporation, together with effective interest rates as at balance date.

2000

		Floating Interest Rate	Fixed Interest Maturing In			Non-Interest Bearing	**2000 Total**	Weighted Average Interest Rate	
			1 Year or less	Over 1 to 5 years	More than 5 years			Floating	Fixed
Financial Assets:	Note	$'000	$'000	$'000	$'000	$'000	**$'000**	Percent	Percent
Cash	16	441	-	-	-	-	**441**	6.00	
Current receivables	7	-	-	-	-	22 601	**22 601**		
Non-current receivables	7	-		-	-	4	**4**		
Investments	10	-	-	-	-	14 851	**14 851**		
CSO's	9	-	-	-	-	84 858	**84 858**		
Other		-	-	-	-	9 203	**9 203**		
		441	-	-	-	131 517	**131 958**		
Financial Liabilities:									
Short term borrowings	13	101 808	-	-	-	-	**101 808**	5.26	
Long term borrowings	13	133 569	80 072	357 315	386 680	-	**957 636**	6.02	7.94
Accounts payable	12	-	-	-	-	54 239	**54 239**		
Deposits with SA Water		-	701	-	-	442	**1 143**		6.05
Non business advances	15	-	-	-	-	747	**747**		
Lease liability	15	-	1 428	7 551	113 170	-	**122 149**		10.96
Interest Rate Swaps*		(67 500)	-	10 000	57 500	-	**-**	5.73	7.86
		167 877	82 201	374 866	557 350	55 428	**1 237 722**		

* Notional Principal amount

1999

		Floating Interest Rate	Fixed Interest Maturing In			Non-Interest Bearing	1999 Total	Weighted Average Interest Rate	
			1 Year or less	Over 1 to 5 years	More than 5 years			Floating	Fixed
Financial Assets:	Note	$'000	$'000	$'000	$'000	$'000	$'000	Percent	Percent
Cash	16	558	-	-	-	-	558	4.75	
Current receivables	7	-	-	-	-	27 903	27 903		
Non-current receivables	7	-	-	-	-	12	12		
Investments	10	-	-	-	-	10 840	10 840		
CSO's	9	-	-	-	-	77 137	77 137		
Other		-	-	-	-	10 036	10 036		
		558	-	-	-	125 928	126 486		
Financial Liabilities:									
Short term borrowings	13	63 251	-	-	-	-	63 251	4.85	
Long term borrowings	13	141 283	89 572	358 289	369 050	-	958 194	4.74	8.08
Accounts payable	12	-	-	-	-	58 369	58 369		
Deposits with SA Water		-	617	-	-	358	975		4.90
Non business advances	15	-	-	-	-	747	747		
Lease liability	15	-	1 068	7 258	92 236	-	100 562		10.99
Interest rate futures*		(25 000)	-	-	-	-	(25 000)	5.08	
Forward rate agreements*		-	(100 000)	44 786	-	-	(55 214)		5.17
Interest Rate Swaps*		(32 500)	-	-	32 500	-	-	4.97	7.48
		147 034	(8 743)	410 333	493 786	59 474	1 101 884		

* Notional Principal amount

(b) Interest Rate Risk Exposures (continued)

Interest Rate Sensitivity

In relation to borrowings, a 1 percent change in interest rates would impact on interest expense by $1.048 million ($1.36 million) for the year to June 2000. A 1 percent increase in interest rates would decrease the market value of the debt portfolio by $36.5 million ($32.5 million). This analysis is based on the current money market values as at 30 June 2000.

(c) Foreign Exchange

Contracts to buy foreign currency are entered into from time to time to offset purchase obligations so as to maintain a desired hedge position. The following table summarises by currency the Australian Dollar value of forward foreign exchange contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the Corporation.

	Contract Value		Weighted Average Exchange Rate	
Currency:	**2000**	1999	**2000**	1999
Deutschemarks	**$'000**	$'000	**$'000**	$'000
Buy				
Not longer than one year	**-**	115	**-**	1.12
	-	115		
French Francs				
Buy				
Not longer than one year	**1 289**	2 330	**3.35**	3.46
Longer than one year but not longer than two years	**-**	1 185	**-**	3.35
	1 289	3 515		
Singapore Dollars				
Buy				
Not longer than one year	**108**	212	**1.02**	1.04
Longer than one year but not longer than two years	**-**	108	**-**	1.02
	108	320		
	1 397	3 950		

As these contracts are hedging anticipated purchases, any unrealised gains and loss on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs (refer Note 1(o)). The unrecognised gains and losses, which are unrealised as at 30 June 2000, on hedges of anticipated foreign currency purchases are:

	2000		1999	
	Gross Unrealised		Gross Unrealised	
	Gains	**Losses**	Gains	Losses
	$'000	**$'000**	$'000	$'000
Not longer than one year	**-**	**241**	-	423
Longer than one year not longer than two years	**-**	**-**	-	222
	-	**241**	-	645

(d) Credit Risk Exposure

Credit risk represents the loss that would be recognised if counterparties to the Corporation fail to meet their obligations.

The Corporation minimises concentrations of credit risk by undertaking transactions with a large number of counterparties with low outstanding amounts and with counterparties with A+ credit rating or higher.

The credit risks on futures contracts is minimised as transactions are made through a recognised futures exchange.

On Balance Sheet Financial Instruments

The credit risk on financial assets recognised on the Balance Sheet is the carrying amount, net of any provisions for doubtful debts.

Off Balance Sheet Financial Instruments

The credit risk on swap contracts is limited to the amount to be received from counterparties on contracts that are favourable to the Corporation. There was no amount due to the Corporation as at 30 June 2000 ($nil).

The forward foreign exchange contracts are subject to credit risk with the South Australian Government Financing Authority. The maximum credit risk exposure on forward foreign exchange contracts is the amount of foreign currency the Corporation is entitled to receive from the counterparties when the contracts are closed out. As at 30 June 2000, there was no amount due to the Corporation ($nil).

The credit risk exposure on the forward rate agreement is $nil as at 30 June 2000 ($0.2 million).

(e) Net Fair Values of Financial Assets and Liabilities

Net fair value is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs.

On-Balance Sheet Financial Instruments

The carrying amounts and estimated net fair values of financial assets and financial liabilities held at balance date are given below.

The net fair value of cash and cash equivalents, non-interest bearing monetary financial assets and financial liabilities of the Corporation approximate their carrying value and are therefore not disclosed below.

The net fair value of other monetary financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows at 30 June 2000 interest rates.

(e)	***Net Fair Values of Financial Assets and Liabilities (continued)***	**2000**		1999	
		Carrying Amount	**Net Fair Value**	Carrying Amount	Net Fair Value
	Financial Liabilities:	**$'000**	**$'000**	$'000	$'000
	Long-term borrowings	**957 636**	**996 766**	958 194	1 015 660
	Lease liability	**122 149**	**122 149**	100 562	100 562

Off-Balance Sheet Financial Instruments

	Net Fair Values	
	2000	1999
The net fair value of off-Balance Sheet financial instruments held at the reporting date are:	**$'000**	$'000
Interest rate futures	**-**	7
Forward rate agreements	**-**	121
Interest rate swaps	**(3 926)**	(2 933)
Forward foreign exchange contracts	**1 155**	3 305

The net fair value for interest rate futures, forward rate agreements and interest rate swaps is estimated by discounting the anticipated future cash flows to their present value, based on current market interest rates at the respective balance dates.

The net fair value of forward foreign exchange contracts is determined by reference to amounts quoted by the South Australian Government Financing Authority as at 30 June 2000.

20. Expenditure Commitments

Capital Commitments	Note	**2000 $'000**	1999 $'000
Total capital expenditure contracted for at balance date but not recognised in the financial statements:			
Payable not later than one year		**52 930**	11 204
Payable later than one year and not later than five years		**7 459**	2 250
		60 389	13 454

Lease and Other Commitments			
Finance Lease Commitments:			
Payable not later than one year		**15 002**	14 532
Payable later than one year and not later than five years		**60 008**	58 964
Payable later than five years		**255 860**	265 198
		330 870	338 694
Less: - Future finance charges		**208 721**	215 319
- Assets not commissioned	1(f)	**-**	22 813
		122 149	**100 562**

Future finance lease payments contracted with private sector providers to construct, own and operate water treatment facilities have been disclosed subject to expected commissioning dates. The lease comprises a base amount plus an incremental contingent rental. Contingent rentals are based on the Consumer Price and related indexes. The amount of contingent rentals paid during the year is disclosed in Note 3.

Lease Liabilities provided for in the Financial Statements:	Note	**2000 $'000**	1999 $'000
Current	15	**1 428**	1 068
Non-Current	15	**120 721**	99 494
		122 149	100 562

Operating Leases and Other Expenditure Commitments:			
Payable not later than one year		**48 487**	42 686
Payable later than one year and not later than five years		**12 839**	52 546
Payable later than five years		**10 364**	11 658
		71 690	106 890

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

The operating lease commitments relate to property leases which are non-cancellable leases. The rental is payable monthly with reviews indexed every two years. These bi-annual reviews alternate between CPI indexation and Market Value. Options exist to renew the leases at the end of the term of the leases.

Other expenditure commitments include commitments pursuant to the contract to operate, manage and maintain the Adelaide metropolitan water and wastewater networks and treatment plants. The costs for the commitments include the service charge payable to United Water International Pty Ltd and the costs incurred by United Water International Pty Ltd in performing services which are reimbursed by the Corporation. The costs are reported for the initial pricing period and include an estimate for escalation charges.

21. Employee Entitlements

	Note	**2000 $'000**	1999 $'000
Accrued wages and salaries		**594**	1 470
Aggregate employee entitlements, including on-costs:			
Annual leave - Current	14	**4 125**	4 254
Long service leave - Current	14	**1 849**	1 635
Long service leave - Non-Current	14	**15 069**	14 180
		21 637	21 539

21. Employee Entitlements (continued)

Long Service Leave Provision

The balance at 30 June 2000 was determined on the basis of an actuarial valuation of the outstanding liability carried out by Mr Christos Papanicolas BSc (Ma) (Hons) ASIA, FIAA of William M Mercer Pty Ltd.

22. Contingent Liabilities

Contingent liability as at 30 June 2000, not otherwise provided for in these financial statements as claims disclosed in Note 14, include a claim against the Corporation for which the certainty of success has yet to be determined. The claim relates to the sale of assets and legal advice indicates that it is unlikely that any significant additional liability will eventuate.

23. Auditor's Remuneration

	2000	1999
	$'000	$'000
Amounts received or due and receivable by the Auditors for auditing the accounts	**208**	205

The Auditors received no other benefits.

24. Consultancy Costs

During the year ended 30 June 2000 the Corporation paid $10.5 million ($6.4 million) as a result of engaging consultants. Assignments undertaken by consultants included work for both operating and capital projects encompassing technical/specialist, engineering and environmental advice. During this financial year a major organisational strategy initiative was undertaken which puts in place a new strategic direction for the Corporation which is intended to drive a significant improvement in business values.

25. Dividend

Dividend paid or provided	**175 200**	144 400

The dividend paid to the South Australian Government Consolidated Account on 30 June 2000 was based upon the recommendation of the Board to the Treasurer pursuant to section 30 of the *Public Corporations Act 1993*.

26. Remuneration of Employees

The number of employees whose total remuneration received in relation to the financial year falls within the following bands were:	**2000 Number of Employees**	1999 Number of Employees
$100 000 - $109 999	**5**	2
$110 000 - $119 999	**4**	2
$120 000 - $129 999	***3**	4
$130 000 - $139 999	**3**	3
$140 000 - $149 999	***2**	1
$150 000 - $159 999	**1**	1
$170 000 - $179 999	**2**	1
$180 000 - $189 999	**2**	-
$200 000 - $209 999	**-**	2
$220 000 - $229 999	**1**	-
$250 000 - $259 999	**-**	1
$260 000 - $269 999	**1**	-
$270 000 - $279 999	**1**	-

The total remuneration received by those employees was $3.7 million ($2.5 million). This amount includes fringe benefits and superannuation payments made to the Department of Treasury and Finance. Remuneration for two employees are fully reimbursed by another party (relevant ranges containing those employees are marked with *). These figures include three executives who are no longer with the Corporation.

The above disclosures are in accordance with the Treasurer's Instruction issued pursuant to the *Public Finance and Audit Act 1987*.

27. Remuneration of Directors

The number of Directors of the Corporation whose remuneration received in relation to the financial year falls within the following bands were:	**2000 Number of Directors**	1999 Number of Directors
$0 - $9 999	**-**	1
$30 000 - $39 999	**-**	3
$40 000 - $49 999	**3**	2
$50 000 - $59 999	**2**	-
$60 000 - $69 999	**-**	1
$100 000 - $109 999	**1**	-
$250 000 - $259 999	**-**	1
$260 000 - $269 999	**1**	-

The total remuneration received by those Directors was $600 000 ($510 000), which includes fringe benefits and superannuation contributions and a special payment to the Chairman in respect of the period between the retirement of the previous Chief Executive and the appointment of Mr Sullivan to that position.

28. Related Party Disclosures

The following persons held the position of Director of the Corporation during the financial year:

R A Cook
C J Hewson
J R Porter
S P Sullivan (appointed 3 August 1999)
J D Crosby
S V McPhee
A Thomas

Mr Cook is the Chairman of the South Australia Tourism Commission, Chairman of the South Australia Motor Sports Board, and a Director of Adelaide Bank Limited.

Mr Crosby is the Managing Director of Brencorp Properties Pty Ltd and a Director of various subsidiary boards of Fosters Brewing Group (Lensworth Finance Group). He is also a Director of the Australasian Rail Corporation Board.

Ms Hewson is a Director of CSR Limited, the Australian Gaslight Company and AMP Limited.

28. Related Party Disclosures (continued)

Ms McPhee is the Group General Manager Marketing for QANTAS.

Mr Porter is a Trustee of the Adelaide Festival Centre Trust, a Lawyer with Piper Alderman and a Director of a number of proprietary companies.

Mr Thomas is a Director of G H Michell & Sons Pty Ltd and associated companies, Chairman of the SA Wool Industry Development Board, Director of Englehardt Eyeware Pty Ltd and, Chairman of the SA Research and Development Institute Advisory Board.

All financial benefits provided by SA Water to related parties are provided on arm's length terms.

29. Irrigation Assets and Liabilities

Assets and liabilities arising from the *Irrigation Act 1994* which were controlled by the former Engineering and Water Supply Department were not vested in the Corporation. Government policy is for self-management of Government Irrigation Districts which resulted in the transfer of assets to Trusts formed under the *Irrigation Act 1994* on 1 July 1997 for the Highland Irrigation Areas. During this transitional period, the Corporation continues to manage the irrigation activities for the reclaimed areas on behalf of the Minister for Government Enterprises. In order to reflect this arrangement the assets and liabilities associated with the irrigation function have been excluded from the Corporation's financial statements. Agreement has been reached whereby the funding of capital works and operations for irrigation activities will be assumed by the Treasurer.

Under this arrangement, the Corporation is able to account for these amounts as advances to the Minister for Government Enterprises. These amounts are recorded in a separate account, Minister for Government Enterprises - Irrigation Assets.

	2000	1999
	$'000	$'000
Balance due from the Minister for Government Enterprises	**9 896**	7 348
Rates revenue - Irrigation	**(954)**	(964)
Operating expenses - Irrigation	**563**	1 167
Capital work in progress - Central Irrigation Trust	**160**	3 908
Capital work in progress - Reclaimed areas	**119**	185
Less: Contributions received	**(585)**	(1 748)
	9 199	9 896

30. Targeted Voluntary Separation Packages (TVSPs)

In accordance with government policy, 28 employees (59 employees) were paid TVSPs during the period with a total value of $1.6 million ($2.9 million) with an additional $0.5 million ($1.1 million) paid in accrued annual leave and long service leave entitlements.

STATE SUPPLY BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The State Supply Board, a statutory authority established under the *State Supply Act 1985 (*the Act), is principally responsible for providing a framework for public sector supply. In particular, section 13 of the Act provides for the Board to undertake, provide for or control the acquisition, distribution, management and disposal of goods for or by public authorities. Furthermore, under section 14B of the Act the Board may also undertake the acquisition of services for a public authority at the request of the authority or the Minister.

In relation to services acquisition, as part of the implementation of the whole-of-government Procurement Reform Strategy, Cabinet approved in December 1997 that the State Supply Board be:

- requested to undertake the acquisition of services for public authorities pursuant to section 14B of the *State Supply Act 1985*. A Treasurer's Instruction, 'Expenditure of Goods, Services and Works', effective from 1 July 1998, includes recognition of this requirement;

- required to have regard to the Government's policy for the implementation framework for procurement reform in the exercise of its powers and performance of its functions, in accordance with section 17 of the Act. In May 1998 the Minister for Administrative Services issued a formal requested to the Board to this effect.

The Board is also responsible for the purchase and on selling of gaming machines under the *Gaming Machine Act 1992.*

The Board comprises six members appointed by the Governor and, except as provided by the Act, is not subject to ministerial control and direction. The Board receives executive support and policy formulation advice from a secretariat located within the Policy Development Unit of the Department for Administrative and Information Services (DAIS), while the Contract Services business unit within DAIS administers strategic and complex whole-of-government contracts on behalf of the Board.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 21(2) of the *State Supply Act 1985* provides that the accounts of the Board must be audited at least once in every year by the Auditor-General.

Scope of Audit

During 1999-2000 specific areas of Audit attention included:

- Procurement Reform Progress
- Contract Management
- Expenditure
- Salaries
- Board Minutes.

The accounts and financial transactions of the Board are maintained and processed by the Department for Administrative and Information Services (DAIS). In addition, in relation to the contract management activity, the Contract Services business unit of DAIS undertakes certain aspects of this activity on behalf of the Board.

Audit reviews of the financial operations and contract management activity of the Board was covered as part of the examination of the operations and systems and processes of DAIS.

Audit Communications to Management

On 17 August 2000 an Audit Management letter was forwarded to the Chair, State Supply Board. The letter outlined Audit observations and comments, together with recommendations, concerning the legal and policy framework underpinning the Procurement Reform implementation program within government. The Chair of the Board provided interim responses to the Audit Management letter on 28 August 2000 and 7 September 2000.

AUDIT FINDINGS AND COMMENTS

The review of the accounts and financial transactions of the Board revealed a generally satisfactory position.

As mentioned above Audit communicated to the Chair, State Supply Board in relation to the legal and policy framework for the Government's Procurement Reform program. The outcome of Audit's review of the framework and matters conveyed to the Chair of the Board are discussed in Part A of this Report. The Chair of the Board has responded in a prompt and positive manner to the Audit communication. The interim response conveys that immediate attention and proper consideration is being given to the matters raised by Audit.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the State Supply Board included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the State Supply Board in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

Operating Statement for the year ended 30 June 2000

	Note	2000 $'000	1999 $'000
OPERATING REVENUE:			
Appropriations	2.3	**398**	360
Total Operating Revenue		**398**	360
OPERATING EXPENSES:			
Employee expenses	3(i)	**51**	48
Administration	3(i), 5	**138**	175
Other	3(i)	**44**	31
Total Operating Expenses		**233**	254
OPERATING PROFIT BEFORE ABNORMAL ITEMS		**165**	106
Add: Abnormal Items	4	**-**	159
OPERATING PROFIT AFTER ABNORMAL ITEMS		**165**	265
ACCUMULATED DEFICIT AS AT 1 JULY		**(45)**	(310)
ACCUMULATED SURPLUS (DEFICIT) AS AT 30 JUNE		**120**	(45)

Statement of Financial Position as at 30 June 2000

	Note	2000 $'000	1999 $'000
CURRENT ASSETS:			
Cash	6	**81**	(75)
Other	7	**38**	-
Total Current Assets		**119**	(75)
NON-CURRENT ASSETS:			
Plant and equipment	8	**2**	4
Fit outs	9	**42**	79
Total Non-Current Assets		**44**	83
Total Assets		**163**	8
CURRENT LIABILITIES:			
Provisions	10	**1**	4
Other	11	**30**	37
Total Current Liabilities		**31**	41
NON-CURRENT LIABILITIES:			
Provisions	10	**12**	12
Total Non-Current Liabilities		**12**	12
Total Liabilities		**43**	53
NET ASSETS		**120**	(45)
EQUITY:			
Accumulated surplus (deficit)		**120**	(45)
FUNDS SURPLUS (DEFICIENCY)		**120**	(45)

Statement of Cash Flows for the year ended 30 June 2000

	Note	2000 Inflows (Outflows) $'000	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from appropriation		**398**	360
Receipts from customers		**-**	10
Interest paid		**-**	(14)
Payments to suppliers and employees		**(242)**	(245)
Net Cash provided by Operating Activities	14(b)	**156**	111
NET INCREASE IN CASH HELD		**156**	111
CASH AT 1 JULY		**(75)**	(186)
CASH AT 30 JUNE	14(a)	**81**	(75)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Purpose of the Board

The Board's mission is:

To guide, manage and control the supplies acquisition, management, distribution and disposal activities of public authorities by direct action on behalf of agencies, where appropriate, and by the development and promulgation of supply policies and guidelines for application by those agencies subject to the *State Supply Act 1985*.

2. Statement of Significant Accounting Policies

2.1 Basis of Accounting

The accounts have been prepared in accordance with Statements of Accounting Concepts, Applicable Urgent Issues Group consensus views, applicable Australian Accounting Standards and in accordance with Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

The accounts have been prepared on the basis of historical cost and do not take into account changing money values or, except where stated, current valuation of non-current assets. The accounting policies have been consistently applied unless otherwise stated.

The Board's principal source of funds is monies appropriated by Parliament. Appropriations are recognised as revenues in the period in which the Board gains control of the appropriated funds.

2.2 Gaming Machines

The State Supply Board is also responsible for the purchase and on-selling of gaming machines under the *Gaming Machine Act 1992.* Administration of the responsibilities of the Board is undertaken by the Contract Services Business Unit of the Department for Administrative and Information Services.

2.3 Appropriations

	2000	1999
Reconciliation of appropriations to government revenues:	**$'000**	$'000
Total appropriations	**398**	360
Total Government Revenues	**398**	360

2.4 Non-Current Assets

Cost and Valuation

Plant and equipment is brought to account at historical cost.

Fit outs have been brought to account at cost or valuation. The gain or loss on disposal of all non-current 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 recorded as revenue or expense in the year of disposal.

Depreciation

All non-current assets, excluding freehold land, are depreciated using the straight line method over their useful lives commencing from the time the asset is held ready for use.

2.5 Employee Entitlements

As at 30 June the provision for long service leave has been determined for the Board's employees who have completed eight or more years of service and includes an allowance for employee on-costs. This policy is consistent with the requirements of Australian Accounting Standards AAS 30 'Accounting for Employee Entitlements'.

The current component of long service leave is determined based on Departmental estimates of long service leave due to be taken during the 12 months ending 30 June 2001.

2.6 Superannuation

During 1999-00 the Board paid $4 500 ($3 300) to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of its employees.

2.7 Accommodation

The Board occupies leased premises administered by the Department for Administrative and Information Services. Payments during the year to the Real Estate Management Unit for leasing and associated services amounted to $4 500 ($10 400).

2.8 Consulting and Contracting Charges

The Board has paid $7 700 ($9 500) for expenditure on contractors and consultants to assist the Board in the conduct of whole-of-government reviews of supply activities, including the whole-of-government Procurement Review. These costs are included in the operating expenses in the financial statements.

2.9 Leases

Operating Leases

For operating leases (being those where the lessor retains substantially all the risks and benefits incidental to ownership of the leased assets), the State Supply Board has brought the lease rental payments to account as an expense in the Operating Statement.

2. Statement of Significant Accounting Policies (continued)

2.10 Receivables, Accounts Payable and Borrowings

Trade accounts receivables are settled within 30 days and are carried at amounts due. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

Trade accounts payable, including accruals not yet billed, are recognised when the Board becomes obliged to make future payments as a result of a purchase of assets or services. Trade accounts payable are generally settled within 30 days.

		Note	2000 $'000	1999 $'000
3.	**Operating Profit**			
	Operating Profit has been arrived at after:			
	(i) Debiting as Expenses			
	Administration:			
	Salaries and related payments		**51**	48
	Administration costs		**138**	160
	Interest on cash		**-**	15
			189	223
	Other expenses:			
	Accommodation and power	2.8	**5**	11
	Depreciation		**39**	20
			44	31
			233	254
4.	**Abnormal Items**			
	Income:			
	Write down of provision for annual leave and long service leave		**-**	196
	Amounts received and receivable from the Department of the Premier and Cabinet for Targeted Voluntary Separation Packages and incentive payments		**38**	-
	Less: Expense:			
	Asset write-off following stocktake		**-**	37
	Payments for Targeted Voluntary Separation Packages		**38**	-
			-	159

The number of employees who were paid TVSPs during the reporting period - 1

The aggregate amount of accrued leave and long service leave paid during the reporting period to employees who received a TVSP was $1 940.

		Note	2000 $'000	1999 $'000
5.	**Auditor's Remuneration**			
	Estimated amounts payable to the auditors of the State Supply Board		**5**	6
6.	**Cash**			
	Cash held with Treasury		**81**	(75)
7.	**Other Current Assets**			
	Accrued revenue		**38**	-
8.	**Plant and Equipment**			
	At cost		**6**	6
	Less: Accumulated depreciation		**4**	2
			2	4
9.	**Fitouts**			
	In leased buildings:			
	At cost		**121**	121
	Less: Accumulated depreciation		**79**	42
	Total Fitouts		**42**	79
10.	**Provisions**			
	Current:			
	Annual Leave		**1**	4
	Non-Current:			
	Long service leave	2.5	**12**	12
11.	**Other Current Liabilities**			
	Accrued expenses		**25**	30
	Accrued salaries and wages		**-**	1
	Prepayments		**5**	5
	Accrued interest payable		**-**	1
			30	37

12. Operating Lease Commitments (refer Note 2.10)

	2000 $'000	1999 $'000
Not later than one year	**5**	10
Later than one year and not later than two years	**-**	-
Later than two years and not later than five years	**-**	-
Later than five years	**-**	-
	5	10

13. Related Party Disclosures

During the year the following persons occupied the position of Board member of the State Supply Board:

Ms A Howe (Chair)
Ms P Crook
Ms J Deveraux
Mr P Gardner
Mr P Jackson
Ms F Miller
Mr L Oxlad
Ms J Riedstra
Mr G Spence
Mr L Thompson

Board Members retired during 1999-2000:

Ms B Halliday Mr A MacHarper Ms J Meeking

During the period, a total of $12 600 ($10 100) was paid to Board Members in Board fees.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

14. Notes to the Statement of Cash Flows

For the purpose of the Statement of Cash Flows cash is Cash at Bank

(a) Reconciliation of Cash

	2000 $'000	1999 $'000
Cash	**81**	(75)

(b) Reconciliation of Operating Profit to Net Cash provided by Operating Activities

	2000 $'000	1999 $'000
Operating profit (loss) before abnormals	**165**	106
Non cash flows in operating profit (loss):		
Depreciation	**40**	20
Abnormal write-down of provision for annual leave and long service leave	**-**	196
Change in assets and liabilities:		
Decrease in trade debtors	**-**	14
Decrease in prepayments	**-**	8
Increase in accrued revenue	**(38)**	-
Decrease in accrued expenses	**(6)**	(31)
Decrease in accrued salaries and wages	**(1)**	(3)
(Decrease) Increase in interest payable	**(1)**	1
Decrease in provision for long service leave	**-**	(190)
Decrease in provision for annual leave	**(3)**	(6)
Decrease in income received in advance	**-**	(4)
Net Cash provided by Operating Activities	**156**	111

MINISTER FOR EDUCATION AND CHILDREN'S SERVICES; MINISTER FOR EMPLOYMENT AND TRAINING; MINISTER FOR YOUTH

PORTFOLIO – EDUCATION, TRAINING AND EMPLOYMENT

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:

- Minister for Education and Children's Services
- Minister for Employment and Training
- Minister for Youth

The agencies included herein relating to the portfolio of Education, Training and Employment are:

- Construction Industry Training Board
- Education, Training and Employment - Department of
- Flinders University of South Australia
- University of Adelaide
- University of South Australia

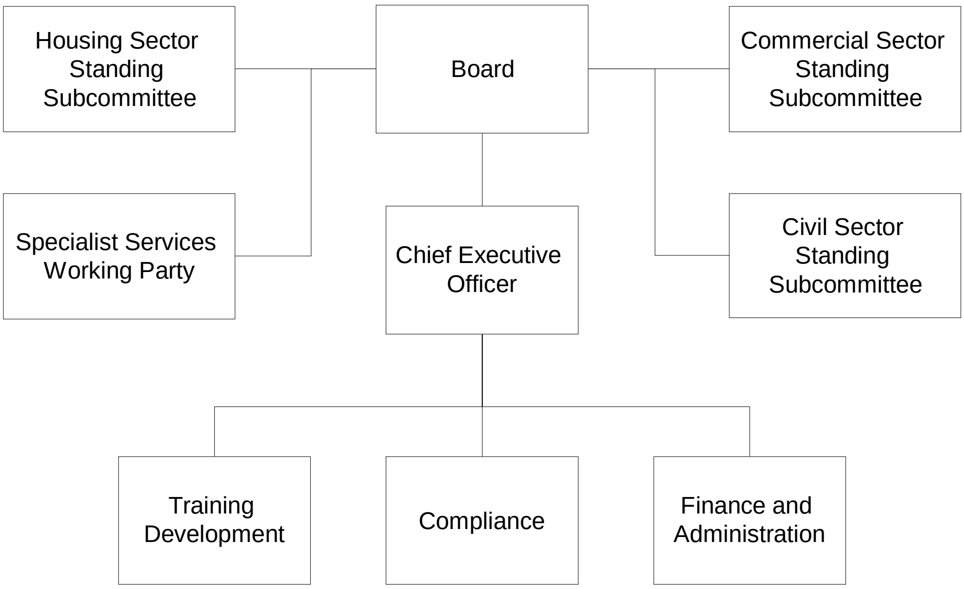
CONSTRUCTION INDUSTRY TRAINING BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Construction Industry Training board (the Board), is a body corporate established under the *Construction Industry Training Fund Act 1993.*

The Board's principal responsibility is to manage the Construction Industry Training Fund. This involves the imposition and collection of a levy on construction projects and the coordination of appropriate training plans and programs for the building and construction industry.

The Board also assumed the role of the South Australian Construction Industry Training Advisory Body, previously undertaken by the Construction Industry Training Council (SA) Incorporated. There are a number of industry-based training advisory bodies in South Australia.



SIGNIFICANT FEATURES

- Industry levies were $9 million an increase of $3.2 million, 54.8 percent.
- Training expenditure increased by $1.3 million, 27.4 percent to $6 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 16(2) of the *Construction Industry Training Fund Act 1993* specifically provides for the Auditor-General to audit the accounts of the Board in respect of each financial year.

Scope of Audit

The audit program covered all 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 control.

During 1999-2000 specific areas of audit attention included:

- levy collection, including compliance with legislative requirements
- expenditure, including accounts payable and salaries and wages
- plant and equipment, including the adequacy of asset register maintenance
- training expenditure, including the acquittal of funds paid.

Audit Communications to Management

An audit management letter outlining the scope and findings of the interim audit was forwarded to the Chief Executive Officer and a satisfactory response detailing the Board's resolution of all matters raised has been received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The review of the specific areas of financial activity revealed a satisfactory standard of accounting, record keeping and control.

Commentary on Compliance with Legislation

In September 1993 the Minister in accordance with section 38 of the *Construction Industry Training Fund Act 1993*, appointed a firm of independent consultants to undertake a review of the Act and the Board's operations. Their report was submitted to the Minister in November 1997.

My previous Reports stated that there had been no outcomes on the Minister's review of the independent report. This was still the position at the date of preparation of this Report.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Construction Industry Training Board included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Construction Industry Training Board in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Income from industry levies was $9 million, an increase of $3.2 million. Levies from the civil sector increased by $1.5 million while levies from the housing sector increased by $773 000. The variations reflect the level of activity in these sectors during 1999-2000.

Training expenditure was $6 million an increase of $1.3 million. Reflected in this increase was expenditure associated with the housing sector which increased by $1.1 million to $2.8 million.

Housing Sector funds not utilised at 30 June 2000 accounted for 56 percent of the accumulated surplus of $5.5 million.

Operating Statement for the year ended 30 June 2000

INCOME:	Note	Housing Sector $'000	Commercial Sector $'000	Civil Sector $'000	Other $'000	2000 Total $'000	1999 Total $'000
Industry levies		**3 603**	**2 867**	**2 521**	**-**	**8 991**	5 809
Interest on deposits		**166**	**129**	**89**	**2**	**386**	272
Grants		**-**	**-**	**-**	**118**	**118**	116
Fines		**-**	**3**	**4**	**-**	**7**	32
Gain on disposal of assets		**11**	**3**	**2**	**-**	**16**	1
Other income (loss)		**-**	**-**	**(1)**	**-**	**(1)**	30
Total Income		**3 780**	**3 002**	**2 615**	**120**	**9 517**	6 260
EXPENDITURE:							
ADMINISTRATION:							
Salaries and related payments		**214**	**166**	**115**	**-**	**495**	442
Collection Agents fees		**63**	**14**	**6**	**-**	**83**	75
Depreciation		**20**	**16**	**11**	**-**	**47**	43
Occupancy		**18**	**14**	**10**	**-**	**42**	-
Promotion and occupancy		**-**	**-**	**-**	**-**	**-**	148
Special projects		**14**	**11**	**7**	**-**	**32**	-
Other		**121**	**94**	**66**	**-**	**281**	232
Total Administration Expenditure		**450**	**315**	**215**	**-**	**980**	940
TRAINING RESEARCH ACCESS AND EQUITY EXPENDITURE							
Salaries		**54**	**48**	**30**	**-**	**132**	-
Promotion		**126**	**111**	**78**	**-**	**315**	-
Training claims		**2 848**	**2 121**	**1 069**	**-**	**6 038**	4 738
Other		**16**	**13**	**6**	**-**	**35**	-
Access and equity		**42**	**27**	**41**	**-**	**110**	3
Research		**20**	**23**	**31**	**-**	**74**	-
Total Training Research Access and Equity		**3 106**	**2 343**	**1 255**	**-**	**6 704**	4 741
GRANT EXPENDITURE:							
Salaries and related payments		**-**	**-**	**-**	**78**	**78**	70
Depreciation		**-**	**-**	**-**	**7**	**7**	10
Promotion and occupancy		**-**	**-**	**-**	**9**	**9**	7
Other		**-**	**-**	**-**	**53**	**53**	51
Total Grant Expenditure		**-**	**-**	**-**	**147**	**147**	138
Total Expenditure		**3 556**	**2 658**	**1 470**	**147**	**7 831**	5 819
OPERATING SURPLUS (DEFICIT) BEFORE ABNORMAL ITEMS		**224**	**344**	**1 145**	**(27)**	**1 686**	441
Abnormal items	2.12	**37**	**82**	**106**	**-**	**225**	164
OPERATING SURPLUS (DEFICIT) AFTER ABNORMAL ITEMS		**261**	**426**	**1 251**	**(27)**	**1 911**	605
ACCUMULATED SURPLUS AT 1 JULY		**2 847**	**951**	**4**	**20**	**3 822**	3 247
TOTAL AVAILABLE FOR APPROPRIATION		**3 108**	**1 377**	**1 255**	**(7)**	**5 733**	3 852
AGGREGATE OF AMOUNTS TRANSFERRED (TO) FROM RESERVES		**(35)**	**(254)**	**(5)**	**29**	**(265)**	(30)
ACCUMULATED SURPLUS AT 30 JUNE		**3 073**	**1 123**	**1 250**	**22**	**5 468**	3 822

Statement of Financial Position as at 30 June 2000

CURRENT ASSETS:	Note	2000 $'000	1999 $'000
Cash		**40**	637
Receivables	3	**491**	346
Investments	4	**7 303**	4 983
Total Current Assets		**7 834**	5 966
NON-CURRENT ASSETS:			
Property, plant and equipment	5	**301**	147
Total Non-Current Assets		**301**	147
Total Assets		**8 135**	6 113
CURRENT LIABILITIES:			
Training expenditure approved but not yet paid	6	**746**	744
Creditors and accrued expenses		**133**	76
Provision	7	**55**	16
Total Current Liabilities		**934**	836
NON-CURRENT LIABILITIES:			
Provisions	8	**13**	-
Total Non-Current Liabilities		**13**	-
Total Liabilities		**947**	836
NET ASSETS		**7 188**	5 277
ACCUMULATED FUNDS:			
Reserve	9	**1 720**	1 455
Accumulated funds		**5 468**	3 822
TOTAL ACCUMULATED FUNDS		**7 188**	5 277
Commitments	10		
Contingent Liabilities	11		

Statement of Cash Flows for the year ended 30 June 2000

	Note	**2000 Inflows (Outflows) $'000**	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Industry training levies		**8 926**	5 774
Interest received		**32**	29
Other		**2**	66
Grant from Government		**118**	116
PAYMENTS:			
Payments to employees and suppliers		**(1 450)**	(773)
Training, access and equity expenditure		**(5 921)**	(5 196)
Grants		**(140)**	(133)
Net Cash provided by (used in) Operating Activities	17.2	**1 567**	(117)
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Proceeds from sale of commercial bills		**17 018**	27 764
Proceeds from term deposits		**12 395**	-
Proceeds from sale of plant and equipment		**83**	16
PAYMENTS:			
Payment for commercial bills		**(11 820)**	(27 570)
Payment for term deposits		**(19 577)**	-
Payment for plant and equipment		**(263)**	(65)
Net Cash (used in) provided by Investing Activities		**(2 164)**	145
NET (DECREASE) INCREASE IN CASH HELD		**(597)**	28
CASH AT 1 JULY		**637**	609
CASH AT 30 JUNE	17.1	**40**	637

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. General

1.1 Objectives

The Board's responsibilities include:

- management and administration of the Construction Industry Training Fund and the South Australian Construction Industry Training Advisory Body;
- to act as a principal adviser to the Minister for Education, Children's Services and Training and the Minister of Employment, Education and Training for the Commonwealth on training related matters for the Building and Construction Industry in South Australia;
- preparation of training plans;
- co-ordination of training and review and evaluation of employment related training programs.

The Fund collects revenue by way of a levy of 0.25 percent of the value of building and construction work. This revenue is invested back into the industry in the form of expenditure on training.

2. Summary of Accounting Policies

2.1 General System of Accounting Underlying the Financial Statements

The general purpose financial statements have been prepared in accordance with applicable Australian Accounting Standards, the Treasurer's Instructions for Authorities promulgated under the provisions of the *Public Finance and Audit Act 1987* and the requirements of the *Construction Industry Training Fund Act 1993*. The following is a summary of the significant accounting policies adopted by the Board in the preparation of the accounts.

The accrual accounting basis has been used for the preparation of the financial statements whereby items are brought to account as they are earned or incurred and included in the statements for the accounting periods to which they relate.

The accounts are prepared on the basis of historical cost and are not adjusted to take account of either changing money values or current valuations of non-current assets unless otherwise disclosed in these notes.

2.2 Income Recognition

Industry levies are recognised as income when the Board obtains control of the levies. Control is normally obtained upon their receipt by the Board or its collection agents.

Interest income is recognised as it accrues.

Grant monies for specific projects are recognised as revenue in the financial year when monies are received, in accordance with Department of Treasury and Finance Accounting Policy Statement APS 11. However, where specific conditions relating to the grant are not met and the amount is required to be repaid, a liability is recognised in the Statement of Financial Position as a result of a present obligation arising to the grantor.

2.3 Depreciation

Depreciation of assets is calculated on a straight line basis for each class of depreciable asset so as to write-off the cost of the asset over its expected useful life.

2.3 Depreciation (continued)

The depreciation rates used for each class of depreciable asset are set out as follows:

- furniture and fittings — 20 percent and 12.5 percent
- computer equipment — 25 percent
- office machines — 20 percent
- motor vehicles — 15 percent

2.4 Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount.

2.5 Income Tax

The Board is exempt from Income Tax in terms of subsection 23(d) of the *Income Tax Assessment Act 1936,* as amended.

2.6 Employee Entitlements

Provision has been made in the financial statements, where stated, for the Board's liability for employee entitlements arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees (viz, workers compensation insurance premiums, superannuation contributions and payroll tax) have been included in the determination of the liability.

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 and includes an allocation of relevant on-costs.

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

The liability for employee entitlements to long service leave represents the present value of the estimated future cash flows to be made to employees resulting from the service of employees who have completed five or more years of service up to balance date.

Superannuation

The Board has contributed 7 percent of employees' base salary into a prescribed superannuation fund. This amount represents the Board's full liability for superannuation for the year.

2.7 Creditors and Accrued Expenses

The Board has brought to account accrued expenses at year end.

2.8 Leases

The Board leases premises and equipment for its administrative and operating activities. The leases are classified as non-cancellable operating leases and lease payments are included as expenditure in equal instalments over the accounting periods covered by the respective lease terms.

2.9 Accrued Levy Income

Accrued levy income includes all amounts held by collection agents at balance date.

2.10 Training Expenditure Approved but Not Yet Paid

Training expenses are recognised as an expense in the financial year that the expenditure was approved. The balance of unexpended training approval is included in the Statement of Financial Position as 'Training expenditure approved but not yet paid'.

2.11 Sector Allocation of Income and Expenditure

The following income and expenditure items have been allocated between sectors based on the level of Industry Levy Income and Training Expenditures:

- interest income
- other income
- salaries and related payments
- depreciation
- gain on disposal of non-current assets
- promotion and occupancy costs
- other administration costs

Industry levy income, collection agents fees, sector administration fees, and training and access and equity expenditures have been allocated between sectors based on actual amounts received/incurred for that sector.

2.12 Abnormal Item

	2000	1999
The abnormal item of the Board for the financial year represents the write back of training contract amounts which were unspent from previous Annual Training Plan years	**$'000**	$'000
Write back of training expenses	**225**	164

2. Summary of Accounting Policies (continued)

2.13 Receivables

Receivables in respect of accrued levy income and debtors are due for settlement within 30 days and are recorded at their recoverable amount. At the end of each reporting period the receivable balances are reviewed and a provision is raised in respect of any balance where recovery is considered doubtful.

2.14 Investments

Investments represent investments in term deposits. Interest income is brought to account on an accruals basis.

3. Current Receivables

		2000	1999
The receivables due to the Board at balance date comprise:	**$'000**	**$'000**	$'000
Accrued levy income		**423**	314
Accrued interest		**35**	-
Prepayments		**18**	-
Trade debtors	**9**		
Less: Provision for doubtful debts	**1**		
		8	14
Sundry debtors		**7**	18
Total Current Receivables		**491**	346

4. Current Investments

	2000	1999
The investments of the Board at balance date comprise:	**$'000**	$'000
National Australia Bank term deposits	**7 303**	-
Commonwealth Bank of Australia commercial bills	**-**	989
National Australia Bank commercial bills	**-**	3 994
Total Current Investments	**7 303**	4 983

5. Property, Plant and Equipment

		2000	1999
Plant and equipment:	**$'000**	**$'000**	$'000
Furniture and fittings at cost	**60**		
Less: Accumulated depreciation	**44**		
		16	9
Computer equipment at cost	**311**		
Less: Accumulated depreciation	**134**		
		177	58
Office machines at cost	**25**		
Less: Accumulated depreciation	**10**		
		15	10
Motor vehicles at cost	**100**		
Less: Accumulated depreciation	**7**		
		93	70
Total Plant and Equipment		**301**	147

6. Training Expenditure Approved but Not Yet Paid

	2000	1999
	$'000	$'000
Housing sector	**376**	263
Commercial sector	**229**	246
Civil sector	**141**	235
	746	744

7. Current Provision

Provision for employee entitlements:		
Long service leave	**20**	-
Annual leave	**35**	16
	55	16

8. Non-Current Provision

Provision for employee entitlements:		
Long service leave	**13**	-

9. Reserve

In developing its policy in 1999-2000 for the maintenance of a strategic reserve, the Board has reviewed the level of the reserve. The Board has decided to increase the level of its strategic reserve in accordance with its annual policy review.

Strategic reserve	**1 720**	1 455

10. Expenditure Commitments

Lease commitments:		
Operating Leases:		
Not later than one year	**54**	51
Later than one years but not later than five years	**68**	120
Aggregate lease expenditure contracted for at balance date but not provided for	**122**	171

The leases are non-cancellable leases, with rental payable monthly in advance.

11. Contingent Liabilities

The Board is aware of a claim for reimbursement of levy payments. The financial effect were the challenge to be successful is $1 433 000.

12. Auditor's Remuneration

	2000 $'000	1999 $'000
Amounts receivable by the auditors for auditing the accounts	**21**	21

13. Remuneration of Directors

Total income received, or due and receivable during the financial year, by Board Members was $17 000 ($9 000).

	2000 Number of Members	1999 Number of Members
The number of Board members whose income from the entity falls within the following band is:		
$0 - $20 000	**1**	1

Prescribed benefits given by the Board to a prescribed superannuation fund or otherwise in connection with the retirement of a Board Member was $1 199.

14. Remuneration of Executives

Employees received remuneration in the year in the following band:

	2000 Number of Executive	1999 Number of Executive
$100 001 - $110 000	**1**	-

15. Consultant Fees

	2000 $'000	1999 $'000
Total expenditure on consultants	**17**	63

16. Related Party Disclosures

16.1 Directors of the Construction Industry Training Board

The Directors of the Construction Industry Training Board appointed from 1 July to 30 June 2000:

Richard McKay	Presiding Member	Christopher Michelmore	
Susan Frazer		Martin O'Malley	
Robert Stewart		Graeme Lawler	
Martin Walsh	Appointment effective 1/07/1999 Resigned effective 23/02/00	Stephen Hall	Appointment effective 1/07/1999
Peter Jones	Appointment effective 23/02/2000 Resigned effective 14/04/2000	Robert Geraghty	Appointment effective 1/07/1999
Trevor Trewartha	Appointment effective 1/07/1999	Anne Howe	Appointment effective 1/07/1999

16.2 Transactions with Director-Related Entities

The following related party transactions occurred during the financial year:

(a) Three of the Board Members are Deputy Board Members of Construction Benefit Services (CBS) and two of the Deputy Board Members are Board Members of CBS from whom the Construction Industry Training Board leases premises for its operating activities under normal terms and conditions.

(b) During the year training funds were allocated to associated entities of the Directors of the Construction Industry Training Board. Such transactions were within terms and conditions no more favourable than those available on similar transactions to other parties.

17. Notes to the Statement of Cash Flows

17.1 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, the Board considers cash to include cash on hand and in banks and investments readily convertible to cash within two working days.

Cash at the end of the reporting period, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	2000 $'000	1999 $'000
Cash on hand and at bank	**-**	598
Term deposits	**40**	39
	40	637

17.2 Reconciliation of Operating Surplus after Abnormal Items to Net Cash provided by (used in) Operating Activities

	2000	1999
Operating surplus after abnormal item	**1 911**	605
Depreciation	**54**	53
Increase (Decrease) in annual leave provision	**19**	(7)
Increase in long service leave provision	**33**	-
Increase in debtors and accrued levy income	**(109)**	(31)
(Increase) Decrease in prepayments	**(18)**	5
(Increase) Decrease in accrued interest	**(18)**	7
Interest on commercial bills	**(215)**	(247)
Interest on term deposits	**(121)**	-
Increase (Decrease) in creditors and accrued expenses	**45**	(9)
Gain on disposal of assets	**(16)**	(1)
Decrease in inventory	**-**	1
Increase (Decrease) in training liability	**2**	(493)
Net Cash provided by (used in) Operating Activities	**1 567**	(117)

18. Financial Instruments

(a) Credit Risk Exposures

The credit risk on the Board's financial assets which have been recognised in the Statement of Financial Position is generally the carrying amount, net of any provision for doubtful debts.

The Board is of the opinion that it does not have any material credit risk exposure to any single debtor or group of debtors.

(b) Interest Rate Risk Exposures

The Board's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out as follows:

	Weighted Average Interest Rate Percent	Floating Interest Rate $'000	Fixed Interest Maturing in 1 to 5 years $'000	Non-Interest Bearing $'000	**2000 Total $'000**	1999 Total $'000
Financial Assets:						
Cash	4.6	40	-	-	**40**	637
Receivables		-	-	491	**491**	346
Investments	5.2	-	7 303	-	**7 303**	4 983
		40	7 303	491	**7 834**	5 966
Financial Liabilities:						
Training expenditure approved but not paid		-	-	746	**746**	744
Creditors and accrued expenses		-	-	133	**133**	76
Net Financial Assets (Liabilities)		40	7 303	(388)	**6 955**	5 146

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of financial assets and financial liabilities of the Board approximates their carrying value.

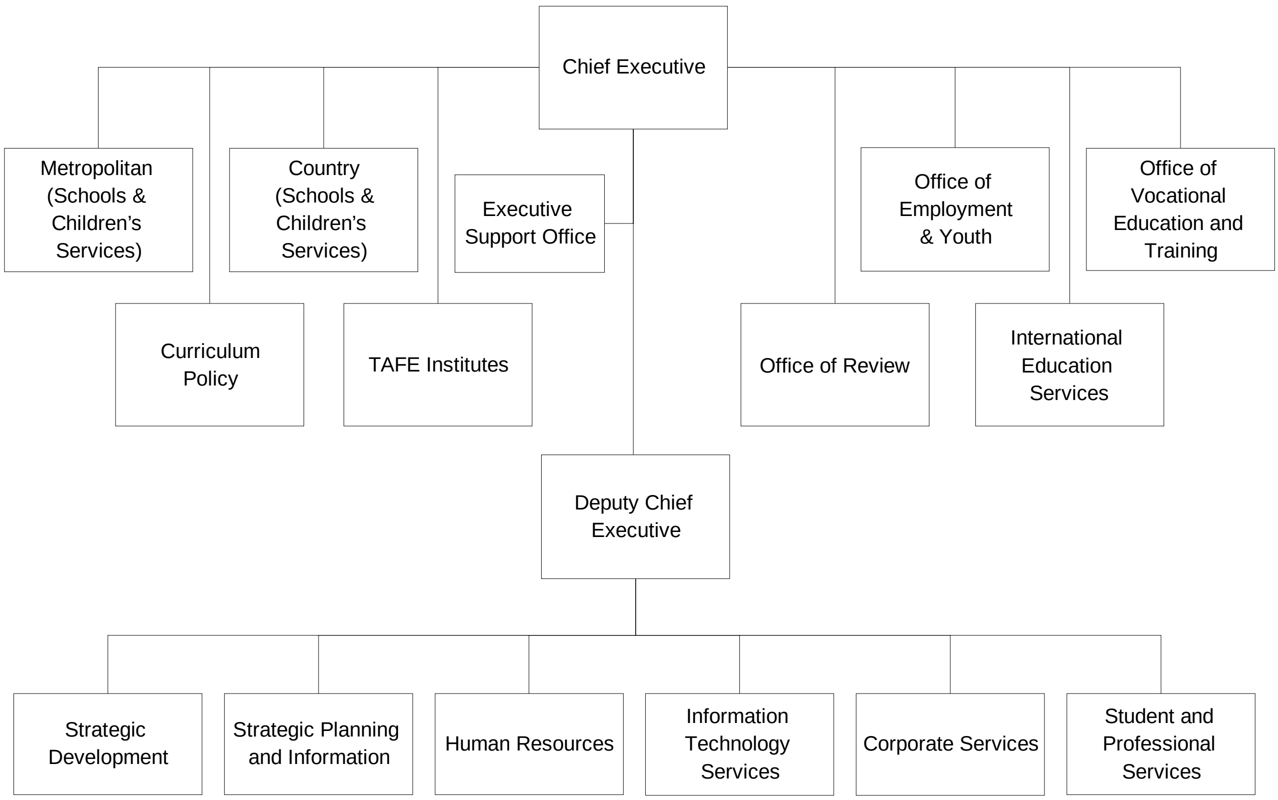
DEPARTMENT OF EDUCATION, TRAINING AND EMPLOYMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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

The mission of the Department is to provide high quality learning, teaching, care, employment and youth services within an integrated, responsive and supporting learning organisation which strives for continuous improvement in service and performance.

The organisational structure of the Department is:



SIGNIFICANT FEATURES

- Net cost of services was $1.4 billion.
- Employee expenses totalled $1.2 billion or 70 percent of the total cost of services.
- Commonwealth grants, $257 million, represented 71 percent of total operating revenues.
- The written down value of the Department's non-current assets is $2 billion.
- The liability for employee entitlements is $328 million, an increase of $24.1 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

The audit program covered all 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 1999-2000, specific areas of audit attention included:

- expenditure, including accounts payable, salaries and wages and leave management systems;
- non-current assets, including the adequacy of asset register maintenance;
- revenue, including general ledger recording and the South Australian Schools Investment Fund;
- TAFE Institute operations including Adelaide and Regency Institutes.

Audit Communications to Management

During the year, several letters communicating issues arising from the audit were forwarded to the Chief Executive and satisfactory responses were received. These issues are detailed in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The audit for the year identified instances of non-compliance with generally accepted internal control procedures and Departmental policies and guidelines. Issues raised with the Department included weaknesses in procedures and internal controls with respect to the Capital Works Assistance Scheme (CWAS), accounts receivable, accounts payable, workers compensation, transport and cleaning services. These and other issues are commented upon further in this section of the Report.

Capital Works Assistance Scheme

Specific issues arising from the review included:

- inadequate record keeping in relation to approvals, loan agreements and submissions;

- poor communication, between the Site Financial Services Unit and the Site Property Services Unit, which has led to incomplete budgeting and untimely notification of loan agreements and submissions;

- inefficient and incomplete repayment procedures and documentation for the repayment of loans;

- inadequate evidence of loan repayments or invoicing for a number of school loans which have been drawn down since 1997-98;

- inadequate policy documentation for the operation of CWAS.

The issues raised must be viewed in the context of the Scheme that has a budgeted expenditure of $3.5 million per year.

Departmental Response

The Department acknowledged the importance of implementing internal controls to address the above weaknesses. In addition, the Department advised that it had appointed a full-time finance officer for a period of three months to review the entire processes of the CWAS and school loans and to address issues already identified by the Department as requiring attention including:

- identifying the status of all loans approved;

- following up outstanding issues with schools;

- collating all information to ensure, as far as possible, full and complete loan records for each loan;

- establishing a database to record every active loan and to provide a basis for regular reconciliations of loans to verify that all outstanding principal and interest payments have been made.

Accounts Receivable

The more significant issues raised included:

- inadequate policy and procedures documentation, particularly in relation to Business Unit responsibilities to ensure complete submission of debtor detail to the Accounts Receivable Section;
- Non-compliance with the existing draft policy and procedures, in particular regarding follow up action for outstanding invoices by the Accounts Receivable Section;
- the transfer and/or adjustment of all debtors that remain on the previous accounts receivable system to the new system;
- the need for all invoices and credit note requests received from Business Units to be supported by appropriate authority and documentation.

Departmental Response

The Departmental response stated:

- that although a considerable amount of time and effort had been spent on the development of a policy and procedures manual, it had remained in draft form due to the necessity for staff to be involved in higher priority tasks including the implementation of the Goods and Services Tax, and due to the time spent by officers transferring data from the previous system to the new accounts receivable system;
- as the conversion process of data from the previous accounts receivable system to the new system had recently been completed, officers would have the opportunity to follow up outstanding debts and fine tune procedures if necessary;
- debts recorded on the previous accounts receivable system that had been deemed to be irrecoverable would be written off;
- source documentation would be held within the Accounts Receivable Section as evidence of transaction processing to the system.

Accounts Payable and Workers Compensation

A number of independent checks that ensure that only authorised data is processed were not being performed.

The Department advised that it would implement a number of changes to ensure that only authorised data is processed.

Transport Services and Cleaning Services

A review of the payment processes associated with these services indicated that there were inadequate controls associated with changes and additions made to the vendor masterfiles.

The Department advised that it would incorporate independent checking processes to current procedures for these services to ensure that all changes made to the vendor masterfiles were reviewed.

Adelaide Institute of TAFE

A review of the material areas of financial operation of the Adelaide Institute of TAFE was performed during the year.

The major findings of the audit were:

- policies and procedures associated with costing, pricing, approving, accounting for and monitoring fee-for-service activities were not current and require updating, approval and adoption at all Institutes;
- policies and procedures associated with enrolling and re-enrolling international students, invoicing of tuition fees and receipt and follow up of outstanding amounts had not been finalised. In addition, current procedures associated with the recording of enrolment fees and management of debtors were insufficient to ensure that all fees are raised, and subsequently received, and are adjusted, or written off and that outstanding fees are adequately followed up;

- instances of non-compliance with Treasurer's Instruction 12 and internal accounting policies which prescribe controls over the issuing of credit cards and procedures to ensure that all payment transactions are authorised, are for approved purchases, are supported by adequate documentation, and are adequately monitored by cardholders' supervisors;

- controls over the recording of sundry debtors over recent years did not ensure that balances of debts outstanding were correct. As a result, a review by the Institute of debts outstanding at June 1999 of $1.4 million resulted in adjustments, due to errors, unrecorded transactions, writing off of uncollected amounts to give a revised outstanding balance of $300 000. Audit found that controls over the recording of debtors in 1999-2000 were also inadequate and that policies and procedures covering the recording, management and follow up of debtors had not been formulated.

Departmental Response

The Departmental response stated that:

- Adelaide Institute had updated policies and procedures approved by management for fee for service activities.

- Whilst it agreed with Audit's recommendations concerning controls over raisings, receipts and adjustments to student fees, and the monitoring and follow up debtors, the Institute's Budget and Audit Committee was awaiting the results of an Internal Audit Review of the International Students Unit that would also serve as the basis of a review of all policies and procedures.

- It agreed with Audit's recommendations regarding the implementation of internal controls associated with the issuing of credit cards, review and overall monitoring of credit card usage, and acquittal practices of transactional source and supporting documentation.

- Policies and procedures for the new debtors system were in the process of being developed and refined. It further advised that investigation of all outstanding amounts in the old debtors system was continuing with the intention of the process being completed before the end of the calendar year.

School Administration System (EDSAS)

Background

I have previously reported on the progress made by the Department in the development and installation of EDSAS into schools and the cost of the project.

A review of the EDSAS project during 1999-2000 revealed the following developments.

EDSAS 2000

EDSAS 98.1 was released to South Australian State Government schools in July 1998. Since this time, a number of EDSAS related issues have arisen that have required the development, acceptance testing and release to schools of an enhanced version. A modified version, EDSAS 2000, was released to 648 schools in June 2000.

The enhancements to the system include the following:

- Greater stability and Windows compatibility;

- Utilities module changes;

- Y2K compliance;

- A new module which enables data from EDSAS to be transferred to a data base developed and maintained by the Senior Secondary Assessment Board of South Australia (SSABSA).

Finance Module

Rollout of the EDSAS financial module commenced in October 1995. It was expected that the rollout would be complete by 30 June 1996, however problems experienced with the module resulted in implementation being stopped until such time when the module could be corrected and fully tested. Since this time the Finance Module has been tested under the Project Management of Coopers Lybrand and in 1999-2000, the Finance Module was implemented in 341 schools. The implementation of the Finance Module is now complete in all schools with the exception of the Anangu Schools. This will enable schools to record financial data in an accrual format. It is the Department's intention to consolidate the accounts of schools and children's services sites in due course in accordance with Australian Accounting Standard AAS 24 'Consolidated Financial Reports'.

Comment

The EDSAS project will be the subject of ongoing audit review during the 2000-01 year.

Continuing Reviews

Past Reports have made comment with regard to a number of extended audit reviews. At the time of finalisation of this Report, follow up reviews are still in progress. Findings from these continuing reviews will be reported in Supplementary Reports which will be tabled during 2000-01.

EXTRACT FROM INDEPENDENT AUDIT REPORT

> ***Qualification***
>
> *The Department of Education, Training and Employment economic entity comprises the Corporate Department, TAFE Institutes, preschools, long day care centres (those referred to as 'Bowen Funded Centres' only), neighbourhood houses, toy libraries, government schools and child parent centres. As disclosed in Note 2(b) to the financial statements, the non-corporate entities, with the exception of TAFE Institutes, cannot provide reliable data on an accrual basis of accounting at this time. Accordingly, the financial statements do not include funds generated by the other non-corporate entities as required by Australian Accounting Standard AAS 24 'Consolidated Financial Reports'.*
>
> *In addition, as disclosed in Note 2(j) to the financial statements, information including values in respect to the buildings and improvements controlled by the Department was obtained from the Building and Land Asset Management System (BLAMS) maintained by the Department for Administrative and Information Services. A sample verification of site assets to the BLAMS information confirmed a high degree of reliability in the data used. Buildings are currently valued on the basis that they are fully utilised. The Department is currently developing asset management plans for all sites. This process will identify under-utilised space at each site and will form the basis for revaluation of these assets.*
>
> *Notwithstanding the results of the sample verification, I am unable to form an opinion on the reasonableness of the value of buildings and improvements brought to account in the Statement of Financial Position.*
>
> ***Qualified Audit Opinion***
>
> *In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraphs, the financial report presents fairly in accordance with Treasurer's Instructions promulgated under the provisions of the* Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the Department of Education, Training and Employment as at 30 June 2000, the results of its operations and its cash flows for the year then ended.*

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department of Education, Training and Employment included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Department of Education, Training and Employment 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 'Audit Findings and Comments' were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Operating Expenses

Employee Expenses

Employee expenses for the year were $1.2 billion, the same as last year, of which $1 billion related to the payment of salaries and wages. For a detailed breakdown of expenses, refer Note 4 to the financial statements.

Supplies and Services

Included in supplies and services expenditure, $314.3 million, is an amount of $79.7 million relating to minor works maintenance and equipment. The principal component of this amount relates to expenditure on schools.

Grants and Subsidies

Expenditure relating to grants and subsidies of $143.7 million, includes grants to primary and secondary schools of $77.9 million. The reduction in Schools Operating Support Grants from $24.5 million to $16 million is in part offset by payments associated with Partnerships 21.

Operating Revenues

Student and Other Fees and Charges

This amount, $71.4 million, includes $26.4 million for student enrolment fees and charges of which $23.7 million relates to students attending TAFE Institutes.

Other Grants and Contributions

This amount, $11.5 million, includes $8.9 million received from the Community Development Fund, a fund established to receive part of the revenues raised from gaming machine taxation.

Non-Current Assets

Property, Plant and Equipment

The written down value of property, plant and equipment is $2 billion. Note 2(j) to the financial statements states how the valuation was derived with respect to buildings and improvements and recognises the limitations in arriving at a reliable figure.

The note also indicates the reasons for the non-inclusion of certain improvements.

Liabilities

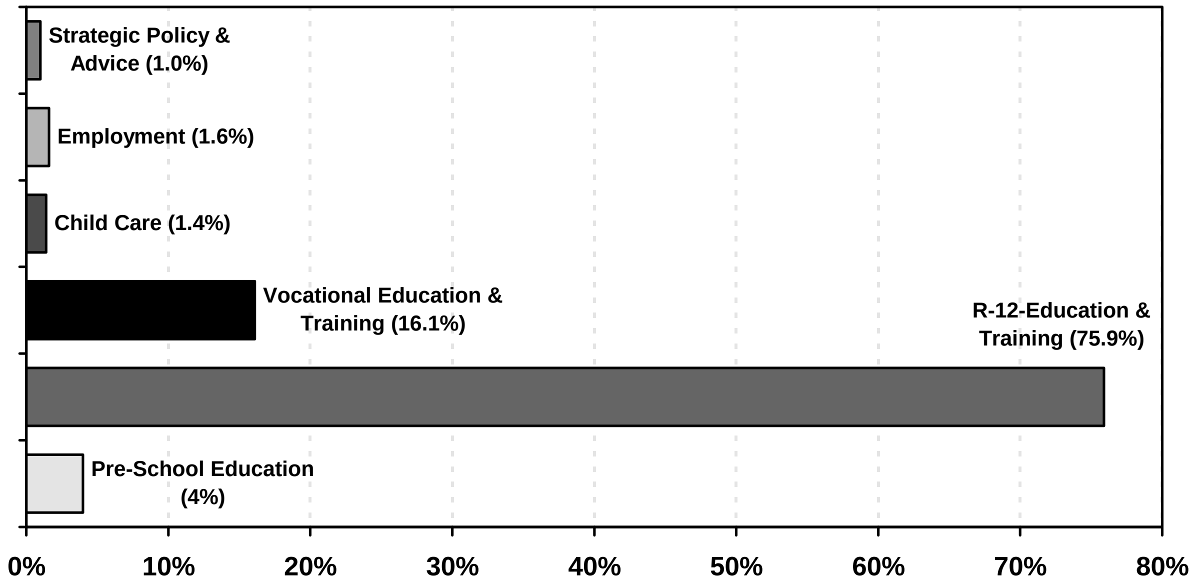
Employee Entitlements

Employee entitlements total $328 million, with the principal component being a provision of $231.8 million for long service leave.

Results of Operations

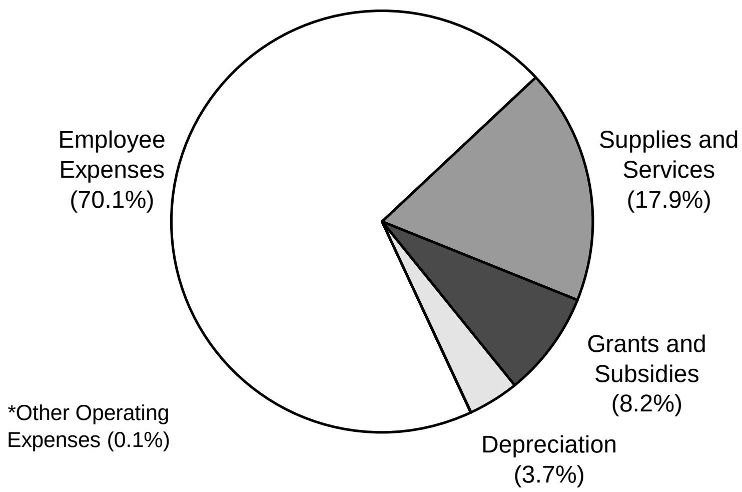
Output costs for primary and secondary education accounted for 75.9 percent of the total cost of services. The output elements of the total cost of services are represented in the following diagram.

Output Classes - Expenses Expressed in Percentage Terms



Employee expenses accounted for 70.1 percent (70.5 percent) of total cost of services. The nature of expenses, as a percentage of the total cost of services, are represented in the following pie chart.

Nature of Expenses



Costs Associated with the Protection and Restoration of School Property

An amount of $1.4 million ($1.9 million) was paid during the year for the repair and replacement of equipment which was vandalised or stolen from government schools and preschools. In addition, an amount of $2.5 million ($2.7 million) for repair costs to school buildings was included in the charges billed by the Department for Administrative and Information Services.

Fire losses paid for the same period were $2.6 million ($1.9 million) and the estimate of amounts for fire damage claims not yet finalised at 30 June was $1.8 million ($3.2 million)

Payment for security contracts, installation and maintenance of alarm systems, and other security costs for the year totalled $3.3 million ($3.1 million).

FURTHER COMMENTARY ON OPERATIONS

Accounting Policies

In preparing the financial statements, the Department has had difficulty in ensuring that all financial data has been included and that all assets have been identified and reliably measured.

While the Department has identified the entities within the economic entity, it has not been possible to include the financial transactions relating to all the entities. The Department has completed a significant part of the implementation of the EDSAS financial module in schools. This will enable the Department to collect schools financial data, thereby enabling this data to be incorporated into the financial statements. The Department anticipates that this will occur for 2000-2001.

The Department's operations span approximately 1100 sites that include in the order of 7000 buildings. Buildings are currently valued on the basis that they are fully utilised Work is currently being undertaken to develop asset management plans for all sites. This process is expected to be completed by June 2001 and will identify under-utilised space at each site. This information will form the basis for revaluation of these sites. Note 2(j) to the financial statements provides additional information on the identification and measurement of these assets.

Until the aforementioned issues are addressed, Audit will have no recourse but to issue a qualified audit opinion.

Financial Management Framework

The Financial Management Framework (FMF) became operative in July 1998 under the mandate of the Treasurer's Instructions. The FMF requires agencies to implement and document policies, systems and processes that will assist the Chief Executive and responsible Minister to discharge accountability in relation to important matters, such as, financial management and reporting, internal control and risk management.

Last year's Report commented on developments initiated by the Department that align with certain prescribed elements of the FMF. Those developments related to the introduction of a formalised Risk Management Policy and the endorsement of a control self assessment process to facilitate risk modelling.

During 1999-2000, the Department progressed the implemented processes for the preparation and maintenance of documentation of policies and procedures covering all major activities. In addition, during 2000-01 the current risk management and quality initiatives operating within the Department will be integrated to develop an overall Corporate Governance and Risk Management Framework.

The completion of these initiatives will provide the critical basis for the effective implementation of many of the prescribed elements of the FMF, including the establishment of an ongoing Risk Management Plan.

Partnerships 21

The new model for local management of school and children's services, 'Partnerships 21' was introduced during the year.

Partnerships 21 aims to provide schools and preschools with greater responsibility, authority and accountability for making their own decisions on how best to deliver education, care and training through partnerships with their communities.

Take up of Partnerships 21 is voluntary. Those schools and preschools that elect to be part of the new model remain within the State system and are required to comply with legislative requirements and Departmental policies.

Central Principles of Partnerships 21

The central principles forming the foundation for Partnerships 21 are designed to:

- optimise the use of resources to improve the educational outcomes for all students;
- provide flexibility for local sites to make their own arrangements for teaching and learning within common curriculum framework and public system employment agreements;
- allow sites to develop partnership agreements with their local communities, the central office and business and industry;
- include the voices of parents, students, staff and local community in decision making at the local level;
- make local decisions to optimise human, physical and financial resources;
- strengthen accountability for improving educational outcomes within a common curriculum framework;
- strengthen equity standards benchmarks to measure local and systemic improvement;
- establish protocols for partnership agreements between the central office and other service providers, and the local site or cluster of sites;
- provide a focus for the improvement of service responsiveness and delivery at the local site and central office.

Historical Perspective

Since the 1970's, the Department has been increasingly devolving responsibility for the local management of schools and preschools to the sites themselves. However, whilst cash grants such as 'Back to School Grants', 'DECStech 2001' and 'Replacement Furniture' have been given to schools to enable them to make decisions about how these funds can best be used to meet their individual needs, the determination of each site's annual funding arrangements and the management of certain expenditures have remained the responsibility of central office.

The Global Budget for Partnerships 21 Sites

The global budget process commenced on 1 January 2000 for sites electing to take up the new model. From this date Partnerships 21 sites assumed responsibility for the financial management of activities covered by their global budget.

The global budget is comprised of the resources a school or preschool is allocated in order to manage its educational program. It is based on the number and type of students at each site, and incorporates all the funds/benefits that a school or preschool has previously received during the year. Its key components are:

- An allocation based on the nature of the site, eg primary, area, preschool.
- A base allocation for each student irrespective of age or background. The base is equivalent to the resources allocated to students in years 3 to 7. Included in this component are any resources that are based on enrolment (schools) or attendance (preschools) such as support grants, breakdown maintenance, and staff salaries.
- An additional allocation for students in different year levels.
- An allocation for students with special learning needs eg Aboriginal students, students with disabilities, English as a second language, socioeconomic disadvantage.
- Increased funding for providing targeted improved learning outcomes for students with a socioeconomic disadvantage.
- Special programs ie Vocational Education in Schools, Basic Skills Test grants, Early Literacy Grants, Special Interest Music School allocations.

- Back to School, Centre Asset Management Plan and Minor Works grants.
- A notional per-capita allocation of mandated State and district services including guidance, speech pathology, behaviour, social work and special education support, site property and financial services. Whilst these allocations are included in the global budget, the funds are retained by the central and district office so that services can be delivered across the system. It is intended that over time these resources will be increasingly allocated to local sites who will decide how best to use the services.

The net global budget is paid into each site's South Australian Schools Investment Fund account on a monthly basis, once expenditure processed on behalf of the site by central office has been deducted from the instalment.

Any savings a site achieves with respect to its global budget will be retained by the site.

The Department has established a funding guarantee over a period of three years based on the difference between the agreed global budget and the site's resources profile.

Risk Management

To support Partnerships 21 sites, the Department has increased its risk management fund of $8.7 million to $28.5 million to cover unexpected expenses for schools eg damage or losses associated with fires, theft, vandalism. A risk management board has been established to oversee the management of the risk management fund.

Take Up Details

During 1999-2000, 386 sites were operating under a global budget. The following table shows the number and types of sites.

School Type	**Number of Schools**
Primary	**183**
Pre-School	**142**
Area	**31**
High School	**21**
Other	**9**
	386

The following table divides these sites by country/metropolitan location.

School Type	**Number of Schools**
Country	**220**
Metropolitan	**16**
	386

At the date of preparation of this Report, an additional 45 sites had indicated that they would enter into Partnerships 21 local management at the beginning of January 2001.

Grants

Partnerships 21 net global budget grants for 1999-2000 totalled $19.9 million. Of this amount approximately $2.1 million related to cleaning expenses previously met by the central office, and $4.7 million related to a one off Start Up payment to sites when they opted into the new funding model.

For schools, the Start Up grant was allocated on the basis of $70 per student, and included compensation for the move to the monthly cash payments of the global budget, and to assist in the preparation and development of the site for local management. Schools which undertook a pioneering role in the development of the Partnerships 21 model received $80 per student to assist them with additional development tasks. For pre-schools the Start Up grant was allocated on the basis of $25 per full-time equivalent child to assist them in the preparation and development of the site for local management.

Information Technology

DECStech 2001

DECStech 2001 is a five year Information Technology Plan which will:

- connect schools, units and administration sites through;
  - local area networks,
  - wide area networks at digital telecommunications network speed.
- aim to achieve a ratio of one computer for every five students in schools;
- provide computers to all pre-school sites for administrative purposes;
- provide training and development in the administrative and curriculum uses of communications and information technologies.

This plan involves expending $75 million over the five years. The 2000 calendar year is the fourth year the project has been in operation.

Project Development

An amount of $15 million was allocated to the DECStech 2001 project in 1999-2000. Total expenditure on the project since its inception is approximately $55.5 million. Expenditure in 1999-2000 totalled approximately $15.1 million. This included $4 million on the computer subsidy scheme established in early 1997 to assist schools in the acquisition of computers, $1.7 million on software products, $1.8 million on local area network router connections, and $2.5 million on internet access and services.

During the year 6 904 computers were purchased or leased by schools. The value of computers purchased was $1.9 million, whilst the value of leases entered into during 1999-2000 totalled $1.3 million. The value of existing leases for computers was approximately $3.1 million.

It should be noted that computers purchased under the subsidy scheme may be utilised for both curriculum and administration purposes.

Computer Agreement

An agreement was signed, in February 1997 with a consortium of three companies for the acquisition of computers. The agreement was planned to conclude on 31 March 1998. The agreement has been extended until a new Government Standard PC Contact has been finalised.

Recurrent Operations

General Children's Services

The number of licensed child care centres and licensed places at 30 June was:

	2000	1999	1998
Number of licensed child care centres	**231**	233	237
Number of licensed places	**10 903**	10 852	10 765

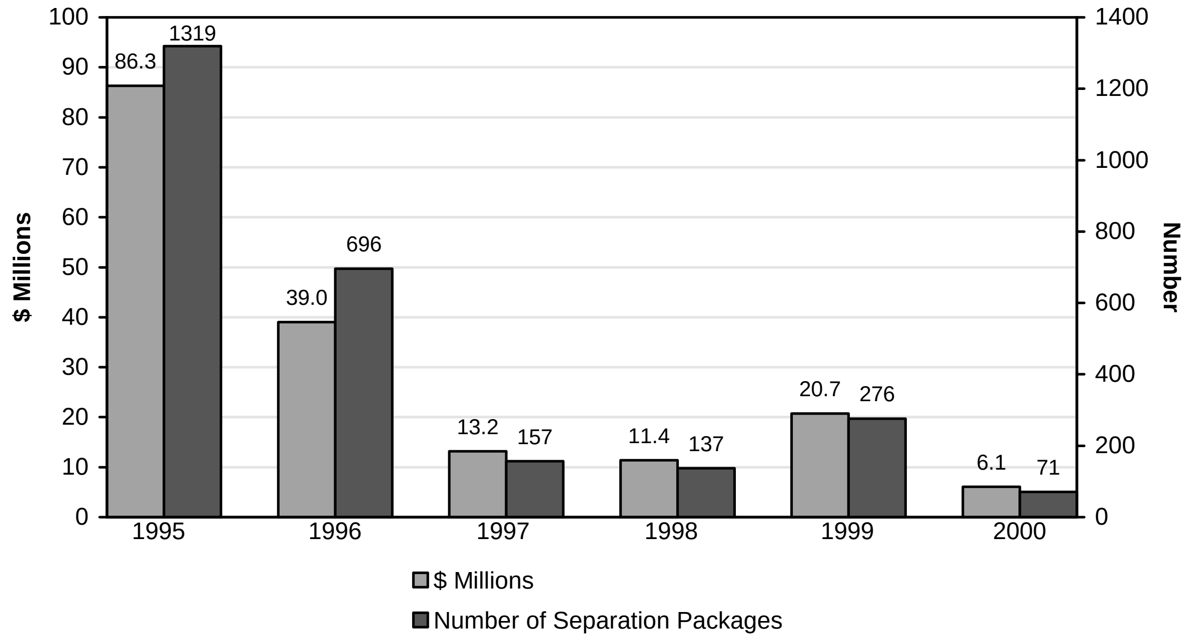
At 30 June, the number of places and children registered for family day care and respite care was:

	2000	1999	1998
Number of places	**5 314**	5 134	5 134
Number of children registered	**12 911**	14 431	14 521

Separation Packages

The workforce of the Department has been reduced through the use of targeted separation packages (from 1993-94 to 1999-2000) and voluntary separation packages (prior to 1993-94). The following bar chart illustrates the number of packages taken and the cost since 1994-95. The total number of packages taken and the cost since their inception has been 3780 and $277.7 million respectively.

Total Number of Separation Packages Taken



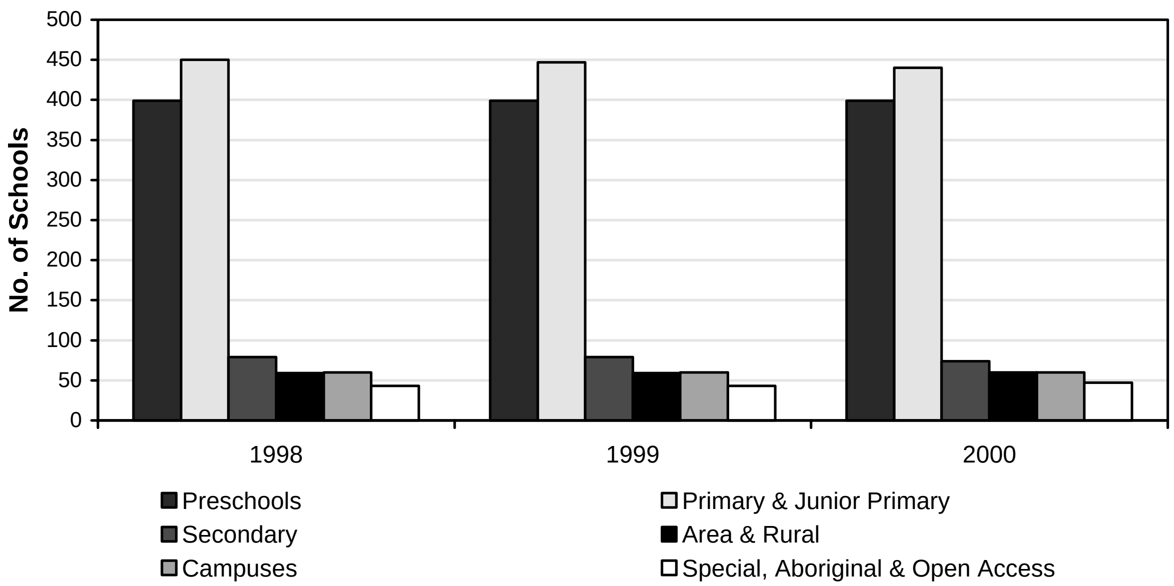
Payment and financing arrangements relating to targeted separation packages are outlined in Note 25 of the financial statements.

Numbers of Preschools, Schools, Campuses, Children, Students and Teaching Staff

Preschools, Schools and Campuses

State preschools and schools and TAFE campuses in South Australia at 30 June are illustrated below:

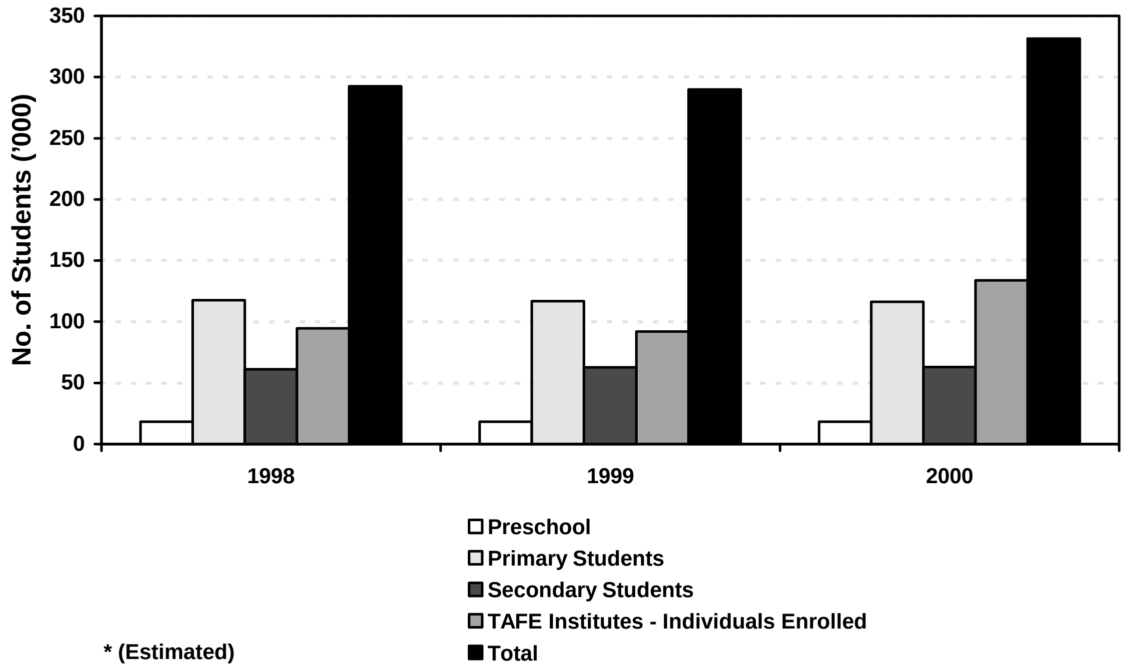
Number of Preschools, Schools and Campuses



Children, Students and Staff

Children and students in full-time equivalent terms enrolled in State preschools, primary and secondary schools, based on a mid-year census and individuals enrolled at TAFE Institutes for the academic year, are shown in the following graph:

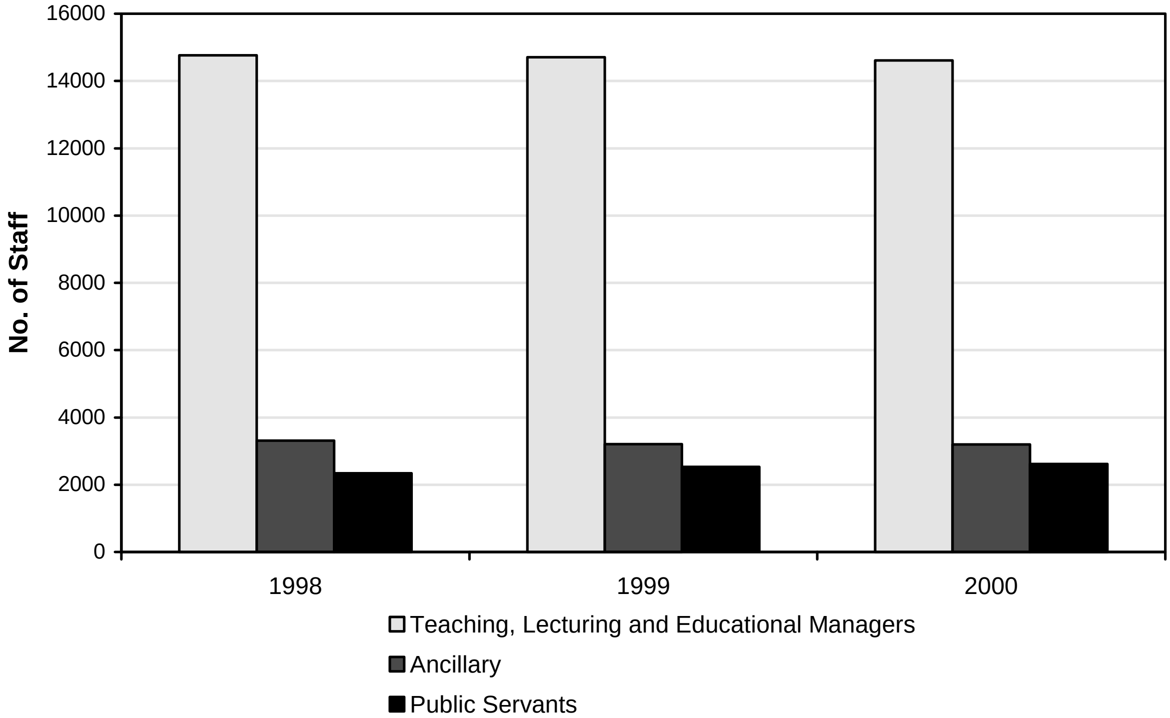
Number of Children and Students



Number of Staff

Total teaching, lecturing, educational managers, ancillary and public servant staff:

Number of Staff*



* Average full-time equivalents (excludes part time instructors employed on an hourly basis at TAFE Institutes).

Grants and Subsidies

Some of the major grants and subsidies included:

	2000	1999
	$'000	$'000
Partnerships 21	**19 937**	-
Schools Operating Support Grant	**15 982**	24 498
Non-Government vocational education and training providers	**26 156**	20 061
Back to School Program	**9 011**	12 076
DECStech 2001/Computer Plus	**4 951**	11 082
Employment Programs	**23 867**	9 329

Non-Government Vocational Education and Training Providers

The most prominent initiative is User Choice. Under this arrangement, apprentices and trainees and associated employers have more influence over their choice of provider, content of training programs and the mode of delivery. User Choice, grants and subsidies were $18.5 million ($12.1 million).

Employment Programs

Employment programs include service to increase youth and adult employment levels to assist regions and groups in developing skills for employment. The main programs were Government Youth Traineeship Schemes $11 million ($2.5 million), and Assisting Regions, Business and People Schemes $10.9 million (nil).

Government School Grants

Government schools (primary and secondary schools) are paid grants to support their educational programs which are also supplemented by school fees and fund raising. Grant expenditure associated with primary and secondary schools was $77.9 million and included:

- reduced schools operating support grants $16 million ($24.5 million) which was offset in part by those entities participating in Partnerships 21, $19.9 million;
- Back to School Grants $9 million ($12.1 million) to assist in addressing building maintenance needs on school sites. The grants have been calculated using the backlog and maintenance requirements identified in the Building and Land Asset Management System (BLAMS) maintained by the Department for Administrative and Information Services. Funds are not provided to schools until processes relating to acquittals and maintenance priorities have been completed;
- DECStech 2001/Computers Plus $4.9 million ($11.1 million).

School Accounts

Government schools receive financial support principally from grants paid by the Department, school fees and funds raised by parents.

The financial operations of schools are conducted through one Consolidated Account or through a number of accounts. These include the School Fund Account under the control of the Principal which includes the South Australian Schools Investment Fund and the Accounts of the School Council and affiliated bodies. Where a school canteen is operated, a separate account is maintained.

The Education Regulations require all school accounts, which are based on a financial year ended 31 October, to be audited at least annually. Further, the Regulations stipulate that a copy of the audited statement shall be forwarded to the Chief Executive no later than 1 April of the following year. A government contribution is provided as part of the School Support Grant to assist in the engagement of a suitably qualified auditor.

As not all schools financial statements have been received at the time of preparing this Report, it is not possible to report all funds held by schools at 31 October 1999. At 30 June 2000 funds held by schools represented by the South Australian Schools Investment Fund was $110.7 million with the average monthly balance for 1999-2000 being $99.5 million. Interest credited to the Fund during 1999-2000 was $5.1 million.

Internal Audit

Internal Audit has equivalent full-time staff of 8.4 (15).

During the year, Internal Audit undertook audits of all Institutes, a number of schools, and certain areas of State Office. In addition, a number of major reviews and investigations were conducted.

The operations of Internal Audit are taken into account when preparing the external audit program.

Capital Operations

Major Works

Some of the major capital works were:

	Approved Expenditure $'000	2000 Payments $'000	Total to June 2000 $'000
Regency Institute of TAFE - Stage 2 & 3	**33 860**	**2 297**	**2 570**
Centre for Performing and Visual Arts	**30 300**	**19 274**	**22 990**
Seaford 6-12 school - Stages 1, 1B, 2A, 2B	**16 375**	**1 837**	**14 483**
Urrbrae Education Centre	**10 800**	**1 119**	**8 819**
Urrbrae Agricultural High School	**8 905**	**2 063**	**5 786**
Education Development Centre	**6 435**	**4 697**	**6 187**
Technology School of the Future	**6 115**	**5 946**	**5 946**
Spencer Institute of TAFE - Kadina campus	**5 140**	**3 035**	**4 041**
Playford Primary School - Stage 1	**5 584**	**2 781**	**4 152**

Regency Institute of TAFE - Stages 2 and 3

This project involves the construction of new facilities for the food schools and the upgrade of the existing accommodation. Existing facilities will be refurbished to accommodate the relocation of the Learning Resource Centre. This project will enable the school to expand the types of courses run and the number of students able to enrol.

Adelaide Institute of TAFE - Centre for Performing and Visual Arts

The Centre will provide suitable integrated accommodation for performing and visual arts, replacing the existing functionally deficient and high maintenance campuses at Grote Street, Adelaide and Stanley Street, North Adelaide.

Urrbrae Education Centre and Agricultural High School

The Urrbrae Education Centre project is a joint project between the Urrbrae Agricultural High School and the Torrens Valley Institute of TAFE. The project involves the construction of new facilities for the Torrens Valley Institute of TAFE School of Horticulture and the upgrade and replacement of existing school accommodation.

Non-Government Schools

State Assistance

Assistance from State funds totalling $76.6 million was paid to non-government schools during 1999-2000 compared with $75.7 million for 1998-99.

This amount includes $71.5 million ($70.5 million) comprising per capita grants and grants paid according to the needs of students and schools, determined by the Advisory Committee on Non-Government Schools.

A further amount of $2.8 million ($2.7 million) was provided to assist with the funding of non-government special schools. The balance of $2.3 million ($2.5 million) includes various grants and allowances payable on the same basis as for government schools. The major component was a payment of $1.8 million ($2.2 million) in respect of the School Card Scheme.

Payments are made by the Department, on behalf of the Minister for Education, Children's Services and Training, and are recorded under 'Transfer Payments' in the Schedule of Administered Expenses and Revenues (also refer to Note 1(c) to the financial statements).

Commonwealth Assistance

In addition to State funds provided for non-government schools, an amount of $203.1 million ($185.9 million) was paid for the period 1 July 1999 to 30 June 2000, from funds provided by the Commonwealth under various Commonwealth Acts:

	2000	1999
	$'000	$'000
General recurrent grants:		
Non-systemic	**57 688**	54 850
Catholic systemic	**107 644**	99 588
Other	**25 924**	20 806
	191 256	175 244
Capital grants	**6 450**	6 245
National Equity program	**5 385**	4 469
	203 091	185 958

A further amount of $4.3 million ($3.6 million) of Commonwealth Assistance was provided to assist with the funding of non-government special schools.

Operating Statement for the year ended 30 June 2000

	Note	2000	1999
OPERATING EXPENSES:		**$'000**	$'000
Employee expenses	4	**1 229 030**	1 205 314
Supplies and services	5	**314 324**	302 939
Grants and subsidies	6	**143 702**	138 842
Depreciation	7	**64 002**	61 165
Other expenses	8	**2 310**	2 431
Total Cost of Services		**1 753 368**	1 710 691
OPERATING REVENUES:			
Commonwealth grants	9	**257 207**	235 758
Student and other fees and charges	10	**71 404**	63 186
Other grants and contributions		**11 492**	12 578
Interest and investment income		**4 413**	6 728
Other revenues	11	**17 398**	32 376
Total Operating Revenues		**361 914**	350 626
NET COST OF SERVICES		**1 391 454**	1 360 065
REVENUES FROM STATE GOVERNMENT:			
Recurrent appropriations	12	**1 244 971**	1 262 664
Capital appropriations	12	**67 912**	50 034
Total Government Revenues		**1 312 883**	1 312 698
NET PROFIT (LOSS) ON DISPOSAL OF NON-CURRENT ASSETS	13	**1 816**	(620)
NET REVENUES FROM RESTRUCTURING	14	**-**	145
DECREASE IN NET ASSETS RESULTING FROM OPERATIONS BEFORE ABNORMAL ITEM		**76 755**	47 842
Abnormal item	15	**(5 886)**	7 010
DECREASE IN NET ASSETS RESULTING FROM OPERATIONS		**70 869**	54 852

Statement of Financial Position as at 30 June 2000

	Note	2000	1999
CURRENT ASSETS:		**$'000**	$'000
Cash on hand, at bank and on deposit	16	**88 513**	128 578
Receivables	17	**13 136**	13 240
Other	18	**5 651**	6 414
Total Current Assets		**107 300**	148 232
NON-CURRENT ASSETS:			
Receivables	17	**524**	274
Investments	19	**1 262**	1 103
Property, plant and equipment	20	**2 009 066**	2 015 182
Other	18	**1 049**	840
Total Non-Current Assets		**2 011 901**	2 017 399
Total Assets		**2 119 201**	2 165 631
CURRENT LIABILITIES:			
Payables		**39 037**	49 360
Borrowings	21	**1 199**	776
Employee entitlements	22	**112 573**	100 446
Other	23	**27 073**	33 605
Total Current Liabilities		**179 882**	184 187
NON-CURRENT LIABILITIES:			
Borrowings	21	**6 358**	6 808
Employee entitlements	22	**215 125**	203 175
Other	23	**52 465**	41 072
Total Non-Current Liabilities		**273 948**	251 055
Total Liabilities		**453 830**	435 242
NET ASSETS		**1 665 371**	1 730 389
EQUITY:			
Accumulated surplus	26	**1 597 723**	1 661 977
Asset revaluation reserve	26	**67 648**	68 412
TOTAL EQUITY		**1 665 371**	1 730 389
Commitments	28		
Contingent Obligations	29		

Statement of Cash Flows for the year ended 30 June 2000

	Note	2000 Inflows (Outflows) $'000	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee expenses		**(1 196 842)**	(1 186 274)
Supplies and services		**(320 055)**	(305 076)
Grants paid		**(148 081)**	(128 824)
Interest paid		**(618)**	(502)
Other expenses		**(970)**	(788)
		(1 666 566)	(1 621 464)
RECEIPTS:			
Commonwealth grants		**257 207**	236 742
Student and other fees and charges		**70 257**	61 894
Other grants		**11 492**	12 577
Interest		**4 733**	6 468
Other revenues		**17 314**	29 440
		361 003	347 121
CASH FLOWS FROM GOVERNMENT:			
Recurrent appropriations		**1 244 971**	1 262 664
Capital appropriations		**67 912**	50 034
		1 312 883	1 312 698
Net Cash provided by Operating Activities	30	**7 320**	38 355
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS FOR:			
Purchase of non-current assets		**(61 654)**	(38 524)
PROCEEDS FROM:			
Sales of non-current assets		**14 566**	4 338
Net Cash used in Investing Activities		**(47 088)**	(34 186)
CASH FLOWS FROM FINANCING ACTIVITIES:			
PAYMENTS FOR:			
Loans to schools		**(270)**	(268)
Borrowings from Department of Treasury and Finance		**(450)**	(51)
PROCEEDS FROM:			
Finance lease receivables		**-**	55
Loans		**423**	94
Net Cash used in Financing Activities		**(297)**	(170)
Proceeds from restructuring		**-**	2 419
NET (DECREASE) INCREASE IN CASH HELD		**(40 065)**	6 418
CASH AT 1 JULY		**128 578**	122 160
CASH AT 30 JUNE	16	**88 513**	128 578

Output Class Schedule
Department's Expenses and Revenues for the year ended 30 June 2000

	Pre-School Education $'000	R-12 Education & Training $'000	VET $'000	Child Care $'000	Employment Services $'000	Strategic Policy and Advice $'000	**Total $'000**
EXPENSES:							
Employee expenses	56 282	982 344	171 102	5 723	3 850	9 729	**1 229 030**
Supplies and services	4 097	216 770	66 632	18 308	991	7 526	**314 324**
Grants and subsidies	8 918	77 899	33 156	778	22 936	15	**143 702**
Depreciation	559	51 227	12 216	-	-	-	**64 002**
Other expenses	-	2 351	(41)	-	-	-	**2 310**
Total Cost of Services	69 856	1 330 591	283 065	24 809	27 777	17 270	**1 753 368**
REVENUES:							
Commonwealth grants	3	140 453	85 992	26 161	4 572	26	**257 207**
Student and other fees and charges	89	21 227	49 036	1 020	14	18	**71 404**
Other grants and contributions	610	9 132	1 697	-	43	10	**11 492**
Interest and investment income	-	4 413	-	-	-	-	**4 413**
Other revenues	16	9 365	7 344	14	541	118	**17 398**
Appropriations	65 044	1 076 434	132 823	1 230	21 267	16 085	**1 312 883**
Gain (loss) on disposal of assets	-	4 001	(2 185)	-	-	-	**1 816**
Total Revenues	65 762	1 265 025	274 707	28 425	26 437	16 257	**1 676 613**
DECREASE IN NET ASSETS RESULTING FROM OPERATIONS BEFORE ABNORMAL ITEM	4 094	65 566	8 358	(3 616)	1 340	1 013	**76 755**
Abnormal item	-	5 886	-	-	-	-	**5 886**
DECREASE IN NET ASSETS RESULTING FROM OPERATIONS AFTER ABNORMAL ITEM	4 094	59 680	8 358	(3 616)	1 340	1 013	**70 869**

An output class and output schedule of the Department's Assets and Liabilities has not been produced, as that information is not readily available.

Schedule of Administered Expenses and Revenues for the year ended 30 June 2000

	2000	1999
ADMINISTERED EXPENSES:	**$'000**	$'000
Employee expenses	**1 012**	941
Supplies and services	**325**	348
Depreciation	**3**	-
Interest on borrowings	**980**	1 011
Transfer payments	**307 262**	286 929
Total	**309 582**	289 229
ADMINISTERED REVENUES:		
Revenue for transfer	**208 198**	190 076
Interest	**984**	872
Other revenues	**100 413**	98 128
Total	**309 595**	289 076
NET COST OF SERVICES	**13**	(153)
NET APPROPRIATION	**-**	-
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	**13**	(153)

Schedule of Administered Assets and Liabilities as at 30 June 2000

	2000	1999
CURRENT ASSETS:	**$'000**	$'000
Cash on hand, at bank and deposit accounts	**2 893**	2 466
Other current assets	**1 077**	774
Total Current Assets	**3 970**	3 240
NON-CURRENT ASSETS:		
Computing and communication equipment, furniture and equipment	**20**	2
Other - Loans	**7 674**	8 401
Total Non-Current Assets	**7 694**	8 403
Total Assets	**11 664**	11 643
CURRENT LIABILITIES:		
Payables	**96**	88
Borrowings	**1 500**	1 500
Total Current Liabilities	**1 596**	1 588
NON-CURRENT LIABILITIES:		
Borrowings	**9 960**	9 960
Total Non-Current Liabilities	**9 960**	9 960
Total Liabilities	**11 556**	11 548

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The Department of Education, Training and Employment was established on 23 October 1997 and incorporates the former Department of Education and Children's Services, the former Department for Training and Further Education and the former Information Technology Workforce Strategy Office.

1. Objectives and Funding

(a) Objectives

The Department of Education, Training and Employment operates within the:

- *Education Act 1972* and the Regulations under the *Education Act 1972;*
- *Children's Services Act 1985* and the Children's Services Regulations 1985;
- *Technical and Further Education Act 1975* and the Regulations under the *Technical and Further Education Act 1975*;
- *Vocational Education, Employment and Training Act 1994*;
- *Public Sector Management Act 1995*.

The mission of the Department is to provide high quality learning, teaching, care, employment and youth services within an integrated, responsive and supporting learning organisation which strives for continuous improvement in service and performance.

The Department's objectives are summarised below:

(i) *Raise Standards*
The Department will raise the quality of education and training standards and service delivery standards to, or above, national levels and improve student results.

(ii) *More Jobs*
The Department seeks to increase employment opportunities to support State economic growth.

(iii) *Information Technology Smart*
The Department will seek information technology to improve student learning and training, streamline business processes, improve client services, improve management decision making and department productivity.

(a) Objectives (continued)

(iv) Focus on Youth

The Department will lead policy and program development for young South Australians.

(v) Value for Money

The Department will maximise the value of public investment in education, training and employment.

(b) Financial Arrangements

The Department is predominantly funded by State Government appropriations supplemented by some Commonwealth grants. In addition, some revenues are generated on a sales or fee for service basis. These include:

- sale of curriculum material;
- student fees;
- hire of facilities and equipment;
- training for various organisations.

The financial activities of the Department are primarily conducted through a Special Deposit Account with the Department of Treasury and Finance pursuant to section 8 of the *Public Finance and Audit Act 1987* and to comply with the *Australian National Training Authority Act 1992*. The Special Deposit Account is used for funds provided by State Government appropriation, Commonwealth grants and revenues from fees and charges.

(c) Administered Funds

The Department is responsible for the administration of specific funds which are not recorded in the Department's Operating Statement or Statement of Financial Position, as the Department does not have control over how these funds are to be spent and operates in the capacity as an agent responsible for the administration of the transfer process to third parties on behalf of the Minister for Education, Children's Services and Training. Administered revenues, expenses, assets and liabilities are detailed separately within these statements (refer to the Schedule of Administered Expenses and Revenues and the Schedule of Administered Assets and Liabilities).

The main administered funds are:

(i) Minister for Education, Children's Services and Training - 'Payments'

Funds are appropriated to the Minister for Education, Children's Services and Training and are disbursed at the discretion of the Minister. The principal payments are:

- to the Passenger Transport Board for the purposes of student travel;
- to SSABSA (Senior Secondary Assessment Board of South Australia) as a contribution to operating expenses;
- the State Government contribution to the operations of non-government schools, organisations and special schools;
- the Commonwealth Government contribution to the operations of non-government schools, organisations and special schools.

(ii) Minister's Salary and Allowances

The Minister's salary and allowances are funded by Special Acts Appropriation, therefore the Department has no control over this part of the annual appropriation.

(iii) Minister's Borrowings

The Minister for Education, Children's Services and Training is liable for funds borrowed from the Department of Treasury and Finance. The funds were loaned to the Department and various schools by the Minster to undertake capital works projects.

(d) Trust Funds

The Department receives monies in a trustee capacity for various trusts. The 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 accounts:

	2000	1999
	$'000	$'000
Balance as at 1 July	**1 116**	1 151
Add: Revenue	**683**	1 111
Less: Expenses	**877**	1 113
Add: Movements in assets and liabilities	**29**	(33)
Balance as at 30 June	**951**	1 116

2. Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views, the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987.*

The financial statements, including administered funds, have been prepared on the accrual basis of accounting and in accordance with the historical cost convention, except as otherwise stated.

2. Significant Accounting Policies (continued)

(b) Principles of Consolidation

The Department of Education, Training and Employment economic entity comprises:

- the Corporate Department including its operational units;
- TAFE Institutes;
- Other non-corporate operational units viz:
  - Preschools;
  - Long Day Care Centres (those referred to as 'Bowen Funded Centres' only);
  - Neighbourhood Houses;
  - Toy Libraries;
  - Government Schools (including School Councils, Canteens, Out of School Hours Care and Vacation Care Programs);
  - Child Parent Centres.

The financial statements incorporate the activities of the Department and TAFE Institutes but exclude funds separately generated by the schools and children's services sites. The Department has not prepared consolidated financial statements as the schools and children's services sites within the economic entity cannot provide reliable data on an accrual basis. As a consequence, the financial statements treat any transactions with schools and children's services sites as transactions with third parties.

It is the Department's intention to consolidate the accounts of schools and children's services sites in due course in accordance with Australian Accounting Standard AAS 24 'Consolidated Financial Reports'. Consolidation will be undertaken using a phased implementation approach. The Department has now completed the implementation of EDSAS financial model in all schools. This will enable the Department to collect schools financial data, enabling this data to be incorporated into the Financial Statements. It is anticipated that this will occur for the 2000-01 financial statements.

(c) Income Recognition

Appropriations, grants, donations, gifts and bequests, and other contributions are recognised as revenues when the Department obtains control. Control is normally obtained upon their receipt.

Where contributions, recognised as revenues during the reporting period, were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts pertaining to those undischarged conditions are disclosed in Note 9(a).

Revenues in respect of sales and student and other fees and charges are billed and recognised when the services have been rendered or goods despatched.

(d) Employee Entitlements and Employment Related Expenses

Provisions have been established for the Department's liability for various employee entitlements arising from services rendered by employees to balance date in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. Employee entitlements include entitlements to wages and salaries, long service leave, annual leave, non-attendance days and superannuation.

Non-attendance days are accrued annually, for employees engaged under the *Technical and Further Education Act 1975*, but are non-cumulative.

Employment related expenses include on-costs such as payroll tax on employee entitlements together with the workers' compensation insurance premium.

Employment on-costs relating to employee entitlements owing are recognised as liabilities in the Statement of Financial Position.

Employee entitlements and employment related on-costs accruing during the reporting period are treated as an expense in the Operating Statement.

(i) Employee Entitlements

(a) Salaries, Wages, Annual Leave and Non-Attendance Days

Liabilities for salaries, wages, annual leave and non-attendance days 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.

The annual leave and non-attendance days entitlements are calculated by multiplying each employee's entitlement by the remuneration rate current at the reporting date. Where leave loadings are paid, they are included in the calculation.

(b) 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. In calculating long service leave entitlements the Department takes into account, as a benchmark, an actuarial assessment prepared by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. This benchmark is the number of years of service that produces a value equal to the actuarially calculated net present value.

Long service leave liability entitlements have been calculated using a Department of Education, Training and Employment specific benchmark of 13 years, advised by the Department of Treasury and Finance, based on current salaries and wages.

(i) *Employee Entitlements (continued)*

(b) Long Service Leave (continued)
Long service leave expenses for the Department only include changes in the provision assessed at balance date. In service and lump sum payments are classified as salary and wage expense. Refer Note 4.

(c) 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 liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(d) Sick Leave
Sick leave is not provided for in the financial report as it is non-vesting. However, entitlements are accumulated and any sick leave is considered to be taken from the current year's entitlements.

(e) Workers Compensation
To reflect the liability for outstanding (unsettled) workers compensation claims a provision is raised. The amount of the provision is based on an actuarial assessment prepared for the Department of the Premier and Cabinet, Occupational Health and Injury Management Branch. Lump sum payments and legal costs are a liability of the Department of the Premier and Cabinet and therefore are not a liability of the Department.

(ii) *Employment Related Expenses*

(a) Fringe Benefits Tax
The Commonwealth Government levies a tax on certain non-cash salary related benefits afforded to employees. Any unpaid fringe benefits tax at period end is shown as a liability in the Statement of Financial Position.

(b) Payroll Tax
Payroll tax is a state tax levied on total gross salary paid plus (non-cash) benefits and employer superannuation contributions. The estimated amount of payroll tax payable in respect of employee entitlements liabilities is also shown as a liability in the Statement of Financial Position. Any increase or decrease in the level of required payroll tax provision is charged as an increase or decrease in the payroll tax expense in the Operating Statement. The payroll tax liability is only payable when the employee entitlements are taken.

(c) WorkCover Premium
This expense is calculated at a percentage rate applied to gross salaries as determined by WorkCover Corporate. This expense is a charge in the Operating Statement and any unremitted amounts to WorkCover Corporate are expressed as a liability in the Statement of Financial Position.

(e) Repairs and Maintenance

Generally, repairs and maintenance costs are expensed as incurred. However, repairs and maintenance are recognised as increases in assets (ie capitalised) if expenditure results in:

(i) an effective increase in the future economic benefits that are expected to be derived from using the asset and the increase in future benefits will be utilised; or

(ii) an effective increase in the quality of the services provided by the asset beyond that previously determined; or

(iii) an effective extension to the asset's useful life as a result of the expenditure.

(f) Receivables

Receivables in respect of fees and charges are due for settlement within 30 days and are recorded at their recoverable amount. At the end of each reporting period the receivable balances are reviewed and a provision is raised in respect of any balance where recovery is considered doubtful.

(g) Provision for Doubtful Debts

The provision for doubtful debts is established based on a review of outstanding amounts at year end. Bad debts are written off when they are identified as irrecoverable.

(h) Inventory

Inventories are measured as the lower of cost (as determined by the latest purchase price) and net realisable value.

(i) Leases

The Department has entered into a number of operating lease agreements, as lessee, for buildings and other facilities 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 to be derived from the leased property. The Department is currently reviewing its register of operating leases to identify all non-cancellable lease agreements.

Details of commitments of material non-cancellable operating leases for TAFE Institutes, Hallett Cove East Primary School and Woodend Primary School are disclosed at Note 27.

2. Significant Accounting Policies (continued)

(j) Property, Plant and Equipment

The Statement of Financial Position includes all property, plant and equipment controlled by the Department.

All classes of physical non-current assets with fair values at the time of acquisition equal to or greater than $1 million and estimated useful lives equal to or greater than five years are to be revalued at intervals not exceeding three years. The relevant classes are shown as revalued amounts in the Statement of Financial Position.

Property, plant and equipment donated, gifted or bequested are recorded as an asset at their fair value at the time control passes to the Department. Assets received in this way are disclosed as revenue in the Operating Statement.

Land

Land is recorded on the basis of best use market value obtained from the South Australia Valuer-General as at 30 June 1999.

Buildings and Improvements

Information was obtained from the Building and Land Asset Management System (BLAMS), maintained by the Department for Administrative and Information Services. Buildings and improvements are valued at current replacement cost less accumulated depreciation. Replacement costs have been established by reference to Quantity Surveyors estimates and valuations prepared by licensed valuers and updated through the application of a relevant building index. The valuations for buildings are current as at 31 March 1999, paved areas are current as at 31 March 1998 and swimming pools are current as at 31 March 2000. The building data provided in the statements relates specifically to buildings, paved areas and swimming pools. The building data excludes fencing, landscaping, infrastructure, pergolas, playground equipment and sheds because they either cannot be reliably measured or no information is centrally recorded. A sample verification of site assets to the BLAMS information confirmed a high degree of reliability in the data used.

Buildings under construction are reported as work in progress and are valued at cost.

Future enhancements to the identification and valuation process will occur to ensure strict compliance with Australian Accounting Standards. The future development of the Government's Strategic Asset Management Information System (SAMIS) by the Department for Administrative and Information Services will link work management, financial management (especially information for accrual accounting purposes) and performance management systems. As a major user of the current BLAMS asset system, the Department is developing an integrated facilities management planning process for it sites, incorporating asset management, maintenance, business life cycle, and occupational health and safety planning.

Funding for the development of SAMIS is included in the 2000-01 budget. Buildings are currently valued on the basis that they are fully utilised. Work is currently being undertaken to develop Asset Management Plans for all sites. This process is expected to be completed by June 2001. The process will identify under utilised space at each site. This information will form the basis for revaluation of these assets.

Library Collection

The base value of the library collection is reported at valuation. The valuation for collections within TAFE Institutes was carried out as at 30 June 1999 by VALCORP Aust Pty Ltd and is on the basis of written down current cost. The valuation for collections within administrative sites of the Department is current as at 30 June 1997 and is on the basis of an internal valuation and reflects written down current cost. Acquisitions after 1 July 1997 are recorded at cost.

Buses

Buses are recorded at current replacement cost as at 30 June 1999 less accumulated depreciation.

Plant and Equipment

Items within TAFE Institutes are recorded at historical cost less accumulated depreciation. Items within administrative sites of the Department acquired prior to 1 July 1997 are recorded at current replacement cost less accumulated depreciation. Items acquired after 1 July 1997 are recorded at historical cost less accumulated depreciation. Only individual items costing $5 000 or more are capitalised and recorded in the Statement of Financial Position. Items under $5 000 are recorded in the Operating Statement as an expense in the accounting period in which they are acquired.

(k) Depreciation of Non-Current Assets

Non-current assets with an acquisition cost individually equal to or greater than $5 000 are systematically depreciated using the straight line method of depreciation over their useful lives. This method is considered to reflect the consumption of their service potential. Depreciation rates are reviewed annually within the Department.

Major depreciation periods are:	Years
Improvements:	
Buildings:	
Transportables	30 - 50
Fixed construction	40 - 106
Swimming pools	25 - 30
Paved areas	15 - 45
Computing and communication equipment	3 - 7
Telephone systems	7 - 15
Office furniture and equipment	5 - 20
Buses	12 - 20
Other plant and equipment	7 - 40

(l) Payables

These amounts represent liabilities for goods and services provided to the Department prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

2. Significant Accounting Policies (continued)

(m) Loans

(i) Borrowings

Loans are recognised upon receipt of the money and are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of payables.

The loan obligation is to the Minister for Education, Children's Services and Training for amounts borrowed for capital works at school sites. The loan is repayable over the next six years. Interest is payable quarterly in arrears and the rate is floating.

(ii) Loan Receivables

Loans are recognised upon payment of the money and are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of other current assets.

The loans are receivable in varying instalments over the next 15 years. The interest rates are fixed at between 4.8 percent and 14.6 percent.

(n) Rounding

All amounts are rounded to the nearest thousand dollars.

(o) Comparative Information

These financial statements display information for the preceding corresponding reporting period. Comparative figures have been reclassified to reflect current disclosure requirements of the Department.

3. Output Classes and Outputs

The outputs classes and output presented in this report are:

(i) Output Class - Education and Training

Provision of preschool education, reception to year 12 education, and vocational education and training.

(a) *Output - Preschool Education*

The provision of early childhood education through preschools and child parent centres and the provision of preschool education, reception to year 12 education, and vocational education and training.

(b) *Output - R-12 Education and Training*

The provision of education in government schools from reception to year 12 (includes VET in schools).

(c) *Output - Vocational Education and Training*

The provision of vocational education and training by TAFE SA and other providers outside the school sector.

(ii) Output Class - Childcare

The provision of a flexible range of high quality programs and services which meet the changing needs of families and enhance children's development in the critical early years.

(iii) Output Class - Employment Services

The provision of employment programs and services to increase South Australia's youth and adult employment levels.

(iv) Output Class - Strategic Policy and Advice

The provision of regulatory and licensing services, policy advice and coordination in relation to children's services education, training, employment, youth and industry planning and community information and advice.

4. Employee Expenses

	2000	1999
	$'000	$'000
Salaries and wages (including annual leave)	**1 015 816**	984 090
Superannuation	**110 778**	107 618
Payroll tax	**66 193**	64 258
Targeted voluntary separation payments	**6 147**	20 594
Long service leave	**13 523**	15 749
Workers compensation	**14 194**	9 648
Other employee related costs	**2 379**	3 357
	1 229 030	1 205 314

5. Supplies and Services

Minor works, maintenance and equipment	**79 657**	67 606
Child care assistance, school card and other allowances	**26 414**	29 805
Cleaning	**28 884**	28 410
Utilities	**23 490**	24 913
Fees - Contractors, consultants and other outsourced services	**28 698**	24 495
Printing and consumables	**20 204**	24 371
Computer communications	**20 345**	22 854
Vehicle and travelling expenses	**22 240**	19 955
Rentals and leases	**12 287**	13 810
Telecommunications	**17 383**	13 485
Bus contractors	**8 988**	8 973
Other	**25 734**	24 262
	314 324	302 939

Consultancy Fees

The Department engaged consultants during the period and incurred expenses of $643 000 ($833 000).

		2000	1999
6.	**Grants and Subsidies**		
	Major grants and subsidies comprise:	**$'000**	$'000
	Partnerships 21	**19 937**	-
	Schools Operating Support Grant*	**15 982**	24 498
	Non-Government Vocational, Education and Training Providers	**26 156**	20 061
	Back to School Program	**9 011**	12 076
	DECStech 2001/Computers Plus	**4 951**	11 082
	Employment Program	**23 867**	9 329
	VET in Schools	**3 482**	6 516
	ANTA Infrastructure Program	**3 217**	5 605
	Students with Disabilities Program	**2 892**	2 245
	Disadvantaged Schools Program	**4 993**	5 971
	Other specific grants*	**29 214**	41 459
		143 702	138 842

* Some grants previously paid in these categories are now included in Partnerships 21.

7.	**Depreciation**		
	Depreciation expense for the reporting period was charged in respect of:		
	Buildings and improvements	**58 999**	56 524
	Computing, communication equipment, furniture and equipment	**2 835**	2 719
	Buses	**1 813**	1 629
	Other	**355**	293
		64 002	61 165
8.	**Other Expenses**		
	Reduction in value of non-current assets	**86**	968
	Auditor's remuneration - Auditing services*	**973**	788
	Interest expense	**618**	486
	Provision for doubtful debts and debt write-offs	**633**	189
		2 310	2 431

* The auditor provided no other services and received no other benefits.

9.	**Commonwealth Grants**		
	Recurrent Grants:		
	General purpose	**151 925**	144 391
	Specific purpose	**63 420**	56 611
		215 345	201 002
	Capital Grants:		
	General purpose	**41 862**	34 756
		41 862	34 756
	Total Commonwealth Grants	**257 207**	235 758

Conditions Over Revenue

The following revenues were recognised for the year ended 30 June 2000 with the condition that they be expended in a particular manner, but had yet to be applied in that manner at 30 June 2000.

	Opening Balance 1.7.99	Revenue for Period	Expenses for Period	**Closing Balance 30.6.00**
Commonwealth Grants for:	$'000	$'000	$'000	**$'000**
Primary and secondary education	3 060	28 716	26 209	**5 567**
Child care services	(4 508)	26 163	19 335	**2 320**
	(1 448)	54 879	45 544	**7 887**

		2000	1999
10.	**Student and Other Fees and Charges**	**$'000**	$'000
	Student enrolment fees and charges	**26 360**	27 490
	Fee-for-service	**27 736**	20 732
	Other user fees and charges	**17 308**	14 964
		71 404	63 186
11.	**Other Revenues**		
	Targeted voluntary separation package recoveries	**6 147**	20 757
	Sundry revenue	**11 251**	11 619
		17 398	32 376
12.	**Revenues from State Government**		
	(a) Recurrent Appropriations	**1 554 553**	1 551 893
	Less: Appropriations not recognised in the Operating Statement Administered Expense - Refer Note 12(c)	**309 582**	289 229
		1 244 971	1 262 664
	(b) Capital Appropriation	**67 912**	50 034
	Total Government Revenues	**1 312 883**	1 312 698

12. Revenues from State Government (continued)

(c) Transfer Payments

The Department is responsible for transfer of payments to eligible beneficiaries consistent with instructions from the Minister for Education, Children's Services and Training. The Department does not control how these funds are to be spent and acts only as an agent responsible for the administration of the transfer proceeds to the third parties. During the reporting period the Department received and transferred $309.6 million (Refer Note 1 - Administered Funds).

13. Net Profit (Loss) on Disposal of Non-Current Assets

	2000 $'000	1999 $'000
Proceeds from disposal	**14 566**	4 284
Less: Written down value	**12 750**	4 904
Profit (Loss) on disposal	**1 816**	(620)

14. Net Revenues from Restructuring of Administrative Arrangements

Transfer of the Youth Training and Recruitment Unit	**-**	145

15. Abnormal Item

Change in accounting policy - non-aggregation, assets	**-**	(7 010)
Work in progress (1998) not capitalised on completion	**5 886**	-
	5 886	(7 010)

16. Cash on Hand, at Bank and on Deposit

Special Deposit Account with Department of Treasury and Finance	**87 580**	127 281
Cash at bank and on hand	**646**	1 021
Section 21 Deposit Account	**287**	276
	88 513	128 578

The Special Deposit Account is bearing floating interest rates determined as follows:

- that portion applying to the level of debt owing to the Department of Treasury and Finance is determined by the applicable common public sector interest rate.
- the remainder is determined by the applicable 90 day bank bill rate.

17. Receivables

	2000 $'000	2000 $'000	1999 $'000	1999 $'000
Current:				
Fees and charges and other receivables	**14 942**		14 641	
Less: Provision for doubtful debts	**1 879**		1 474	
		13 063		13 167
Lease receivables		**73**		73
		13 136		13 240
Non-Current:				
Other receivables		**524**		274

Approximately 46 percent of the provision relates to arrangements between the Department and government schools. When the Department prepares consolidated financial statements which includes schools, these receivables will be eliminated in the consolidation process.

18. Other

	2000 $'000	1999 $'000
Current:		
Prepayments	**4 385**	4 385
Inventories	**688**	1 037
Accrued revenue	**351**	826
Loans	**227**	166
	5 651	6 414
Non-Current:		
Loans	**1 049**	840
Workers compensation recoveries	**-**	-
	1 049	840

19. Investments

Unlisted Shares:		
Associated Companies (refer below)	**885**	726
Ngapartji Pty Ltd (refer below)	**375**	375
Other	**2**	2
	1 262	1 103

Associated Companies	2000 AITEC Percent	2000 Austraining International Pty Ltd Percent	2000 Total	1999 AITEC Percent	1999 Austraining International Pty Ltd Percent	1999 Total
Percentage of equity interest held	**25**	**50**		25	33	
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Interest in associated companies	*****	**218**	**218**	*	303	303
Share of retained profit	**289**	**378**	**667**	262	161	423
Equity accounted amount of investment in associated companies	**289**	**596**	**885**	262	464	726

19. Investments (continued)

	2000 AITEC Percent	2000 Austraining International Pty Ltd Percent	2000 Total	1999 AITEC Percent	1999 Austraining International Pty Ltd Percent	1999 Total
Retained profits (losses) attributable to associated companies:						
Balance at 1 July	**262**	**161**	**423**	255	58	313
Share of operating profit (loss) and extraordinary items after income tax	**27**	**217**	**244**	7	103	110
Balance at 30 June	**289**	**378**	**667**	262	161	423

* The Minister for Education, Children's Services and Training has an interest in AITEC of $1.

Australian Information Technology Engineering Centre Pty Ltd (AITEC)
AITEC is owned by the Minister for Education, Children's Services and Training, the University of Adelaide, the Flinders University of South Australia and the University of South Australia in equal proportions. AITEC's principal activity is vocational education through a Master of Engineering degree program. AITEC has a reporting date of 31 December.

Austraining International Pty Ltd
Austraining International Pty Ltd is owned by the Minister for Education, Children's Services and Training and the NSW Minister for Technical and Further Education in equal proportions. Austraining International Pty Ltd's principal activity is to secure international contracts for work in vocational education and training. Austraining International Pty Ltd has a reporting date of 30 June. The current investment value is based on unaudited financial statements as at 30 June 2000.

Ngapartji Pty Ltd (Ngapartji)
The Minister for Education, Children's Services and Training is the owner of one $1 'A' class share in Ngapartji issued at par, as well as the holder of one $1 'A' class share issued at par and previously owned by the Minster for Employment, Training and Further Education. In addition, the Minister owns 375 $1 'B' class (non voting) shares issued at a premium of $999 per share.

Whilst the Minister has financial involvement with other organisations, the above represent those of material significance.

20. Property, Plant and Equipment

	2000 Cost or Valuation $'000	2000 Accumulated Depreciation $'000	2000 Written Down Value $'000	1999 Cost or Valuation $'000	1999 Accumulated Depreciation $'000	1999 Written Down Value $'000
Land at valuation *	**402 980**	**-**	**402 980**	414 979	-	414 979
Land at cost	**1 600**	**-**	**1 600**	844	-	844
Buildings and improvements at valuation*	**3 060 377**	**1 690 168**	**1 370 209**	3 058 452	1 636 417	1 422 035
Buildings and improvements at cost	**101 619**	**4 113**	**97 506**	66 669	2 462	64 207
Computing, communication equipment, furniture and equipment at valuation*	**6 125**	**5 433**	**692**	6 159	5 048	1 111
Computing, communication equipment, furniture and equipment at cost	**35 001**	**16 938**	**18 063**	33 503	15 347	18 156
Buses at valuation*	**40 479**	**20 815**	**19 664**	40 479	19 021	21 458
Buses at cost	**267**	**38**	**229**	267	19	248
Construction work in progress at cost	**67 344**	**-**	**67 344**	42 135	-	42 135
Other (libraries, toys and security) at valuation*	**29 384**	**826**	**28 558**	29 384	712	28 672
Other (libraries, toys and security) at cost	**2 899**	**678**	**2 221**	1 775	438	1 337
	3 748 075	**1 739 009**	**2 009 066**	3 694 646	1 679 464	2 015 182

* Valuations of land were performed at 30 June 1999 by the Valuer-General, buildings and improvements by the Department for Administrative and Information Services and libraries by VALCORP Aust Pty Ltd. Valuations of computing and communication equipment, furniture and equipment, and buses are based on current replacement cost in accordance with Department of Treasury and Finance policy on valuations of non-current assets.

21. Borrowings

	2000 $'000	1999 $'000
Current:		
Loans	**1 199**	776
Non-Current:		
Loans	**6 237**	6 687
Advances	**121**	121
	6 358	6 808

22. Employee Entitlements

	2000	1999
Current:		
Accrued salaries and wages	**26 650**	15 692
Provision for annual leave	**48 317**	47 072
Provision for non-attendance days	**3 003**	2 653
Provision for long service leave	**25 571**	23 559
Employer superannuation contributions	**9 032**	11 470
	112 573	100 446
Non-Current:		
Provision for long service leave	**206 256**	194 818
Employer superannuation contributions	**8 869**	8 357
	215 125	203 175

23. Other

	2000	1999
Current:	**$'000**	$'000
Workers compensation provision	**13 468**	13 391
Other liabilities	**13 605**	20 214
	27 073	33 605
Non-Current:		
Workers compensation provision	**39 252**	28 746
Other liabilities	**13 213**	12 326
	52 465	41 072

24. Remuneration of Employees

The number of employees whose remuneration received or receivable exceeded $100 000 for this period are grouped within the following bands:	2000 Number of Employees	1999 Number of Employees
$100 000 - $109 999	**33**	3
$110 000 - $119 999	**12**	9
$120 000 - $129 999	**5**	4
$130 000 - $139 999	**7**	5
$140 000 - $149 999	**7**	2
$150 000 - $159 999	**2**	-
$170 000 - $179 999	**1**	2
$260 000 - $269 000	**1**	-
	68	25

Total remuneration received or due and receivable by the above employees was $8.1 million ($3.1 million) (included in employee expenses). This number of employees includes 10 who received country incentive payments and eleven who retired/resigned. The number of employees included in the above table increased significantly due to pay increases awarded during the year to officers employed under the *Public Sector Management Act 1995* and the *Education Act 1972*. The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated fringe benefits tax, but does not include any amounts payable due to retirement under the Targeted Voluntary Separation Package (TVSP) Scheme. The TVSP impact on employee numbers and amounts is disclosed in Note 25.

25. Targeted Voluntary Separation Packages (TVSPs)

	2000	1999
TVSPs paid to employees for the year were:	**$'000**	$'000
TVSP payments (included in employee expenses)	**6 147**	20 594
Recovered from the Department of the Premier and Cabinet in respect of TVSPs	**6 147**	20 757
Annual and long service leave accrued over the period of employment paid to employees who received TVSPs	**2 215**	6 801

The number of employees paid TVSPs during the reporting period totalled 71

26. Equity

Accumulated Surplus		
Balance at 1 July	**1 661 977**	1 671 642
Adjustment for assets brought to account for first time*	**6 615**	45 187
	1 668 592	1 716 829
Decrease in net assets resulting from operations	**(70 869)**	(54 852)
	1 597 723	1 661 977
Asset Revaluation Reserve		
Balance at 1 July	**68 412**	240
(Decrease) Increase as a result of revaluations	**(764)**	68 172
	67 648	68 412
Total Equity	**1 665 371**	1 730 389

* Relates to buildings and improvements, and plant and equipment not previously brought to account.

27. Operating Leases - Lessee

At the reporting date, the Department had the following obligations as lessee under non-cancellable operating leases. These are not recognised as liabilities in the Statement of Financial Position.

Payable no later than one year	**1 044**	1 144
Payable later than one year and not later than five years	**3 243**	3 525
Payable later than five years	**2 931**	2 847
	7 218	7 516

The property leases are non-cancellable leases, with rental payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by the CPI on an annual or bi-annual basis. Options exists to renew the leases at the end of the term of the leases.

28. Commitments for Capital Expenditure

At the end of the reporting period the Department had entered into contracts for the following capital expenditures which are not taken up in the financial statements.

These amounts are due for payment:		
Not later than one year	**47 470**	50 354
Later than one year and not later than five years	**14 259**	18 122
Later than five years	**-**	-
	61 729	68 476

29. Contingent Obligations

The Department has items which meet the definition of liabilities but have not been recognised because they cannot be measured reliably. These items are set out as follows:

- The Department estimates that it has outstanding fire reinstatement claims of $341 000 ($969 000);
- The Department has received advice from the Crown Solicitor that Temporary Relieving Teachers (TRTs), Hourly Paid Instructors (HPIs) and other casual employees are eligible for long service leave pursuant to section 71(2) of the *Public Sector Management Act 1995*. The effect of this has not been quantified, however, the Department recognises that it does have a liability to provide for long service leave for TRTs, HPIs and other casual employees applicable from 1 January 1978.
- The Department has received advice from the Crown Solicitor that School Services Officers (SSOs) and Government Stores Employees (GSEs) are eligible for an oncall allowance pursuant to clause 6.9 of the South Australian Government Services Award. The effect of this has not been quantified, however, the Department recognises that it does have a liability to provide an on call allowance for SSOs and GSEs.

30. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services	**2000**	1999
	$'000	$'000
Net cash provided by operating activities	**7 320**	38 355
Depreciation	**(64 002)**	(61 165)
Revaluation of surplus buildings on closure	**-**	(967)
Increase in employee entitlements	**(24 077)**	(4 618)
Increase in receivables	**146**	752
Decrease in other current assets	**(824)**	(561)
Decrease in payables	**7 419**	3 220
Increase in other liabilities	**(4 861)**	(13 015)
Government appropriation	**(1 312 883)**	(1 312 698)
Increase in value of investments	**159**	110
Movements in non-current assets	**149**	(9 478)
Net Cost of Services	**(1 391 454)**	(1 360 065)

31. Financial Instruments

(a) Credit Risk Exposure

The credit risk on financial assets of the Department which have been recognised in the Statement of Financial Position is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest Rate Risk Exposure

The Department's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out as follows:

	2000						
	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Maturing in 1 to 5 years	Fixed Interest maturing in more than 5 years	Non-Interest Bearing	**Total**	1999 Total
Financial Assets:	Percent	$'000	$'000	$'000	$'000	**$'000**	$'000
Cash and deposits	5.69	18 189	-	-	70 324	**88 513**	128 578
Receivables		-	-	-	13 660	**13 660**	13 240
Other assets		-	-	-	5 424	**5 424**	426
Loan receivables	8.37	-	411	691	174	**1 276**	1 006
		18 189	411	691	89 582	**108 873**	143 250
Financial Liabilities:							
Trade and other creditors		-	-	-	31 944	**31 944**	24 440
Loans	8.90	6 937	-	-	620	**7 557**	7 584
Other liabilities		-	-	-	1 190	**1 190**	399
		6 937	-	-	33 754	**40 691**	32 423
Net Financial Assets (Liabilities)		11 252	411	691	55 828	**68 182**	110 827

(c) Net Fair Value of Financial Assets and Financial Liabilities

The net fair value of financial assets and financial liabilities of the Department approximates their carrying value.

FLINDERS UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The University was established pursuant to *The Flinders University of South Australia Act 1966* and this Act confers all powers and authorities for its operation on the Council. To assist in its deliberations Council has established certain committees, including the Resources Committee and Audit Committee to focus on matters of a financial and audit related nature.

The overall purpose of the University is to provide higher education and research in an environment which fosters creativeness, advances intellectual knowledge and facilitates accessibility with the wider public community.

The University is dependent to a large extent on grants from the Commonwealth Government which may be approved for specific and general spending purposes. In addition, the University receives student tuition fees and charges, endowments, general bequests and sponsorships.

The University's controlled entities at 31 December 1999 are detailed in Note 24 to the financial statements.

SIGNIFICANT FEATURES

- Consolidated operations for the year resulted in a surplus before abnormal items of $455 000 (surplus of $878 000 in 1998) and a surplus after abnormal items of $15 million (deficit of $8.4 million).

- Abnormal revenue was $14.5 million. The main items were licence fee income of $6.3 million (nil), infrastructure of total value $4.3 million brought into account for the first time, and a bequest of $2.7 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

The University is subject to audit by the Auditor-General, pursuant to subsection 31(1)(b) of the *Public Finance and Audit Act 1987*.

Scope of Audit

In respect of the year ended 31 December 1999, the auditable areas that were subject to review included:

- revenue
- accounts payable
- payroll
- liabilities
- assets
- general ledger
- Flinders Housing
- financial statements

Audit Communications to Management

The scope of audit review and issues arising were conveyed in an audit management letter to the Vice-Chancellor of the University. The response received from the University indicates action proposed or taken to address the issues raised by Audit. Further commentary on these issues is contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Statutory Financial Statement Reporting

Comment was made last year, and in prior years, regarding the lack of timeliness in the preparation of the financial statements. Attention was also drawn to the general inadequacies in the preparation process and supporting working papers/documentation provided. The financial statements for the year ended 31 December 1999 were prepared on a timely basis and there was a noticeable improvement in the quality of supporting working papers/documentation. However, there is still room for improvement in the overall process. This mainly relates to the lack of, or inadequate reconciliations for certain asset and liability accounts and the need for improved quality control procedures relating to supporting documentation.

Commentary on General Financial Controls

Although the University's general financial control environment was considered satisfactory, a number of areas were identified where control practices need to be strengthened and others where established controls had not been applied consistently throughout the year. In particular, certain control reconciliations were not being performed on a regular basis and there was inadequate monitoring of controlled entities.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of The Flinders University of South Australia included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by The Flinders University of South Australia in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

The following commentary is provided with respect to the University's consolidated financial statements:

Operating Statement

Consolidated operations for the year resulted in a surplus before abnormal items of $455 000 (surplus of $878 000 in the previous year) and a surplus after abnormal items of $15 million (deficit of $8.4 million in the previous year). The result before abnormal items reflects a consistency of revenue and expenses with the previous year.

Statement of Financial Position

Consolidated net assets increased by $15 million to $188.1 million, reflecting the operating result after abnormal items.

Operating Statement for the year ended 31 December 1999

	Note	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
OPERATING REVENUE:					
Commonwealth Government grants	1(c),3	**85 375**	84 933	**85 375**	83 888
Higher Education Contribution Scheme	4	**29 964**	26 966	**29 964**	26 966
South Australian Government grants	5	**1 816**	708	**1 816**	708
Other research grants and contracts	1(c)	**3 799**	3 384	**3 799**	3 384
Scholarships and prizes		**584**	497	**584**	497
Donations and bequests	1(c)	**1 472**	2 246	**1 472**	2 246
Investment income	1(c),6	**2 060**	1 834	**2 093**	1 612
Fees and charges	1(c),7	**18 124**	14 431	**14 911**	12 939
Deferred income - Government contributions for superannuation	18,20	**1 500**	1 100	**1 500**	1 100
Other	8	**6 325**	14 404	**5 177**	10 777
Total Operating Revenue before Abnormal Items		**151 019**	150 503	**146 691**	144 117
OPERATING EXPENSES:					
Academic activities	9	**100 494**	96 383	**96 737**	95 779
Libraries	9	**6 933**	7 464	**6 933**	7 464
Other academic support services	9	**5 551**	6 971	**5 551**	6 971
Student Services	9	**8 525**	8 912	**8 525**	8 912
Buildings and grounds	9	**13 635**	11 513	**13 635**	11 513
Administration and other general institutional services	9	**13 926**	17 282	**11 290**	11 893
Deferred employee benefits for superannuation	9,18,20	**1 500**	1 100	**1 500**	1 100
Total Operating Expenses before Abnormal Items		**150 564**	149 625	**144 171**	143 632
OPERATING RESULT BEFORE ABNORMAL ITEMS		**455**	878	**2 520**	485
Abnormal items	2	**14 530**	(9 229)	**11 168**	(9 355)
OPERATING RESULT AFTER ABNORMAL ITEMS		**14 985**	(8 351)	**13 688**	(8 870)
ACCUMULATED FUNDS AT 1 JANUARY		**155 770**	166 020	**147 706**	159 039
Transfers to reserves	21	**(5 720)**	(1 899)	**(5 806)**	(2 463)
ACCUMULATED FUNDS AT 31 DECEMBER		**165 035**	155 770	**155 588**	147 706

Statement of Financial Position at 31 December 1999

	Note	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
CURRENT ASSETS:					
Cash		**392**	60	**331**	18
Receivables	1(k),11	**6 715**	4 554	**7 942**	4 345
Investments	1(d),12	**26 226**	20 661	**17 734**	17 489
Inventories	1(j)	**352**	565	**352**	565
Other	14,20	**2 820**	1 913	**3 680**	1 971
Total Current Assets		**36 505**	27 753	**30 039**	24 388
NON-CURRENT ASSETS:					
Receivables	1(k),11	**85**	249	**157**	249
Investments	1(d),12	**14 816**	13 281	**14 483**	13 589
Property, plant and equipment	1(e),13	**174 684**	166 145	**169 367**	160 254
Other	14,20	**22 704**	21 639	**22 200**	21 300
Total Non-Current Assets		**212 289**	201 314	**206 207**	195 392
Total Assets		**248 794**	229 067	**236 246**	219 780
CURRENT LIABILITIES:					
Revenue in advance	15	**9 803**	9 521	**8 902**	9 521
Creditors	16	**7 148**	4 357	**4 898**	4 190
Leases	1(i),17	**-**	90	**-**	90
Accrued liabilities	1(g),18,20	**7 216**	7 061	**7 142**	6 162
Other	19	**502**	1 157	**698**	1 157
Total Current Liabilities		**24 669**	22 186	**21 640**	21 120
NON-CURRENT LIABILITIES:					
Revenue in advance	15	**1 500**	-	**1 500**	-
Accrued liabilities	1(g),18,20	**34 565**	33 793	**34 493**	33 721
Total Non-Current Liabilities		**36 065**	33 793	**35 993**	33 721
Total Liabilities		**60 734**	55 979	**57 633**	54 841
NET ASSETS		**188 060**	173 088	**178 613**	164 939
EQUITY:	21				
Asset revaluation reserve		**541**	555	**541**	555
Endowment		**5 929**	258	**5 929**	258
Other reserves		**1 632**	1 643	**1 632**	1 643
Trust and special purpose		**14 923**	14 862	**14 923**	14 777
Accumulated results of operations		**165 035**	155 770	**155 588**	147 706
TOTAL EQUITY		**188 060**	173 088	**178 613**	164 939
Contingent liability	30				
Commitments	32				

Statement of Cash Flows for the year ended 31 December 1999

		Consolidated		University	
		1999	1998	**1999**	1998
		Inflows (Outflows)	Inflows (Outflows)	**Inflows (Outflows)**	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000	**$'000**	$'000
INFLOWS:					
Grant revenue:					
DETYA		**72 012**	77 976	**72 012**	76 932
Other Commonwealth grants		**14 424**	10 298	**14 424**	10 298
Total Commonwealth grants		**86 436**	88 274	**86 436**	87 230
South Australian Government grants		**2 041**	708	**2 041**	708
Higher Education Contribution Scheme:					
Student payments		**3 504**	3 491	**3 504**	3 491
Trust Fund receipts		**26 415**	23 711	**26 415**	23 711
Interest received		**1 888**	1 874	**1 753**	1 652
Dividends received		**82**	-	**250**	-
Fees and charges		**18 471**	14 469	**15 258**	12 977
Other income		**18 378**	15 287	**9 506**	11 405
		157 215	147 814	**145 163**	141 174
OUTFLOWS:					
Staff salaries		**(72 985)**	(69 225)	**(71 543)**	(68 285)
Staff related costs		**(26 441)**	(23 751)	**(26 017)**	(23 664)
Other		**(42 584)**	(42 930)	**(37 925)**	(39 560)
		(142 010)	(135 906)	**(135 485)**	(131 509)
Net Cash provided by Operating Activities	22(ii)	**15 205**	11 908	**9 678**	9 665
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of investments		**2 103**	533	**2 103**	533
Proceeds from sale of property, plant and equipment		**712**	596	**712**	596
OUTFLOWS:					
Purchase of investments		**(7 362)**	(21 008)	**(1 974)**	(17 113)
Purchase of property, plant and equipment		**(10 838)**	(6 852)	**(10 718)**	(6 204)
Net Cash used in Investing Activities		**(15 385)**	(26 731)	**(9 877)**	(22 188)
CASH FLOWS FROM FINANCING ACTIVITIES:					
OUTFLOWS:					
Lease payments		**(90)**	(117)	**(90)**	(117)
Net Cash used in Financing Activities		**(90)**	(117)	**(90)**	(117)
NET DECREASE IN CASH HELD		**(270)**	(14 940)	**(289)**	(12 640)
CASH AT 1 JANUARY		**1 896**	16 836	**1 854**	14 494
CASH AT 31 DECEMBER	1(m),22(i)	**1 626**	1 896	**1 565**	1 854

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

The significant accounting policies which have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation

The financial statements are a special purpose report for the Commonwealth Department of Education, Training and Youth Affairs (DETYA) and a general purpose financial report. They have been prepared on a full accrual basis and in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Public Sector Accounting Standards Board and/or the Australian Accounting Standards Board, Urgent Issues Consensus Views and the requirements of DETYA.

The financial statements are generally consistent with relevant provisions of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and the Accounting Policy Statements issued pursuant to the Treasurer's Instructions, except where the foregoing conflict with the DETYA guidelines.

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.

(b) Principles of Consolidation

The consolidated accounts comprise the accounts of the University and all of its controlled entities, detailed in Note 24.

The effects of transactions between controlled entities and the University have been eliminated on consolidation.

(c) Revenue Recognition

(i) Grant income

Grant income from DETYA is brought to account in the period to which it relates. As required by DETYA Instructions, the first instalment for 2000 received in December 1999 is recorded as a liability in the Statement of Financial Position under Other.

(ii) Other Research Grants and Contracts

Income from Other Research Grants and Contracts is recognised in the period to which the grant relates, or the period in which the contract services are provided.

(c) Revenue Recognition (continued)

(iii) Donations

Donations are received in cash and non-cash forms. Non-cash donations are recognised at the University's estimate of the fair value of the items donated.

(iv) Fees and Charges: Student income

Income comprises fees from students for the provision of courses. The fees are recognised in the periods during which the courses are provided.

(v) Investment income

Interest income is recognised as it accrues. Investments in indexed bonds are revalued to indexed value at balance date, with the change in value reflected against the revaluation reserve.

(d) Investments

University investments in indexed bonds are brought to account at indexed value at balance date. Other investments are at cost.

(e) Property, Plant and Equipment

(i) Land

Land occupied by the University is owned by the University in its own right and by the State Government. The value of land owned by the State Government is reflected in the University's financial statements on the basis that the University effectively controls the land occupied.

Crown land controlled by the University is independently valued by the Valuer-General. Land owned by the University is valued at cost. Land will be revalued in 2000.

(ii) Buildings and Improvements

Buildings controlled by the University as at 31 March 1998 have been recognised at independent valuation conducted by Greg McCloud AVLE (Val) B.App.Sc (Val), of Edward Rushton Australia Pty Ltd. Infrastructure controlled by the University has been valued as at 31 December 1999 by Norm Satchell AAPI B.App.Sc (Val), of Edward Rushton Australia Pty Ltd. The basis used for both valuations was market value for existing use. Buildings and Infrastructure acquired subsequent to that date are valued at cost.

Building and Infrastructure valuations are undertaken triennially.

(iii) Buildings in Progress

Construction of buildings under progress is valued at cost.

(iv) Library Books - Monographs and Serials

The base value of the Library collection is reported at Council's valuation based on current average replacement cost as at 31 December 1993. Additions subsequent to 31 December 1993 are capitalised at cost.

(v) Equipment

This class of assets includes computer hardware and software, furniture, vehicles, marine and aircraft and general equipment. Individual items costing $10 000 or more are capitalised and recorded in the Statement of Financial Position at cost. Items costing less than $10 000 are recognised as an expense in the Operating Statement in the period acquired.

(vi) Works of Art

The main Works of Art collection was independently valued in 1995 with subsequent acquisitions valued at cost. A minor collection pre dating 1995 has been valued at cost. All acquisitions are included in the valuation. Works of Art are not depreciated, and there is no fixed timeframe for revaluation.

(f) Depreciation

Depreciation is calculated on a straight line basis on all property, plant and equipment, other than land and works of art. The following rates are based on the estimated useful life of the assets to the University:

	Percentage
Buildings and plant	2.50
Motor vehicles	20.00
Furniture (> $10k)	10.00
General equipment	16.67
Computer hardware	33.33
Computer software	20.00
Marine and aircraft	10.00
Library monographs	2.50
Library serials	2.00

The gross amount of depreciable assets and the related accumulated depreciation is provided within Note 13. Depreciation expense is shown in Note 9 by asset class.

(g) Employee Entitlements

Employee entitlements expected to be settled within one year have been recognised at their nominal amount. Entitlements expected to be settled later than one year have been measured at the present value of the estimated applicable future cash flows.

(g) Employee Entitlements (continued)

(i) Long Service Leave

The long service leave liability is independently actuarially estimated by the long hand method prescribed by Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. The long service leave liability includes associated on-costs.

(ii) Annual Leave

The liability for annual leave includes associated on-costs.

(iii) Sick Leave

Sick leave is considered to be taken from the current year's accrual. As the accrual always significantly exceeds the leave taken, no liability is recorded

(iv) Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependents upon resignation, retirement, disability or death. The contributions made to these schemes by the University and the emerging cost from unfunded schemes are expensed in the Operating Statement. Note 20 provides details in respect of the individual schemes.

(v) Invalidity Fund

The Invalidity Fund exists to provide benefits to members of Superannuation Scheme Number 1 in the event of invalidity. The University has calculated the present liability of the Fund, based on an independent actuarial review conducted in 1997. The University plans to arrange an actuarial review in 2000.

(h) Student Service Fees

The University collects fees on behalf of the incorporated student organisations. The organisations provide services and amenities not available to students directly through the University. Fee income and expenditure are not reflected in the financial statements.

(i) Leases

Leases of assets where substantially all the risks and benefits of ownership, but not legal ownership, are transferred to the University, are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual value. They are then amortised on a straight line basis over lease term.

Leases of assets where substantially all the risks and benefits of ownership remain with the lessor are classified as operating leases. Payments made under an operating lease are expensed in the period to which the payment relates.

(j) Inventories

University inventories are stores of consumable items. University policy is to value inventory at the lower of cost or net realisable value.

(k) Doubtful debts

The collectibility of receivables is assessed at balance date and provision made for any doubtful debts.

(l) Foreign Currency

Foreign currency transactions were converted to Australian currency at the rates of exchange ruling at the date of the transactions. There are no material foreign currency monetary items outstanding at balance date.

(m) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand, at call deposits with financial institutions and investments readily convertible to cash within two working days.

(n) Comparative Figures

Certain 1998 comparative figures have been adjusted to reflect consistency with current year disclosures.

(o) Income Tax Status

The activities of the University and its wholly-owned controlled entities are exempt from income tax.

(p) Rounding to the Nearest $'000

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars in accordance with DETYA instructions.

(q) Change in Accounting Policy

The University receives supplementary funding from DETYA to pay for the emerging costs of the South Australian Superannuation Scheme. Note 20 provides details of the funding arrangements. In 1998, the financial statements offset the supplementary funding against payments made to the superannuation fund. From 1999 a new accounting policy has been implemented which recognises the funding from DETYA as revenue (under Commonwealth Government grants) and the payments to the superannuation fund as an expense. It is considered that this change better reflects the revenue and expense flows of the University. The effect of this for 1998 is for both revenue and expenses to be increased by $1 539 000 with zero impact on operating profit. As it is not practicable to determine the cumulative effect of this change, the 1998 comparative amounts have been adjusted accordingly. Supplementary superannuation funding received in 1999 is $860 000.

(q) Change in Accounting Policy (continued)

The University receives donations of library materials and works of art each year. Previously these items have been brought to account as abnormal income. From 1999 a new accounting policy has been implemented which recognises that these donations are a normal part of the operations of the University. The effect of this for 1998 is for both revenue and operating profit before abnormals to be increased by $1 868 000. As it is not practicable to determine the cumulative effect of this change, the 1998 comparative amounts have been adjusted accordingly. The value of donated library materials and works of art for 1999 is $940 000.

2. Abnormal Items

Items comprise:

	Consolidated		University	
	1999	1998	**1999**	1998
	$'000	$'000	**$'000**	$'000
Dividend from Controlled Entity	**-**	-	**2 000**	-
Intellectual property expense	**(2 053)**	-	**-**	-
Reduction of superannuation liability	**819**	-	**819**	-
Capital works adjustment	**-**	-	**(532)**	-
Licence fee income	**6 260**	-	**-**	-
Donations and bequests	**2 700**	-	**2 700**	-
Gain on take on of Invalidity Fund	**1 287**	-	**1 287**	-
Voluntary separations	**(1 933)**	-	**(1 933)**	-
Revaluations - land, buildings and infrastructure	**4 340**	(9 394)	**4 340**	(9 394)
Union buildings upgrade (1998) not previously capitalised	**663**	-	**663**	-
Funds provided by Union for Union building upgrade	**1 599**	-	**1 599**	-
Prior period depreciation adjustment	**752**	-	**752**	-
Gain on take on controlled entity	**538**	-	**-**	-
Other	**(442)**	165	**(527)**	39
	14 530	(9 229)	**11 168**	(9 355)

3. Commonwealth Government Grants (excluding HECS)

Grants received pursuant to the *Higher Education Funding Act 1988*, excluding HECS:	University	
	1999	1998
	$'000	$'000
Operating purposes, excluding HECS	**60 905**	64 015
Special research assistance:		
Large research grants	**2 663**	2 563
Small research grants	**721**	685
Research infrastructure grants	**3 005**	2 872
Special research centres	**-**	-
Key centres	**96**	234
Special research initiatives	**-**	7
Research fellowships	**460**	460
Australian postgraduate awards	**1 704**	1 641
International postgraduate research scholarships	**333**	339
Indigenous Researchers Development Scheme	**-**	4
International projects	**-**	3
SPIRT – (including APA (Industry) and Collaborative)	**657**	599
Teaching hospital (FMC)	**171**	168
Sub-total grants received pursuant to *Higher Education Funding Act 1988*	**70 715**	73 590
Other Commonwealth Government grants received:		
National Health and Medical Research Council grants	**5 825**	5 980
Other Commonwealth Government research grants	**3 306**	3 029
Ausaid stipend contribution	**1 257**	1 130
Other Commonwealth Government grants	**4 272**	159
Sub-total Other Commonwealth Government grants received	**14 660**	10 298
Total Commonwealth Government Grants received, excluding HECS	**85 375**	83 888

Comparative data for Other Commonwealth data was unable to be revised for 1998.

4. Acquittal of Commonwealth Government Grants

Amounts received and expended pursuant to the *Higher Education Funding Act 1988* excluding HECS:	University	
Operating Purposes excluding HECS:	**1999**	1998
	$'000	$'000
Surplus (deficit) from previous reporting period	**433**	440
Grants received in advance (in previous reporting period)	**5 354**	5 063
Grants received in the reporting period (including grants received in advance for the next reporting period)	**62 410**	64 306
Grants received in advance for the next reporting period[(1)]	**(6 859)**	(5 354)
Funds available in current reporting period	**61 338**	64 455
Expenses in current reporting period	**61 102**	64 022
Surplus (Deficit) from current reporting period	**236**	433

(1) Includes $2 million advance from DETYA which will be recovered over the following three years.

Large Research Grants:		
Surplus (deficit) from previous reporting period	**813**	764
Grants received in advance (in previous reporting period)	**130**	137
Grants received in the reporting period (including grants received in advance for the next reporting period)	**2 673**	2 556
Grants received in advance for the next reporting period	**(140)**	(130)
Funds available in current reporting period	**3 476**	3 327
Expenses in current reporting period	**2 440**	2 514
Surplus (Deficit) from current reporting period	**1 036**	813

4. Acquittal of Commonwealth Government Grants (continued)

	University 1999 $'000	University 1998 $'000
Small Research Grants:		
Surplus (deficit) from previous reporting period	**129**	123
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for the next reporting period)	**721**	685
Grants received in advance for the next reporting period	**-**	-
Funds available in current reporting period	**850**	808
Expenses in current reporting period	**702**	679
Surplus (Deficit) from current reporting period	**148**	129
Research Infrastructure Grants:		
Surplus (deficit) from previous reporting period	**603**	727
Grants received in advance (in previous reporting period)	**194**	-
Grants received in the reporting period (including grants received in advance for the next reporting period)	**2 811**	3 066
Grants received in advance for the next reporting period	**-**	(194)
Funds available in current reporting period	**3 608**	3 599
Expenses in current reporting period	**2 704**	2 996
Surplus (Deficit) from current reporting period	**904**	603
Special Research Centres:		
Surplus (deficit) from previous reporting period	**(5)**	(5)
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for the next reporting period)	**-**	-
Grants received in advance for the next reporting period	**-**	-
Funds available in current reporting period	**(5)**	(5)
Expenses in current reporting period	**(5)**	-
Surplus (Deficit) from current reporting period	**-**	(5)
Key Centres:		
Surplus (deficit) from previous reporting period	**14**	(47)
Grants received in advance (in previous reporting period)	**8**	19
Grants received in the reporting period (including grants received in advance for the next reporting period)	**88**	223
Grants received in advance for the next reporting period	**-**	(8)
Funds available in current reporting period	**110**	187
Expenses in current reporting period	**110**	173
Surplus (Deficit) from current reporting period	**-**	14
Special Research Initiatives:		
Surplus (deficit) from previous reporting period	**24**	62
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for the next reporting period)	**-**	7
Grants received in advance for the next reporting period	**-**	-
Funds available in current reporting period	**24**	69
Expenses in current reporting period	**24**	45
Surplus (Deficit) from current reporting period	**-**	24
Research Fellowships:		
Surplus (deficit) from previous reporting period	**152**	91
Grants received in advance (in previous reporting period)	**37**	28
Grants received in the reporting period (including grants received in advance for the next reporting period)	**441**	469
Grants received in advance for the next reporting period	**(18)**	(37)
Funds available in current reporting period	**612**	551
Expenses in current reporting period	**541**	399
Surplus (Deficit) from current reporting period	**71**	152
Australian Postgraduate Awards:		
Surplus (deficit) from previous reporting period	**64**	147
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for the next reporting period)	**1 704**	1 641
Grants received in advance for the next reporting period	**-**	-
Funds available in current reporting period	**1 768**	1 788
Expenses in current reporting period	**1 811**	1 724
Surplus (Deficit) from current reporting period	**(43)**	64

4. Acquittal of Commonwealth Government Grants (continued)

	University	
	1999	1998
International Postgraduate Research Scholarships:	**$'000**	$'000
Surplus (deficit) from previous reporting period	**-**	-
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for the next reporting period)	**333**	339
Grants received in advance for the next reporting period	**-**	-
Funds available in current reporting period	**333**	339
Expenses in current reporting period	**333**	339
Surplus (Deficit) from current reporting period	**-**	-
Indigenous Researchers Development Scheme:		
Surplus (deficit) from previous reporting period	**16**	22
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for the next reporting period)	**-**	4
Grants received in advance for the next reporting period	**-**	-
Funds available in current reporting period	**16**	26
Expenses in current reporting period	**6**	10
Surplus (Deficit) from current reporting period	**10**	16
International Projects:		
Surplus (deficit) from previous reporting period	**-**	5
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for the next reporting period)	**-**	3
Grants received in advance for the next reporting period	**-**	-
Funds available in current reporting period	**-**	8
Expenses in current reporting period	**-**	8
Surplus (Deficit) from current reporting period	**-**	-
SPIRT - (including APA (Industry) and Collaborative):		
Surplus (deficit) from previous reporting period	**411**	187
Grants received in advance (in previous reporting period)	**37**	310
Grants received in the reporting period (including grants received in advance for the next reporting period)	**660**	326
Grants received in advance for the next reporting period	**(40)**	(37)
Funds available in current reporting period	**1 068**	786
Expenses in current reporting period	**454**	375
Surplus (Deficit) from current reporting period	**614**	411
Teaching Hospital (FMC):		
Surplus (deficit) from previous reporting period	**-**	-
Grants received in advance (in previous reporting period)	**14**	13
Grants received in the reporting period (including grants received in advance for the next reporting period)	**171**	169
Grants received in advance for the next reporting period	**(14)**	(14)
Funds available in current reporting period	**171**	168
Expenses in current reporting period	**171**	168
Surplus (Deficit) from current reporting period	**-**	-
Amounts received and expended pursuant to the *Higher Education Funding Act 1988* for the Higher Education Contribution Scheme (HECS):		
Surplus (deficit) from previous reporting period	**-**	-
Amounts received in advance (in previous reporting period)	**2 115**	1 879
Amounts received in the reporting period (including grants received in advance for the next reporting period)	**26 415**	23 711
Amounts received in advance for the next reporting period	**(2 070)**	(2 115)
Funds available in current reporting period	**26 460**	23 475
Expenses in current reporting period	**26 460**	23 475
Surplus (Deficit) from current reporting period	**-**	-
HECS contributions actually received from students	**3 504**	3 491
Total HECS revenue for the reporting period	**29 964**	26 966

5. South Australian Government Grants

	Consolidated		University	
South Australian Government grants for the following purposes were received during the reporting period:	**1999** **$'000**	1998 $'000	**1999** **$'000**	1998 $'000
Research grants:				
SA Health Commission	**207**	360	**207**	360
Other research grants	**362**	136	**362**	136
Sub total research grants	**569**	496	**569**	496
Non-research grants	**1 247**	212	**1 247**	212
Total South Australian Government Grants	**1 816**	708	**1 816**	708

6. Investment Income

Dividends	**82**	-	**250**	-
Interest	**1 978**	1 834	**1 843**	1 612
Total Investment Income	**2 060**	1 834	**2 093**	1 612

7. Fees and Charges

Fees and charges were collected from the following sources during the reporting period:				
Fee paying overseas students	**7 611**	7 543	**7 611**	7 543
Fee paying non-overseas postgraduate students	**835**	679	**824**	679
Non-overseas students undertaking non-award courses	**89**	86	**89**	86
Other fees and charges:				
Student housing and other rental charges	**2 299**	1 881	**2 299**	1 881
Car parking revenue	**803**	779	**803**	779
Consulting	**4 831**	2 946	**2 829**	1 454
Royalties and patent fees	**383**	4	**9**	4
Other	**1 273**	513	**447**	513
Total Fees and Charges	**18 124**	14 431	**14 911**	12 939

8. Income - Other

Comprises the following:				
Projects, research and development	**-**	2 757	**-**	-
Specialist medical services	**-**	551	**-**	-
Airborne research	**-**	319	**-**	-
Faculty Income	**-**	5 973	**-**	5 973
Commercial activities	**1 287**	1 778	**1 287**	1 778
Union and other external building contributions	**-**	492	**-**	492
Non-research non-Government grant	**2 013**	-	**2 013**	-
General	**3 025**	2 534	**1 877**	2 534
Total	**6 325**	14 404	**5 177**	10 777

Revenue disclosures have been reviewed in 1999 and new categories created to provide better information for users of the financial statements and amounts have been transferred to other operating statement line items. Where practicable, comparative amounts have been changed but this has not been possible for all categories used in 1998.

9. Detail of Expenses by Functions

	Consolidated		University	
	1999	1998	**1999**	1998
Academic Activities:	**$'000**	$'000	**$'000**	$'000
Academic staff salaries	**37 570**	35 530	**37 292**	35 331
Academic staff salary related costs	**14 791**	14 807	**14 735**	14 787
Non-academic staff salaries	**18 499**	17 017	**17 628**	16 865
Non-academic staff salary related costs	**5 297**	4 798	**5 101**	4 738
Depreciation expense:				
Buildings	**1 620**	2 184	**1 590**	2 184
Equipment	**2 239**	1 512	**1 605**	1 502
Other expenses	**20 478**	20 535	**18 786**	20 372
	100 494	96 383	**96 737**	95 779
Libraries:				
Non-academic staff salaries	**2 934**	2 907	**2 934**	2 907
Non-academic staff salary related costs	**965**	1 018	**965**	1 018
Depreciation expense:				
Buildings	**348**	913	**348**	913
Equipment	**49**	48	**49**	48
Library collections	**2 262**	2 179	**2 262**	2 179
Other expenses	**375**	399	**375**	399
	6 933	7 464	**6 933**	7 464
Other Academic Support Services:				
Non-academic staff salaries	**2 616**	2 397	**2 616**	2 397
Non-academic staff salary related costs	**849**	985	**849**	985
Depreciation expense:				
Buildings	**19**	-	**19**	-
Equipment	**480**	528	**480**	528
Other expenses	**1 587**	3 061	**1 587**	3 061
	5 551	6 971	**5 551**	6 971

		Consolidated		University	
9.	**Detail of Expenses by Functions (continued)**	**1999**	1998	**1999**	1998
	Student Services:	**$'000**	$'000	**$'000**	$'000
	Academic staff salaries	**390**	480	**390**	480
	Academic staff salary related costs	**119**	85	**119**	85
	Non-academic staff salaries	**2 495**	2 349	**2 495**	2 349
	Non-academic staff salary related costs	**873**	1 245	**873**	1 245
	Depreciation expense:				
	Buildings	**344**	294	**344**	294
	Equipment	**61**	62	**61**	62
	Other expenses	**4 243**	4 397	**4 243**	4 397
		8 525	8 912	**8 525**	8 912
	Buildings and Grounds:				
	Non-academic staff salaries	**2 559**	2 339	**2 559**	2 339
	Non-academic staff salary related costs	**850**	842	**850**	842
	Depreciation expense:				
	Buildings	**4**	8	**4**	8
	Equipment	**282**	288	**282**	288
	Other expenses	**9 940**	8 036	**9 940**	8 036
		13 635	11 513	**13 635**	11 513
	Administration and Other General Institutional Services:				
	Academic staff salaries	**460**	471	**461**	576
	Academic staff salary related costs	**363**	110	**363**	110
	Non-academic staff salaries	**5 391**	5 636	**5 097**	4 942
	Non-academic staff salary related costs	**1 512**	1 797	**1 380**	1 721
	Depreciation expense:				
	Buildings	**87**	115	**87**	84
	Equipment	**95**	710	**58**	82
	Other expenses	**6 018**	8 443	**3 844**	4 378
		13 926	17 282	**11 290**	11 893
	Deferred Employee Benefits for Superannuation:				
	Academic staff salary related expenses	**1 200**	880	**1 200**	880
	Non-academic staff salary related expenses	**300**	220	**300**	220
		1 500	1 100	**1 500**	1 100
	Total Expenses by Function:				
	Academic staff salaries	**38 420**	36 481	**38 143**	36 387
	Academic staff salary related costs	**16 473**	15 882	**16 417**	15 862
	Non-academic staff salaries	**34 494**	32 645	**33 329**	31 799
	Non-academic staff salary related costs	**10 646**	10 905	**10 318**	10 769
	Depreciation expense:				
	Buildings	**2 422**	3 514	**2 392**	3 483
	Equipment	**3 206**	3 148	**2 535**	2 510
	Library collections	**2 262**	2 179	**2 262**	2 179
	Other expenses	**42 641**	44 871	**38 775**	40 643
		150 564	149 625	**144 171**	143 632
10.	**Details of Salary Related Expenses**				
	The following salary related expenses were incurred during the reporting period:				
	Contribution to Superannuation and Pension Schemes:				
	Deferred employee benefits for superannuation	**1 500**	1 100	**1 500**	1 100
	Emerging cost	**1 241**	1 895	**1 241**	1 895
	Funded	**11 126**	10 032	**10 877**	10 011
	Payroll tax	**5 522**	4 820	**5 447**	4 788
	Workers compensation	**484**	833	**469**	828
	Long service leave	**1 303**	2 740	**1 302**	2 686
	Annual leave	**5 943**	5 367	**5 899**	5 323
	Total Salary Related Expenses	**27 119**	26 787	**26 735**	26 631
11.	**Receivables**				
	Current:				
	General debtors	**6 553**	3 451	**7 780**	3 242
	Student debtors	**773**	1 356	**773**	1 356
	Loans receivable	**14**	14	**14**	14
	Provision for doubtful debts	**(625)**	(267)	**(625)**	(267)
		6 715	4 554	**7 942**	4 345
	Non-Current:				
	Loans receivable	**216**	249	**216**	249
	Loans receivable, controlled entity	**-**	-	**72**	-
	Provision for doubtful debts	**(131)**	-	**(131)**	-
		85	249	**157**	249

12. Investments

	Consolidated		University	
	1999	1998	**1999**	1998
Current:	**$'000**	$'000	**$'000**	$'000
Deposits at 24 hour call	**1 234**	1 836	**1 234**	1 836
Term deposits	**23 992**	17 825	**15 500**	14 653
Government securities	**1 000**	1 000	**1 000**	1 000
Total Current	**26 226**	20 661	**17 734**	17 489
Non-Current:				
Term deposits	**30**	1 217	**26**	510
Government securities	**2 441**	3 425	**2 441**	3 426
Indexed bonds	**5 146**	5 160	**5 146**	5 160
Other securities	**118**	7	**7**	7
Managed investment held by Unisure Pty Ltd	**3 820**	3 462	**3 820**	3 462
Managed investment - Invalidity Fund	**1 869**	-	**1 869**	-
Interests in business undertakings:				
Controlled entities at Council valuation	**-**	-	**1 014**	1 014
Other entities at cost	**961**	10	**160**	10
Other equities	**431**	-	**-**	-
Total Non- Current	**14 816**	13 281	**14 483**	13 589
Total Investments	**41 042**	33 942	**32 217**	31 078

Maturities of fixed interest investments are:

Current:				
Not later than one year	**26 226**	20 661	**17 734**	17 489
Total Current	**26 226**	20 661	**17 734**	17 489
Non-Current				
Later than one year but not later than two years	**30**	1 489	**26**	1 484
Later than two years but not later than five years	**111**	10	**-**	10
Later than five years but not later than ten years	**5 460**	5 442	**5 460**	5 442
Later than ten years	**2 127**	2 159	**2 127**	2 159
Managed investment held by Unisure Pty Ltd	**3 820**	3 462	**3 820**	3 462
Managed investment - Invalidity Fund	**1 869**	-	**1 869**	-
Equities	**1 399**	719	**1 181**	1 032
Total Non-Current	**14 816**	13 281	**14 483**	13 589
Total Investments	**41 042**	33 942	**32 217**	31 078

13. Property, Plant and Equipment

Land, Buildings and Improvements				
Crown Land at independent valuation	**7 813**	7 813	**7 813**	7 813
Freehold land - At cost	**-**	158	**-**	158
Buildings and improvements at independent valuation 31 March 1998	**82 013**	82 132	**82 013**	82 132
Infrastructure at independent valuation 1999	**4 340**	-	**4 340**	-
Buildings and improvements at cost	**6 664**	1 452	**5 536**	326
WIP - Major building works at cost	**17**	595	**17**	595
	100 847	92 150	**99 719**	91 024
Accumulated depreciation	**(4 326)**	(2 665)	**(4 262)**	(2 631)
	96 521	89 485	**95 457**	88 393
Library Collection				
At independent valuation 31 December 1993	**82 175**	82 481	**82 175**	82 481
At cost	**21 292**	17 638	**21 292**	17 638
	103 467	100 119	**103 467**	100 119
Accumulated depreciation	**(38 231)**	(36 175)	**(38 231)**	(36 175)
	65 236	63 944	**65 236**	63 944
Equipment				
At cost	**34 082**	31 292	**27 212**	24 540
Accumulated depreciation	**(22 363)**	(19 794)	**(19 746)**	(17 841)
	11 719	11 498	**7 466**	6 699
Works of Art				
At cost	**160**	170	**160**	170
At independent valuation 1995	**1 048**	1 048	**1 048**	1 048
	1 208	1 218	**1 208**	1 218
	174 684	166 145	**169 367**	160 254

Acquisitions

The following property, plant and equipment was acquired during the year:

	Consolidated	**University**
	1999	**1999**
	$'000	**$'000**
Land, buildings and improvements	**4 634**	**4 632**
Library collection	**3 654**	**3 654**
Equipment	**4 047**	**3 895**
Works of art	**29**	**29**
	12 364	**12 210**

13. Property, Plant and Equipment (continued)

Disposals

	Consolidated 1999 $'000	University 1999 $'000
The following property, plant and equipment was disposed of or written off during the year:		
Land, buildings and improvements	**277**	**277**
Library collection	**306**	**306**
Equipment	**1 257**	**1 223**
Works of art	**39**	**39**
	1 879	**1 845**

Revaluations

	Consolidated 1999 $'000	University 1999 $'000
The following property, plant and equipment was revalued during the year:		
Land, buildings and improvements	**4 340**	**4 340**
	4 340	**4 340**

(i) Restrictions on Assets

Crown Land is not owned by the University and therefore cannot be sold.

The University has restrictions imposed on the real property listed above (Land, buildings and improvements) under *The Flinders University of South Australia Act 1966*. Section 3 (4) of the Act states:

> *The University cannot alienate, mortgage, charge, or demise any lands, tenements, or hereditaments of the University other than with the approval of the Governor, except by way of lease for a term not exceeding 21 years from the time when the lease is made in and by which there is reserved, during the whole term, the highest rent that can be reasonably obtained.*

(ii) Building and Infrastructure Valuation

Buildings controlled by the University as at 31 March 1998 have been recognised at independent valuation conducted by Greg McCloud AVLE (Val) B.App.Sc (Val), of Edward Rushton Australia Pty Ltd. Infrastructure was valued as at 31 December 1999 by Norm Satchell AAPI B.AppSc (Val), of Edward Rushton Pty Ltd. The basis of both valuations was current market value (existing use).

14. Other Assets

	Consolidated		University	
	1999	1998	**1999**	1998
Current:	**$'000**	$'000	**$'000**	$'000
Prepayments	**620**	313	**620**	313
SA Superannuation Scheme	**2 200**	1 600	**2 200**	1 600
Advances to controlled entities	**-**	-	**860**	58
Total Current	**2 820**	1 913	**3 680**	1 971
Non-Current:				
SA Superannuation Scheme	**22 200**	21 300	**22 200**	21 300
Other	**504**	339	**-**	-
Total Non-Current	**22 704**	21 639	**22 200**	21 300

15. Revenue in Advance

	Consolidated 1999	Consolidated 1998	University 1999	University 1998
Current:				
Fees and charges	**942**	1 178	**942**	1 178
DETYA	**7 641**	7 886	**7 641**	7 886
NH&MRC	**283**	381	**283**	381
Other	**937**	76	**36**	76
Total Current	**9 803**	9 521	**8 902**	9 521
Non-Current:				
DETYA	**1 500**	-	**1 500**	-
Total Non-Current	**1 500**	-	**1 500**	-

16. Creditors

	Consolidated 1999	Consolidated 1998	University 1999	University 1998
Current:				
Creditors - Trade	**754**	773	**754**	773
Creditors - Other	**321**	406	**209**	239
Accrued expenses	**6 073**	3 178	**3 935**	3 178
	7 148	4 357	**4 898**	4 190

17. Lease Financing

	University	
Total lease commitments:	**1999**	1998
Current:	**$'000**	$'000
Not later than one year	**-**	97
Minimum lease payment	**-**	97
Less: Future finance charges	**-**	7
Lease Liability (current)	**-**	90
Total Lease Liability	**-**	90

18. Accrued Liabilities

	Consolidated		University	
	1999	1998	**1999**	1998
Current:	**$'000**	$'000	**$'000**	$'000
Annual leave	**2 496**	2 645	**2 476**	2 625
Long service leave	**1 835**	1 694	**1 781**	1 640
SA Superannuation Scheme	**2 200**	1 600	**2 200**	1 600
Outstanding claims - Unisure Pty Ltd	**410**	300	**410**	300
Other	**275**	822	**275**	(3)
Total Current	**7 216**	7 061	**7 142**	6 162
Non-Current:				
Long service leave	**11 240**	11 235	**11 168**	11 163
SA Superannuation Scheme	**22 200**	21 300	**22 200**	21 300
Superannuation Scheme No 1	**-**	819	**-**	819
Invalidity Fund	**510**	-	**510**	-
Outstanding claims - Unisure Pty Ltd	**615**	439	**615**	439
Total Non-Current	**34 565**	33 793	**34 493**	33 721
Total Accrued Liabilities	**41 781**	40 854	**41 635**	39 883

19. Other Liabilities

Current:				
Funds held on behalf of external entities	**502**	1 157	**698**	1 157
	502	1 157	**698**	1 157

20. Superannuation

The University contributes to the following employee superannuation funds:

(a) Superannuation Scheme for Australian Universities - (SSAU)

UniSuper Management Pty Ltd administers the Scheme and UniSuper Ltd is the Trustee. As at 1 July 1998, the rules governing the Scheme were amended to allow employees the option to remain within the defined benefits arrangement or to convert to an accumulation fund. The University contributes at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The Scheme provides the option of defined benefits based on years of service and final average salary or an accumulation fund. The defined benefits scheme is fully funded.

Actuarial investigations are undertaken triennially as at the end of respective calendar years. Grant Harslett, FIA, FIAA of Towers Perrin conducted the last actuarial investigation on 21 October 1997. A funding and solvency certificate required under regulation 9.09(1) of the Superannuation Industry (Supervision) Regulations has been obtained with a date of effect of 2 December 1999. The certificate is valid to 30 June 2002.

As at 31 December, amounts of the Scheme applicable to Flinders University for members in the defined benefits plan were:

	University	
	1999	1998
	$'000	$'000
Net market value	**124 145**	126 727
Accrued Benefits	**106 017**	104 951
Surplus	**18 128**	21 776
Vested benefits	**106 017**	104 951

(b) South Australian Superannuation Scheme

The University has a number of present and former employees who are members of closed State Government superannuation schemes. Under the schemes, defined benefits are paid as a lump sum or continuing pension on the termination of the employees' service, based on contributions made by the employee and the employees' final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for administering the schemes. Under current arrangements, the Board pays the benefits and is reimbursed by the University. The Commonwealth Government funds the University on an emerging cost basis and recovers the State's share of the cost directly from the State Government.

The unfunded superannuation liability for future benefits for current employees and pensioners was assessed as at 31 December 1999 by the Director Superannuation, South Australian Department of Treasury and Finance, at $24.4 million ($22.9 million). This represents an increase in liability of $1.5 million since 31 December 1998. The net unfunded amount has been recognised in the accounts of the University as a liability with a corresponding receivable from the Commonwealth Government (see Note 18). The liability and asset have been classified as current and non-current according to the cash flow projections of the assessment.

	University	
	1999	1998
	$'000	$'000
University's gross liability	**25 500**	23 600
Funded component	**1 100**	700
Unfunded liability	**24 400**	22 900

20. Superannuation (continued)

(c) Tertiary Education Superannuation Scheme (TESS)

UniSuper Management Pty Ltd administers the Scheme and TESS Superannuation Ltd is the Trustee. The University contributes to the Scheme at a rate determined by the trust deed. The Scheme is non-contributory for employees. The Scheme provides benefits based on the defined contributions of the University during the membership of the employee.

The University also makes contributions into the Scheme for employee entitlements arising under the Superannuation Guarantee Legislation.

(d) Superannuation Scheme No. 1

Prior to the inception of the Superannuation Scheme for Australian Universities (SSAU) the University operated its own schemes. Employees were given the option of transferring to SSAU or remaining with the University's own scheme. As at 31 December 1999, 16 staff remained members of the University scheme (1998: 16 staff). The Scheme, managed by a Board of Trustees, is similar to that of SSAU with the University contributing, as a minimum, twice that of employees.

Buck Consultants undertook the last actuarial review as at 1 January 1998. At that time the Scheme had a surplus of $1.195 million, which was 27 percent of members' accrued benefits. As a result of that review, the actuary concluded that the favourable position of the Scheme allowed the suspension of employer's contributions and no employer contributions were made in 1999.

The administrator of the Scheme has calculated the value of members' accrued benefits at 30 June each year subsequent to the actuarial review. As at 30 June, the financial position of the Scheme was:

	University	
	1999	1998
Net market value	**6 502**	5 976
Accrued benefits	**5 350**	4 784
Surplus	**1 152**	1 192
Vested benefits	**5 350**	4 784

21. Reconciliation of Equity

Reserves	Consolidated		University	
	1999	1998	**1999**	1998
Asset Revaluation Reserve:	**$'000**	$'000	**$'000**	$'000
Opening balance 1 January	**555**	256	**555**	256
Asset revaluation increment	**-**	299	**-**	299
Asset revaluation decrement	**(14)**	-	**(14)**	-
Closing balance 31 December	**541**	555	**541**	555
Endowment:				
Opening balance 1 January	**258**	234	**258**	234
Transfers to reserves	**5 671**	24	**5 671**	24
Closing balance 31 December	**5 929**	258	**5 929**	258
Other Reserves:				
Opening balance 1 January	**1 643**	1 418	**1 643**	1 418
Transfers to reserves	**(11)**	225	**(11)**	225
Closing balance 31 December	**1 632**	1 643	**1 632**	1 643
Trust and Special Purpose:				
Opening balance 1 January	**14 862**	13 233	**14 777**	12 595
Transfers to reserves	**61**	1 629	**146**	2 182
Closing balance 31 December	**14 923**	14 862	**14 923**	14 777
Accumulated Results of Operations				
Opening balance 1 January	**155 770**	166 020	**147 706**	159 039
Result of operations	**14 985**	(8 351)	**13 688**	(8 870)
Transfers to reserves	**(5 720)**	(1 899)	**(5 806)**	(2 463)
Closing balance 31 December	**165 035**	155 770	**155 588**	147 706
Total Equity:				
Opening balance 1 January	**173 088**	181 161	**164 939**	173 542
Result of operations	**14 985**	(8 351)	**13 688**	(8 870)
Transfer to asset revaluation	**(14)**	299	**(14)**	299
Transfers to reserves	**1**	(21)	**-**	(32)
Closing balance 31 December	**188 060**	173 088	**178 613**	164 939

22. Notes to the Statement of Cash Flows

(i) Reconciliation of Cash

For purposes of the Statement of Cash Flows, cash includes cash on hand, at call deposits with financial institutions, and investments that are readily convertible to cash within two working days. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

		Consolidated		University	
		1999	1998	**1999**	1998
	Note	**$'000**	$'000	**$'000**	$'000
Cash		**392**	60	**331**	18
Deposits at 24 hour call	12	**1 234**	1 836	**1 234**	1 836
		1 626	1 896	**1 565**	1 854

22. Notes to the Statement of Cash Flows (continued)

(ii) Reconciliation of Net Cash provided by Operating Activities to Operating Result after Abnormal Items

	Consolidated		University	
	1999	1998	**1999**	1998
	$'000	$'000	**$'000**	$'000
Operating result after abnormal items	**14 985**	(8 351)	**13 688**	(8 870)
Add: Loss (Gain) from Sale of Assets	**138**	(18)	**138**	(11)
	15 123	(8 369)	**13 826**	(8 881)
Add: Non-cash items:				
Land and buildings revaluation	**(4 340)**	9 394	**(4 340)**	9 394
Assets received for no consideration	**(940)**	(1 868)	**(940)**	(1 868)
Depreciation	**7 890**	8 841	**7 189**	8 172
Prior period depreciation adjustment	**(752)**	-	**(752)**	-
Provisions	**-**	3 734	**-**	3 042
Capital works adjustment	**-**	-	**532**	-
Gain on take on of Invalidity Fund	**(1 869)**	-	**(1 869)**	-
Assets previously not capitalised	**(663)**	-	**(663)**	-
Gain on take on of controlled entity	**(538)**	-	**-**	-
Increase in doubtful debts provision	**489**	64	**489**	64
Other	**205**	(846)	**(286)**	(740)
Sub total	**14 605**	10 950	**13 186**	9 183
Change in Assets and Liabilities:				
(Increase) Decrease in receivables	**(2 486)**	(348)	**(3 994)**	(425)
(Increase) Decrease in inventories	**213**	72	**213**	72
(Increase) Decrease in other assets	**(1 972)**	213	**(2 609)**	(176)
Increase (Decrease) in creditors	**2 791**	(221)	**708**	(237)
Increase (Decrease) in accrual liabilities	**927**	932	**1 752**	938
Increase (Decrease) in other liabilities	**(655)**	(122)	**(459)**	(122)
Increase (Decrease) in income received in advance	**1 782**	432	**881**	432
Net Cash provided by Operating Activities	**15 205**	11 908	**9 678**	9 665

(iii) Financing Facilities

Flinders University has the following arrangements with the ANZ Bank:

Overdraft facility(1)	**500**	500	**500**	500
Amount used	**-**	-	**-**	-
Unused Overdraft Facility	**500**	500	**500**	500
Visa credit cards facility(2)	**1 140**	880	**1 140**	880
Amount used	**259**	91	**259**	91
Unused Credit Cards Facility	**881**	789	**881**	789

(1) Facility is secured by a Charge over Term Deposit $500 000.
(2) The credit cards facility is unsecured.

(iv) Non-Cash Financing and Investing Activities

During the reporting period the University acquired works of art and library materials with an aggregate fair value of $940 000 ($1.868 million) by means of donations. These acquisitions are not reflected in the Statement of Cash Flows.

(v) Cash Balances Not Available for Use

All cash balances are available for use (1998 all available).

(vi) Tax Status

The activities of the University and its wholly controlled entities are exempt from income tax.

23. Invalidity Fund

Members and past members of Superannuation Scheme No. 1 contributed to the Invalidity Fund established under the Rules of the Invalidity Scheme. The Scheme was established to provide benefits to members who suffered disablement or temporary incapacity. The University did not recognise the assets and liabilities of the Scheme in the financial statements.

The University Council approved a number of changes to the Scheme in 1999 with the following effect:

(i) The University has assumed direct responsibility for the financial administration of the Scheme and for ensuring that the future liabilities of the Scheme are adequately funded.
(ii) The Scheme was revised to provide benefits for continuing members identical to those provided under the Superannuation Scheme for Australian Universities (SSAU).
(iii) Continuing members of the Scheme and certain defined classes of former members received or will receive repayment of their contributions, amounting to $1.4 million.
(iv) The surplus remaining in the Fund after commitments arising from (i) and (ii) above are met, amounting to $1.287 million, has been recognised as an asset in the Statement of Financial Position.

The University has recognised a liability of $510 000 as shown in Note 18, which is equal to the estimated present value of future disablement benefits as at 31 December 1999 together with a small amount still to be repaid to former members. The last actuarial investigation was completed on 14 July 1997 by B A Watson of Brett and Watson Pty Ltd, consulting actuaries. That investigation determined that an amount of $400 000 would be sufficient to meet the Scheme's liabilities for disablement benefits, with only a remote possibility that this would prove to be inadequate.

24. Controlled Entities

The following entities are wholly-owned by The Flinders University of South Australia or by entities controlled by The Flinders University of South Australia and represent those controlled entities where the University has a material interest. Financial transactions of these entities have been incorporated into the University's consolidated financial statements.

Flinders Consulting Pty Ltd (wholly-owned)

The company's prime objective is to maintain a commercial operation that arranges the conduct of consultancies and other business objectives from which the University derives financial benefits.

It utilises the skills and knowledge of University staff, and engages and co-ordinates the specialist skills of external organisations and individuals.

Flinders Reproductive Medicine Pty Ltd (wholly-owned subsidiary of Flinders Consulting Pty Ltd)

The company is the trustee of the Flinders ART Clinic Trust. The Trust's principal objective is to provide a high quality comprehensive infertility investigatory and treatment service to clients admitted to the in-vitro fertilisation (and associated techniques) program. The program extends to training specialists in relevant clinical procedures, and also promotes original research.

Flinders Bioremediation Pty Ltd (wholly-owned subsidiary of Flinders Consulting Pty Ltd)

The company's principal objectives are to develop and extend commercial activities of the University in the areas of soil bioremediation, organic waste management and related technologies.

Flinders Technologies Pty Ltd (wholly-owned)

The company markets the University's intellectual property and negotiates the business arising therefrom.

Airborne Research Australia Pty Ltd (wholly-owned)

The company's main activity relates to atmospheric research and includes high resolution physical and chemical measuring and analyses, research and monitoring, radiometry, and remote sensing.

National Institute of Labour Studies Inc (wholly-owned)

The National Institute of Labour Studies is the sole trustee of the National Institute of Labour Studies Foundation.

25. Unisure Pty Ltd

The University is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*, and is a shareholder along with the University of Adelaide and the University of South Australia in Unisure Pty Ltd, which manages workers compensation claims on behalf of the three institutions. Unisure Pty Ltd is the trustee of the Unisure Unit Trust, which holds the University's workers compensation liability and the associated investment funds. As at 31 December 1999 the Unisure Unit Trust held net assets of $2.9 million on behalf of the University ($2.8 million).

From 1998 the University has incorporated the financial transactions of the Unisure Unit Trust into the University column of the financial statements.

26. Joint Venture Entities

Under Australian Accounting Standard AAS 19 'Interests in Joint Ventures', the University is obliged to measure its interests in non-partnership joint ventures by applying the equity method of accounting in its consolidated financial statements and to disclose certain information about each joint venture.

The University participates in several joint ventures as described below. Accounting treatment for these joint venture entities is by disclosure in this note only. The reasons for this method of treatment are:

- unavailability of timely information in a suitable format;
- immateriality.

The following table indicates for each joint venture entity, if they are an incorporated (I) or unincorporated (U) entity, the date on which annual reports are produced, the percentage ownership (or voting rights) for the University, the University's nominal share of accumulated cash and expenditure commitments during the next accounting period.

			Reporting Date	Ownership[i] Percent	Share Accumulated (Cash) Funds $'000	Expenditure Commitments 2000 $'000
1.	CSSIP	U	30 June	11	66	20
2.	Tissue Growth and Repair	U	30 June	7	41	50
3.	Aboriginal and Tropical Health	U	30 June	15	185	50
4.	SATAC	U	30 June	25	112[ii]	220
5.	SAARDNet	U	31 Dec	20	11	20
6.	AITEC Pty Ltd	I	31 Dec	25	262[ii]	-
7.	South Australian Centre for Economic Studies	U	31 Dec	50	90	-
	Total				767	360

(i) Ownership (or voting rights) percentage as determined by agreement or proportion of cash and in-kind contributions.
(ii) Based on 1997-98 annual financial statements.

26. Joint Venture Entities (continued)

Co-operative Research Centres (CRC)

CRCs are entities created through Commonwealth Government funding. They are unincorporated or incorporated entities formed through an agreement between universities and other interested entities (venturers) and the Commonwealth Government.

1. Co-operative Research Centre for Sensor Signal Information Processing (CSSIP)

CSSIP involves university, government and commercial venturers. CSSIP's purpose is to provide research and postgraduate education in signal and information processing for sensors. It has sites in Adelaide, Melbourne and Brisbane.

2. Cooperative Research Centre for Tissue Growth and Repair (TGR)

This CRC established by university, government and health services venturers aims to achieve successful cooperation and coordination of research, postgraduate training and commercialisation in the design, manufacture and application of novel growth factors and other biologically active agents that support the growth and repair of human and animal tissues.

3. Cooperative Research Centre for Aboriginal and Tropical Health (ATH)

This CRC was established to provide a cross cultural framework for strategic research leading to evidence based improvements in education and health practice, to a more highly skilled health workforce, to more effective health services, and to reconciliation between aboriginal and western perspectives on health. It involves university and health service venturers.

Other Joint Venture Entities

4. South Australian Tertiary Admissions Centre (SATAC)

SATAC was formed by higher education joint venturers to receive and process undergraduate and postgraduate applications for admission to tertiary level courses.

5. South Australian Academic Research and Development Network (SAARDNet)

SAARDNet was formed by its university and government venturers to facilitate greater data, voice and video communications between higher education and research organisations in South Australia and to provide members with an enhanced network and shared resources.

6. Australian Information Technology Engineering Centre (AITEC)

AITEC was formed by its higher education venturers to support the State's information technology, education and training. It has created educational programs designed to significantly increase the productivity of engineers employed in the Australian Information and Technology (IT&T) industries.

7. South Australian Centre for Economic Studies (SACES)

This centre, involving university venturers, was formed to conduct research on a wide range of issues for government and private sector bodies. The centre produces regular publications on the economy.

27. Co-operative Multimedia Centre (CMC)

Ngapartji Pty Ltd

This CMC was established to provide an international focal point for the creation and development of world leading commercially successful skills, technology and products in interactive media.

Shareholders in Ngapartji Pty Ltd include both the public and private sector with Flinders University holding 10 percent of the voting shares. The University's investment in Ngapartji is recognised at cost and is included in Note 12 Investments, under 'interests in business undertakings, other entities at cost'.

The University has no commitment to contribute during 2000 ($25 000).

28. Additional Financial Instruments Disclosure

(i) Interest Rate Risk

The economic entity'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 interest rate for classes of financial assets and financial liabilities is as follows:

				1999			
Financial Assets	Note	Floating Interest Rate $'000	One year or less $'000	1 to 5 years $'000	More than 5 years $'000	Non-Interest Bearing $'000	**Total $'000**
Cash		392	-	-	-	-	**392**
Receivables	11	-	14	56	-	6 730	**6 800**
Investments	12	21 970	9 945	141	7 587	1 399	**41 042**
		22 362	9 959	197	7 587	8 129	**48 234**
Weighed average interest rate (percent)		5.2	5.8	8.2	5.9		
Financial Liabilities							
Trade creditors	16	-	-	-	-	7 148	**7 148**
Finance lease	17	-	-	-	-	-	**-**
Funds held on behalf of other entities	19	425	-	-	-	77	**502**
		425	-	-	-	7 225	**7 650**
Weighed average interest rate (percent)		4.7					

(i) Interest Rate Risk (continued)

		1998					
Financial Assets	Note	Floating Interest Rate $'000	One year or less $'000	1 to 5 years $'000	More than 5 years $'000	Non-Interest Bearing $'000	Total $'000
Cash		60	-	-	-	-	60
Receivables	11	-	14	70	-	4 719	4 803
Investments	12	21 520	2 603	1 489	7 602	728	33 942
		21 580	2 617	1 559	7 602	5 447	38 805
Weighed average interest rate (percent)		4.7	7.1	10.5	5.9		
Financial Liabilities							
Trade creditors	16	-	-	-	-	4 357	4 357
Finance lease	17	-	90	-	-	-	90
Funds held on behalf of other entities	19	698	-	-	-	459	1 157
		698	90	-	-	4 816	5 604
Weighed average interest rate (percent)		4.7	6.3				

(ii) Foreign Exchange Risk

The University's financial instruments are all domestic, and therefore there is no exposure to any foreign exchange risk.

(iii) Credit Risk Exposures

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

On-Balance Sheet Financial Instruments

The credit risk on financial assets excluding investments of the economic entity which have been recognised on the Statement of Financial Position, is the carrying amount, net of any provisions for doubtful debts.

The economic entity is not materially exposed to any individual overseas country or individual customer.

(iv) Net Fair Values of Financial Assets and Liabilities

Valuation Approach

Net fair values of financial assets and financial liabilities are determined by the economic entity on the following basis.

On-Balance Sheet Financial Instruments

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at amounts due from customers (reduced for expected credit losses) or due to suppliers.

The carrying amount of bank term deposits, accounts receivables and accounts payable approximate net fair value.

The net fair value of unlisted share investments is determined by reference to underlying net assets of the respective entities.

Net Fair Values

The carrying amount of financial assets and financial liabilities at reporting date all approximate the net fair values.

29. Remuneration for University Senior Management

The table comprises total remuneration that falls within the prescribed bandwidths for senior managers whose remuneration is over $100 000:

	Number of Staff 1999	Number of Staff 1998
$100 000 - $109 999	**1**	3
$110 000 - $119 999	**4**	1
$120 000 - $129 999	**1**	2
$130 000 - $139 999	**1**	1
$140 000 - $149 999	**-**	2
$150 000 - $159 999	**1**	1
$160 000 - $169 999	**1**	2
$170 000 - $179 999	**2**	-
$240 000 - $249 999	**-**	1
$270 000 - $279 999	**1**	-
	12	13
	$'000	$'000
Total remuneration received, or due and receivable, by senior managers from the University	**1 767**	1 823

The remuneration includes salary, employer's superannuation costs and other benefits, including the associated fringe benefits tax, but excludes the value of separation payments.

30. Contingent Liability

The University has no known contingent liabilities.

31. Segment

The University operates in the field of higher education in Australia and provides teaching and research services.

32. Future Expenditure Commitments

Operating Lease Expenditure Commitments

	Consolidated 1999 $'000	University 1999 $'000
Total rents paid during the reporting period were	**473**	**448**

	Consolidated		University	
	1999	1998	**1999**	1998
Contracted but not provided for in the financial statements and payable as follows:	**$'000**	$'000	**$'000**	$'000
Not later than one year	**337**	739	**227**	739
Later than one year but not later than five years	**266**	782	**166**	782
Later than five years	**476**	-	**-**	-
	1 079	1 521	**393**	1 521

The University has various operating leases of property and equipment. Lease amounts have only been included in the above table where there is a non-cancellable commitment.

Capital Expenditure Commitments

	Consolidated		University	
	1999	1998	**1999**	1998
Contracted but not provided for in the financial statements and payable as follows:	**$'000**	$'000	**$'000**	$'000
Not later than one year	**846**	502	**846**	502
Later than one year but not later than two years	**-**	-	**-**	-
Later than two years but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	846	502	**846**	502

Other Expenditure Commitments

	Consolidated	**University**
	1999	**1999**
Contracted but not provided for in the financial statements and payable as follows:	**$'000**	**$'000**
Not later than one year	**2 631**	**2 631**
Later than one year but not later than two years	**151**	**151**
Later than two years but not later than five years	**452**	**452**
Later than five years	**151**	**151**
	3 385	**3 385**

Comparative figures are not shown as the reporting requirement was first introduced for the 1999 annual financial report.

33. Audit Fees

	Consolidated		University	
	1999	1998	**1999**	1998
Amounts paid or payable were:	**$'000**	$'000	**$'000**	$'000
South Australian Auditor-General	**153**	153	**153**	153
Other	**8**	6	**-**	-
	161	159	**153**	153

34. Events Subsequent to Balance Date

After balance date (31 December 1999), the University reached in principle agreement to purchase the Sir Mark Oliphant building at Science Park from the Land Management Corporation. Science Park is located adjacent to the Flinders University campus. The contract was signed in March 2000. The effect of this event has not been recognised in the financial statements.

UNIVERSITY OF ADELAIDE

FUNCTIONAL RESPONSIBILITY

The University was established by the *University of Adelaide Act 1971.*

The University's major product or service is the provision of higher education and research.

The University is dependent to a large extent on Commonwealth Government grants which may be approved for general spending or for specific purposes. In addition to these sources, the University receives student tuition fees and charges, endowments, general bequests and sponsorships.

As at 31 December 1999 the University had a number of controlled entities. Major entities include:

- Luminis Pty Ltd — This is a wholly-owned subsidiary of the University and is the trustee of the Luminis Investment Trust, of which the University is the sole beneficiary. The main functions of Luminis Pty Ltd are to commercially develop and evaluate the University's intellectual property; to manage research activities; to administer consulting funds on behalf of academics; and to manage the University's investments in related companies.

- Martindale Holdings Pty Ltd — This company:

  - acts as trustee of the JAT Mortlock Trust. This Trust carries on the business of primary production.

  - manages a joint venture JS Davies Estate, whose principal activity is farming.

- Lubims Pty Ltd — This is a wholly-owned subsidiary, which is the trustee of a Trust, created for the Department of Community Medicine to purchase a property to operate the family practice unit.

SIGNIFICANT FEATURES

- Operating revenue under the Higher Education Contribution Scheme increased by $4.1 million to $36.8 million.

- Revenue from student fees was $31.2 million, an increase of $3.3 million.

- Consolidated operating revenue for specialist services and trading increased by $5 million to $45.5 million.

- The value of the investment in BresaGen Ltd, held by Luminis Investment Trust, increased by $4.4 million to $7.9 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

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

Scope of Audit

During 1999, specific areas of audit attention included:

- expenditure, including accounts payable and payroll;
- revenue, including grants and student fees;
- internal audit activities;
- non-current assets, including valuation and adequacy of asset register maintenance;
- liabilities, including provisions and borrowings.

The audits of the controlled entities for the year ending 31 December 1999 were carried out by private accounting firms.

Audit Communications to Management

During the year, several letters communicating issues arising from the audit were forwarded to the Vice-Chancellor. Responses received were satisfactory. Further details relating to these issues are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Although the general financial control environment of the University was assessed as satisfactory, several areas were identified where the existing environment could be further strengthened. These issues were raised with the University and a satisfactory response, including action proposed, was received.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the University of Adelaide included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by the University of Adelaide in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Significant features with respect to the financial operations of the University for 1999 were:

Revenue

Higher Education Contribution Scheme

An increase in student enrolments was the principal reason for operating revenue from the Higher Education Contribution Scheme increasing by $4.1 million to $36.8 million.

Student Fees

Revenue from student fees increased by $3.3 million to $31.2 million. The additional revenue was mainly the result of an increase in enrolments of international students. These students contributed $21.5 million, a $2.5 million increase over 1998.

Specialist Services and Trading

An increase in sales revenue generated by the Luminis Investment Trust is the main reason for specialist services and trading revenue increasing by $5 million to $45.5 million.

Expenditure

Salaries and related expenses, $175.9 million ($168.3 million), accounted for 57.6 percent (56.4 percent) of total operating expenses.

Investments

Luminis Investment Trust holds a 30.7 percent interest in BresaGen Ltd which was listed in December 1999 as a public company on the Australian Stock Exchange. At 31 December 1999, that investment was valued at $7.9 million ($3.5 million).

Operating Statement for the year ended 31 December 1999

	Note	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
OPERATING REVENUE:	5,6				
Received under *Higher Education Funding Act 1988*:					
Base operating grant		**98 558**	101 889	**98 558**	101 889
Other operating grants		**2 708**	2 825	**2 708**	2 825
HECS		**36 803**	32 715	**36 803**	32 715
		138 069	137 429	**138 069**	137 429
Learning and Teaching:					
Student fees	5	**31 224**	27 925	**31 224**	27 925
Grants		**4 313**	3 945	**4 313**	3 945
		35 537	31 870	**35 537**	31 870
Research Grants and Fees:					
National competitive grants		**32 729**	31 623	**32 621**	31 623
Public sector – Other		**9 402**	8 839	**9 197**	8 634
Industry and other		**7 370**	9 324	**7 545**	10 304
Cooperative Research Centre grants		**8 097**	9 341	**8 097**	9 341
Research infrastructure program		**6 111**	7 673	**6 111**	7 673
		63 709	66 800	**63 571**	67 575
Other:					
Investment revenue	5	**9 658**	10 203	**9 471**	9 888
Property revenue		**4 574**	5 209	**4 570**	5 209
Specialist services and trading		**45 511**	40 522	**9 242**	8 435
Deferred superannuation	23(e)	**2 600**	900	**2 600**	900
Other		**8 909**	10 769	**10 840**	12 491
		71 252	67 603	**36 723**	36 923
Total Operating Revenue before Abnormal Items		**308 567**	303 702	**273 900**	273 797
OPERATING EXPENSES:	6				
Salaries and related expenses	3(m)	**175 873**	168 350	**166 354**	165 882
Student services		**17 506**	17 223	**17 506**	17 223
Teaching and research materials		**13 128**	15 702	**11 499**	12 948
Buildings and grounds		**15 081**	15 344	**14 470**	15 361
Administration, communication and travel		**60 860**	59 023	**38 812**	35 178
Finance and fund administration		**2 750**	2 377	**2 725**	2 377
Depreciation and written down value of assets sold		**17 296**	19 585	**16 536**	18 674
Deferred superannuation	23(e)	**2 600**	900	**2 600**	900
Total Operating Expenses before Abnormal Items		**305 094**	298 504	**270 502**	268 543
OPERATING RESULT BEFORE ABNORMAL ITEMS		**3 473**	5 198	**3 398**	5 254
ABNORMAL ITEMS	7	**-**	1 231	**-**	(500)
OPERATING RESULT AFTER ABNORMAL ITEMS		**3 473**	6 429	**3 398**	4 754
EXTRAORDINARY ITEMS	8	**-**	7 256	**-**	7 256
OPERATING RESULT AFTER EXTRAORDINARY AND ABNORMAL ITEMS		**3 473**	13 685	**3 398**	12 010
ACCUMULATED FUNDS AT 1 JANUARY		**72 348**	63 969	**62 618**	55 844
TRANSFERS:					
To reserves	18	**(2 067)**	(5 236)	**(2 271)**	(5 236)
Outside equity interest	28	**(13)**	(70)	**-**	-
ACCUMULATED FUNDS AT 31 DECEMBER		**73 741**	72 348	**63 745**	62 618

Statement of Financial Position as at 31 December 1999

		Consolidated		University	
		1999	1998	**1999**	1998
CURRENT ASSETS:	Note	**$'000**	$'000	**$'000**	$'000
Cash		**8 252**	9 538	**3 641**	5 354
Receivables	9	**10 236**	9 562	**7 652**	6 396
Investments	10	**57 804**	73 163	**57 713**	72 677
Inventories	11	**1 603**	1 755	**-**	-
Other	12	**48 219**	45 198	**3 264**	4 684
Total Current Assets		**126 114**	139 216	**72 270**	89 111
NON-CURRENT ASSETS:					
Investments	10	**75 003**	66 977	**69 237**	66 163
Property, plant and equipment	13	**462 315**	441 467	**443 918**	423 306
Deferred government superannuation contribution	23(e)	**34 500**	31 900	**34 500**	31 900
Other	12	**102**	98	**-**	-
Total Non-Current Assets		**571 920**	540 442	**547 655**	521 369
Total Assets		**698 034**	679 658	**619 925**	610 480
CURRENT LIABILITIES:					
Creditors	14	**55 046**	51 480	**7 501**	8 064
Borrowings	15	**3 442**	3 251	**2 990**	2 889
Provisions	16	**9 134**	8 450	**8 403**	7 781
Deferred employee superannuation benefits	23(e)	**2 800**	2 200	**2 800**	2 200
Other	17	**17 451**	17 251	**17 342**	17 219
Total Current Liabilities		**87 873**	82 632	**39 036**	38 153
NON-CURRENT LIABILITIES:					
Borrowings	15	**18 028**	17 325	**18 011**	17 294
Provisions	16	**22 486**	20 926	**22 394**	20 878
Deferred employee superannuation benefits	23(e)	**31 700**	29 700	**31 700**	29 700
Other	17	**-**	165	**-**	-
Total Non-Current Liabilities		**72 214**	68 116	**72 105**	67 872
Total Liabilities		**160 087**	150 748	**111 141**	106 025
NET ASSETS		**537 947**	528 910	**508 784**	504 455
EQUITY:					
Capital reserves	18	**368 212**	362 941	**350 850**	349 824
Specific purpose reserves	18	**94 189**	92 013	**94 189**	92 013
Accumulated results - Outside equity interest		**1 805**	1 608	**-**	-
Accumulated results - Of operations		**73 741**	72 348	**63 745**	62 618
TOTAL EQUITY		**537 947**	528 910	**508 784**	504 455
Commitments	20				
Contingent Liabilities	21				

Statement of Cash Flows for the year ended 31 December 1999

	Note	Consolidated 1999 Inflows (Outflows) $'000	Consolidated 1998 Inflows (Outflows) $'000	University 1999 Inflows (Outflows) $'000	University 1998 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
INFLOWS:					
Grant Revenue:					
Commonwealth Government general grants		**120 882**	122 785	**120 882**	122 785
Commonwealth Government research grants		**24 696**	25 213	**24 696**	25 213
State Government grants		**6 671**	6 535	**6 466**	6 224
HECS:	36				
Student payments		**5 095**	4 731	**5 095**	4 731
Higher Education Trust Fund		**31 634**	28 305	**31 634**	28 305
Student fees		**30 931**	27 925	**30 931**	27 925
Scholarships and prizes	33	**679**	669	**654**	644
Donations and bequests	5	**1 603**	1 272	**3 256**	2 552
Interest received		**4 962**	3 860	**4 775**	3 502
Specialist services and produce trading		**45 551**	40 522	**9 242**	8 435
Fees and charges		**4 087**	7 930	**3 608**	7 357
Other		**25 371**	27 936	**26 588**	30 250
OUTFLOWS:					
Salaries and related expenses		**(171 743)**	(162 662)	**(162 273)**	(160 307)
Goods and services		**(108 803)**	(108 504)	**(85 231)**	(80 416)
Interest paid		**(1 839)**	(1 994)	**(1 839)**	(1 994)
Net Cash provided by Operating Activities	19	**19 777**	24 523	**18 484**	25 206
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of property, plant and equipment		**2 252**	1 290	**2 088**	1 255
Proceeds from sale of business		**30**	3 337	**-**	-
Repayment of loan		**166**	164	**166**	1 164
Additional borrowings		**1 068**	2 882	**683**	2 882
OUTFLOWS:					
Payments for property, plant and equipment		**(36 881)**	(18 999)	**(36 011)**	(18 127)
Payments for investments		**(2 682)**	(1 879)	**(2 087)**	(1 879)
Decrease in borrowings		**(306)**	(3 165)	**(6)**	(3 094)
Additional lending		**-**	-	**(500)**	(500)
Distribution to minority		**(75)**	(70)	**-**	-
Net Cash used in Investing Activities		**(36 428)**	(16 440)	**(35 667)**	(18 299)
NET (DECREASE) INCREASE IN CASH HELD		**(16 651)**	8 083	**(17 183)**	6 907
CASH AT 1 JANUARY		**81 456**	73 373	**76 286**	69 379
CASH AT 31 DECEMBER	19	**64 805**	81 456	**59 103**	76 286

Note: There were no cash flows from financing activities during the accounting period

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Introduction

These notes, prepared in conjunction with the financial statements, provide an explanation of significant accounting policies and practices adopted in the preparation of the statements. The financial statements and notes collectively constitute a general purpose financial report prepared in accordance with Australian Accounting Standards, unless otherwise disclosed in these notes. The report also conforms with the reporting requirements of the Commonwealth Department of Education, Training and Youth Affairs.

2. Scope of Reporting

The financial statements and notes disclose the operating results and 1998 comparative results of the University of Adelaide as follows:

University - refers to all aspects of operation of the University of Adelaide only.
Consolidated - refers to the operating results of the University of Adelaide together with operating results of its controlled entities, interests in associated entities and its joint venture operations.

The operational aspects of the University of Adelaide include in addition to the University, the following activities:

- Australian Music Examinations Board
- Mawson Appeal
- The University of Adelaide Medical Foundation
- South Australian Foundation for Dental Education and Research Inc
- The Postgraduate Committee of Dentistry*
- The University of Adelaide Foundation

* The financial statements for year ended 31 December 1999 were not received for inclusion in the 1999 financial statements. Their omission does not distort the overall financial position of the University, as the amounts involved were not considered material.

2. Scope of Reporting (continued)

The controlled entities of the University of Adelaide, included in this report are:

- Lubims Pty Ltd
- Luminis Pty Ltd as trustee for Luminis Investment Trust:
  - Camtech (SA) Pty Ltd as trustee for Camtech Discretionary Trust:
    - Camtech R&D Pty Ltd
    - Camtech ASIA Sdn Bhd
    - Camtech Corporation Ltd
  - Repromed Pty Ltd
  - Disc Pty Ltd
- Martindale Holdings Pty Ltd as trustee for:
  - JS Davies Estate
  - JAT Mortlock Trust
- Adelaide Graduate School of Management Ltd – Deregistered 23 December 1999
- Roseresco Pty Ltd – In liquidation

Refer to Note 28 Investment in Controlled Entitles.

3. Statement of Significant Accounting Policies

(a) Basis of Accounting

The financial report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) Principles of Consolidation

The consolidated financial statements of the economic entity include the financial statements of the University being the parent entity, and its controlled entities (the consolidated entity).

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

Outside interests in the equity and results of the entities that are controlled by the University are shown as a separate item in the consolidated financial statements.

(c) Foreign Currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

The Statements of Financial Position of overseas controlled entities that are self-sustaining foreign operations are translated at the rates of exchange ruling at balance date. The Profit and Loss Statements are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

(d) Revenue Recognition

All revenues are recognised in the accounting period to which they apply. Revenue received in advance of the reporting period is recognised as a liability in the Statement of Financial Position.

Student Tuition Fees and Charges:
Student tuition fees and charges are recognised in the accounting period in which service is provided.

Interest and Investment Income:
Interest and income from investment is recognised as it accrues - refer to Note 3(g).

Asset Sales:
The gross proceeds of asset sales are included as revenue of the consolidated entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

(e) Employee Entitlements

Provisions

- *Wages and Salaries and Annual Leave*
  The provisions for employee entitlements to wages, salaries and annual leave represents the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and includes related on-costs.

(e) Employee Entitlements (continued)

- *Long Service Leave*
  The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

  Liabilities for employee entitlements which are not expected to be settled within 12 months are discounted using the rates attaching to Commonwealth Government securities at balance date, which most closely match the terms of maturity of the related liabilities.

  In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

- *Superannuation*
  Superannuation Schemes exist to provide benefits to University employees and their dependents upon retirement, disability or death. The contributions made to these Schemes by the University, and emerging costs from unfunded Schemes, are expensed in the Operating Statement. Refer to Note 23 for details relating to the individual Schemes.

(f) Doubtful and Bad Debts

The collectibility of receivables is assessed at balance date and provision is made for any accounts considered to be doubtful. Any debts considered to be non-collectable have been expensed as bad debts.

(g) Investments

Funds are invested in the following categories under guidelines determined by the University. Details of these investments are disclosed in Note 10.

Cash on Deposit
These are cash balances held in interest earning facilities with financial institutions who carry substantial credit ratings.

Composite Fund
The bulk of specific purpose endowments received by the University to fund research activities, scholarships, prizes and lectures, are included in the Composite Fund. This Fund is invested in cash deposits and longer term investments managed by an independent portfolio manager. It includes a mix of Australian equities, overseas equities, fixed interest securities and property trusts. These investments are reported in the Statement of Financial Position at market values obtained from the portfolio manager. Unrealised gains or losses are recognised in the Operating Statement.

(h) Investments in Business Undertakings

Controlled Entities
Investments in controlled entities are carried in the University's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the Operating Statement when they are declared by the controlled entities.

Associates
An associate is an entity, other than a partnership, over which the consolidated entity exercises significant influence and where the investment in that entity has not been acquired with a view to disposal in the near future.

In the University's financial statements, investments in associates are carried at the lower of cost and recoverable amount. Income from interim dividends is brought to account in the Operating Statement as dividends are received. Income from final dividends is brought to account as revenue at the time the dividends have been declared by the associate in a general meeting.

In the consolidated financial statements, investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's share of the associates' net profit or loss after tax is recognised in the Consolidated Operating Statement after the elimination of unrealised profits and losses on transactions between the associate and any entities in the consolidated entity or another associate of the consolidated entity. Other movements in reserves are recognised directly in consolidated reserves.

This is a change in accounting policy from 1998. Refer to Note 4 for further details.

Joint Venture Operations
The consolidated entity's interest in an unincorporated joint venture is brought to account by including its proportionate interest of the assets, liabilities, income and expenses of the joint venture in the consolidated financial statements. As these amounts are not considered material in total, they have been reported as a net amount in investments.

(i) Inventories

Consumable Materials and Trading Stock
The University operates from multiple locations where working levels of inventory are held. Inventory is expensed at the date of acquisition and is not displayed in the Statement of Financial Position. Where controlled entities have reported inventory, this is included in consolidated figures for the group at the lower of cost and net realisable value.

Livestock
Although the University breeds animals for teaching and research activities, it does not conventionally value livestock for recording in the Statement of Financial Position. Where controlled entities have reported livestock, this is included at net realisable value.

3. Statement of Significant Accounting Policies (continued)

(j) Non-Current Assets

Acquisitions

Items of property, plant and equipment are initially recorded at cost in the Statement of Financial Position (unless otherwise indicated) and depreciated in accordance with Note 3(k).

Revaluations

Land, buildings and works of art are independently valued every three years on an existing use basis of valuation and are included in the financial statements at the revalued amounts.

Disposal of Revalued Assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.

Any related revaluation increment standing in the asset revaluation reserve at the time of disposal is transferred to the capital profits reserve.

Land and Buildings

The University differentiates between 'trust' and 'other' land and buildings. A 'trust' building is one which is constructed on land provided by government in trust for the specific purpose of operating the University, or acquired by settlement under a binding trust. Other buildings are referred to as 'other' buildings.

Buildings acquired prior to 31 December 1998 are valued at net replacement cost. These were prepared by Edward Rushton Australia Pty Ltd. Expenditure incurred during the course of 1999 has been reported at cost.

Other Collections

The University owns a number of collections of cultural and scientific significance. Many of these collections are unique or extremely rare. The University is not able to reliably measure the value of these collections and therefore has not recognised them as an asset in the Statement of Financial Position. Furthermore, collections which are irreplaceable (excluding works of art) are not covered by University insurance due to difficulty in determining an insurable value, the costs associated with deriving such a value, and the premium load an insurer would require to carry such a risk.

Library Collection

During 1998, the Library was valued using an internal valuation based on the annual price movement of books and journals. Acquisitions since the date of the valuation have been valued at cost.

Works of Art

Items greater than $25 000 are recorded on the basis of an independent valuation carried out by Mr JFB Bruce valuer (MSAV) of Ian Bruce Pty Ltd on 11 November 1999. Acquisitions after 11 November 1999 are recorded at cost. No provision for depreciation is made.

Software

The University capitalises certain software costs with a purchase price greater than $100 000 and an expected useful life greater than 12 months, together with all costs associated with implementation. These are recorded on the basis of cost and then amortised upon bringing the system into an operational environment.

Leased Plant and Equipment

Leased plant and equipment over which the University or its controlled entities assume substantially all the risks and benefits of ownership, are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Operating Statement - refer to Note 20.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term.

(k) Depreciation

Depreciation is charged on a straight line basis on buildings, library and plant and equipment using average useful lives.

Depreciation rates used for each class of asset are as follows:	Percent Range
Buildings – Leasehold improvement	0.67 - 3.33
Library	2.00 – 20.00
Plant and equipment including motor vehicles	10.00 – 20.00
Software and implementation costs	20.00 – 33.33
Leased plant and equipment	10.00 – 20.00

(l) Workers Compensation

The University is responsible for payments of workers compensations claims and is registered with WorkCover as an exempt employer. Administrative arrangements with the associated entity Unisure Pty Ltd incorporate the management of claims and funds invested.

The provision for workers compensation claims has been prepared by William M. Mercer using the Claims Paid Development Method wherein all past claims are brought to current value with an allowance for late reporting of claims and administration costs.

3. Statement of Significant Accounting Policies (continued)

(m) Salaries and Related Expenses

Items attributed to salaries and related expenses include salaries and wages, employee entitlements, and other costs incidental to the employment of staff within the economic entity such as professional development costs, fringe benefit tax etc.

(n) Operating Revenue - Other

The classification 'Other' contains revenue items which individually are not material due to their nature or size. Such items falling within this classification include sale of assets, income from independent organisations for whom the University provided management services, royalties, fund raising and bequests, sundry recoveries and recharges, etc.

(o) Special Reserve

The special reserve is created for surplus funds which will be specifically acquitted in future accounting periods.

(p) Rounding to the Nearest $'000

All amounts in this report are rounded to the nearest one thousand dollars.

(q) Comparative Information

These financial statements display information for the preceding corresponding reporting period. Comparative figures have been reclassified to reflect current disclosure requirements of the University and the Department of Education, Training and Youth Affairs (DETYA).

4. Changes in Accounting Policy

(a) Investments in Associates

The consolidated entity applied the equity method in accounting for investments in associates for the first time from 1 January 1999. The equity method requires the carrying amount of investments in associates to be adjusted by the consolidated entity's share of the associates' operating surplus or deficit and other movements on reserves. These amounts are recognised in the Consolidated Operating Statement and Consolidated Statement of Financial Position respectively. In previous years, the consolidated entity accounted for the investments in associates using the cost method.

(b) Software and Implementation Costs

Previously, all computer software with a cost in excess of $100 000 generating economic benefits for the University in excess of 12 months, together with associated implementation costs were expensed in the year of payment. This change in policy has seen expenditure capitalised, with the associated amortised cost being brought to account over a number of years. The total amount capitalised in 1999 year was $8.1 million.

(c) Revaluation of land and buildings

Previously, the University reported in its Statement of Financial Position the value of land on the basis of unimproved valuation obtained from the South Australian Valuer-General and buildings using an indexation methodology. The accounting policy, in accordance with Australian Accounting Standard AAS10 'Accounting for the Revaluation of Non-Current Assets', now requires land and buildings to be revalued every three years. The next revaluation will be undertaken for the 2001 Financial Statements.

5. Operating Revenue

		Consolidated		University	
	Note	**1999 $'000**	1998 $'000	**1999 $'000**	1998 $'000
Revenue from Operating Activities:					
Bequests and Donations received for:					
Research		**1 112**	950	**1 287**	2 230
General operational purposes		**491**	322	**1 444**	322
		1 603	1 272	**2 731**	2 552
Student fee income includes:					
Award Courses:					
Australian fee paying undergraduate students		**598**	314	**598**	314
Australian fee paying postgraduate students		**3 497**	3 194	**3 497**	3 194
International fee paying students		**21 524**	19 068	**21 524**	19 068
		25 619	22 576	**25 619**	22 576
Non-Award Courses:					
Australian fee paying		**1 453**	1 262	**1 453**	1 262
Continuing Education		**844**	802	**844**	802
Other teaching service fees		**3 308**	3 285	**3 308**	3 285
		5 605	5 349	**5 605**	5 349
Total Student Fee Income		**31 224**	27 925	**31 224**	27 925
Investment income includes:					
Interest received/receivable		**3 380**	3 773	**3 193**	3 458
Revenue from Composite Fund		**4 454**	3 706	**4 454**	3 706
Composite Fund write up to market value		**1 181**	1 605	**1 181**	1 605
Unisure Pty Ltd investment earnings		**643**	1 119	**643**	1 119
		9 658	10 203	**9 471**	9 888
Revenue from Outside Operating Activities:					
Gross Proceeds from sale of non-current assets		**1 566**	2 137	**1 388**	2 053
Share of net profits (losses) of:					
Associates	29	**(170)**	8	**-**	-
Joint venture operations	30	**150**	-	**150**	-

		Note	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
6.	**Operating Surplus**					
	Operating surplus before abnormal items is arrived at after crediting and charging the following specific items:					
	Credits:					
	Interest received/receivable		**3 380**	3 773	**3 193**	3 458
	Net gain on disposal of property, plant and equipment		**399**	629	**270**	614
	Charges:					
	Amortisation:					
	Leasehold improvements		**19**	45	**-**	-
	Leased plant and equipment		**1**	-	**1**	-
	Software and system development costs		**315**	-	**315**	-
			335	45	**316**	-
	Bad and doubtful debts cost:					
	Student loans		**1**	24	**1**	24
	Other debtors		**295**	243	**258**	221
			296	267	**259**	245
	Depreciation:					
	Buildings		**3 372**	7 500	**3 334**	7 392
	Plant, equipment and motor vehicles		**5 943**	6 096	**5 404**	5 293
	Library collection		**5 850**	4 577	**5 850**	4 577
			15 165	18 173	**14 588**	17 262
	Expenses directly related to Employee Entitlements include:					
	Contributions to superannuation schemes:					
	Deferred employee benefits for superannuation		**2 600**	900	**2 600**	900
	Emerging cost		**1 763**	1 260	**1 531**	1 250
	Funded		**17 337**	16 478	**16 988**	16 341
			21 700	18 638	**21 119**	18 491
	Payroll tax		**8 853**	8 639	**8 459**	8 219
	Annual leave		**3 275**	528	**3 246**	528
	Long service leave		**3 275**	2 651	**3 220**	2 610
	Workers compensation		**1 370**	1 471	**1 263**	1 454
			38 473	31 927	**37 307**	31 302
	Finance charges on capitalised leases		**1**	-	**1**	-
	Interest and finance costs		**1 849**	2 023	**1 839**	1 988
	Net loss on disposal of property, plant and equipment		**456**	71	**396**	71
	Operating lease rental expense		**1 676**	1 056	**1 676**	1 056
7.	**Abnormal items**					
	Abnormal items:					
	Profit on disposal of business		**-**	2 556	**-**	-
	Research and development costs expensed		**-**	(825)	**-**	-
	Provision for doubtful debt on Mattanya loan		**-**	(500)	**-**	(500)
			-	1 231	**-**	(500)
8.	**Extraordinary Items**					
	Net surplus arising from recognition of funds held in trust previously not recognised		**-**	7 256	**-**	7 256
9.	**Receivables**	3(f)				
	Student tuition fees		**1 827**	1 670	**1 827**	1 670
	Less: Provision for doubtful debts		**225**	219	**225**	219
			1 602	1 451	**1 602**	1 451
	Sundry and trade debtors		**6 501**	7 416	**5 992**	4 911
	Less: Provision for doubtful debts		**247**	324	**153**	199
			6 254	7 092	**5 839**	4 712
	Student loans		**211**	233	**211**	233
	Other		**2 169**	786	**-**	-
	Total Receivables		**10 236**	9 562	**7 652**	6 396
10.	**Investments**					
	Current:					
	Short-term investment portfolio:					
	Cash on deposit	3(g)	**55 300**	70 775	**55 300**	70 775
	Other		**1 253**	1 143	**162**	157
	Managed investment held by Unisure Pty Ltd		**1 000**	1 000	**1 000**	1 000
			57 553	72 918	**56 462**	71 932
	Loans:					
	Loans to controlled entities		**-**	-	**1 000**	500
	Other loans		**251**	245	**251**	389
	Provision for diminution in loan to controlled entity		**-**	-	**-**	(144)
			251	245	**1 251**	745
	Total		**57 804**	73 163	**57 713**	72 677

10. Investments (continued)

	Note	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Non-Current:					
Composite Fund:	3(g)				
Australian fixed interest securities		**2 463**	2 513	**2 463**	2 513
Australian equities		**9 197**	10 346	**9 197**	10 346
Overseas equities		**11 161**	8 648	**11 161**	8 648
Property trusts		**2 245**	3 287	**2 245**	3 287
Cash and liquid assets		**30 746**	27 643	**30 746**	27 643
Total Composite Fund		**55 812**	52 437	**55 812**	52 437
Managed investment held by Unisure Pty Ltd		**8 095**	8 139	**8 095**	8 139
Interests in business undertakings:					
Controlled entities	28	**-**	-	**2 898**	3 098
Associated entities:	29				
At cost		**638**	347	**197**	197
Equity accounted		**289**	262	**-**	-
At directors' valuation 1998		**-**	3 500	**-**	-
At directors' valuation 1999		**7 934**	-	**-**	-
		8 861	4 109	**197**	197
Other investments	31	**103**	10	**103**	10
Total Interests		**8 964**	4 119	**3 198**	3 305
Loans:					
Other loans		**2 632**	2 782	**2 632**	2 782
Less: Provision for doubtful debts		**500**	500	**500**	500
		2 132	2 282	**2 132**	2 282
		75 003	66 977	**69 237**	66 163

Other loans are all secured by way of either a mortgage over land or a second priority fixed or floating charge over property.

	Note	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
11. Inventories	3(i)				
Consumable materials and trading stock		**441**	509	**-**	-
Livestock		**1 162**	1 246	**-**	-
		1 603	1 755	**-**	-
12. Other Assets					
Current:					
Prepayments		**3 240**	4 055	**3 106**	3 889
Accrued Income		**13**	894	**8**	795
Transgenic Syndicated Research and Development Fund	14	**42 007**	37 945	**-**	-
Other		**2 959**	2 304	**150**	-
		48 219	45 198	**3 264**	4 684
Non Current:					
Intangibles		**102**	83	**-**	-
Other		**-**	15	**-**	-
		102	98	**-**	-

Transgenic syndicated research and development project: Is a syndicated research and development project managed on behalf of external organisations. The trust has received funds in payment for licensing of technology and for carrying out a research program. The research program is complete. These funds are held with a financial institution. A liability is recognised, equal to the amount of these funds, arising from the external organisations' ability to exercise a put option on 1 October 2000. On exercise of this put option the funds will be payable to the external organisation.

13. Property, Plant and Equipment (refer Note 3(j))

	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Land				
Trust land:				
At independent valuation 1998	**32 539**	32 539	**32 539**	32 539
Other land:				
At independent valuation 1998	**22 233**	22 233	**22 233**	22 233
At directors' valuation 1996	**-**	14 344	**-**	-
At directors' valuation 1999	**14 344**	-	**-**	-
	36 577	36 577	**22 233**	22 233
Total Land	**69 116**	69 116	**54 772**	54 772
Buildings				
Trust buildings:				
At independent valuation 1998	**220 001**	220 001	**220 001**	220 001
Other buildings:				
At cost	**11 495**	2 427	**9 620**	631
At independent valuation 1998	**60 269**	60 269	**59 688**	59 688
At directors' valuation 1991	**-**	155	**-**	-
At directors' valuation 1999	**155**	-	**-**	-
	71 919	62 851	**69 308**	60 319
Capital work in progress:				
At cost	**14 268**	6 738	**14 268**	6 738
Total Buildings	**306 188**	289 590	**303 577**	287 058

13. Property, Plant and Equipment (continued)

	Note	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Provision for Depreciation of Buildings					
Trust buildings:					
At independent valuation 1998		**(2 424)**	-	**(2 424)**	-
Other buildings:					
At cost		**(586)**	(429)	**(8)**	(3)
At independent valuation 1998		**(1 159)**	(299)	**(904)**	-
		(1 745)	(728)	**(912)**	(3)
Total Provision for Depreciation		**(4 169)**	(728)	**(3 336)**	(3)
Total Buildings Net of Depreciation		**302 019**	288 862	**300 241**	287 055
Leasehold Improvements:					
At cost		**522**	358	**200**	-
Provision for amortisation		**(244)**	(283)	**-**	-
Total Leasehold Improvements		**278**	75	**200**	**-**
Library Collection:					
At cost		**10 107**	5 099	**10 107**	5 099
At Council valuation 1998		**167 760**	167 760	**167 760**	167 760
		177 867	172 859	**177 867**	172 859
Provision for depreciation		**(121 978)**	(116 128)	**(121 978)**	(116 128)
Total Library Collection		**55 889**	56 731	**55 889**	56 731
Works of Art:					
At independent valuation 1994		**-**	2 130	**-**	2 130
At independent valuation 1999		**2 790**	-	**2 790**	-
Total Works of Art		**2 790**	2 130	**2 790**	2 130
Plant and Equipment:					
At cost		**85 015**	73 130	**79 198**	67 373
Provision for depreciation		**(52 792)**	(48 577)	**(49 172)**	(44 755)
Total Plant and Equipment		**32 223**	24 553	**30 026**	22 618
Total Property, Plant and Equipment		**462 315**	441 467	**443 918**	423 306

14. Creditors

	Note	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Current:					
Trade creditors		**6 224**	8 636	**4 941**	6 347
Outside funded positions		**793**	1 089	**793**	1 089
Transgenic Syndicated Research and Development Fund	12	**42 007**	37 945	**-**	-
Sundry		**6 022**	3 810	**1 767**	628
		55 046	51 480	**7 501**	8 064

15. Borrowings

	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Current:				
Bank loans and commercial paper *	**2 913**	3 213	**2 863**	2 863
Lease liability	**88**	13	**71**	-
Other	**441**	25	**56**	26
	3 442	3 251	**2 990**	2 889
Non-Current:				
Bank loans and commercial paper *	**17 175**	17 175	**17 175**	17 175
Lease liability	**85**	28	**70**	-
Other	**768**	122	**766**	119
	18 028	17 325	**18 011**	17 294

* The University obtained a loan facility to a maximum of $22.9 million in 1991 for a period of 10 years. Terms of the loan are interest only payments from 1991 to 1996 and then the principal is to be reduced by $2.9 million per annum from 1997 to 2001. The balance of the loan is payable on or before 11 December 2001. The loan is unsecured. The principal repayment for 1999 was financed through a commercial bill facility with a termination date concurrent with the above facility.

Lubims Pty Ltd has one commercial bill totalling $50 000.

16. Provisions

	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Current:				
Annual and long service leave provisions	**8 295**	7 602	**7 803**	6 969
Workers compensation provision	**817**	812	**600**	812
Other provisions	**22**	36	**-**	-
	9 134	8 450	**8 403**	7 781
Non-Current:				
Workers compensation provision	**1 600**	1 188	**1 600**	1 188
Long service leave provision	**20 886**	19 738	**20 794**	19 690
	22 486	20 926	**22 394**	20 878

17. Other Liabilities

	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Current:				
Grants received in advance	**11 902**	12 496	**11 902**	12 496
Salaries, wages and deductions	**3 372**	2 442	**3 301**	2 442
Student tuition fees received in advance	**2 139**	2 281	**2 139**	2 281
Residential bonds	**38**	32	**-**	-
	17 451	17 251	**17 342**	17 219
Non-Current:				
Creditors	**-**	165	**-**	-

18. Reserves

	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Capital Reserves:				
Capital reserve	**2 970**	3 101	**-**	-
Capital profits reserve	**937**	995	**-**	-
Asset revaluation reserve	**84 927**	79 467	**71 726**	70 700
Initial asset recognition reserve	**279 378**	279 378	**279 124**	279 124
	368 212	362 941	**350 850**	349 824
Specific Purpose Reserves:				
Special reserve	**21 667**	23 117	**21 667**	23 117
Bequests/donations unspent income reserve	**8 717**	8 283	**8 717**	8 283
Restricted purpose bequest capital reserve	**46 902**	46 210	**46 902**	46 210
Composite fund revaluation reserve	**16 903**	14 403	**16 903**	14 403
	94 189	92 013	**94 189**	92 013
Movements in Reserves				
Capital Reserve:				
Opening balance	**3 101**	2 971	**-**	-
Current year movement	**(131)**	130	**-**	-
Balance at 31 December	**2 970**	3 101	**-**	-
Capital Profits Reserve:				
Opening balance	**995**	1 006	**-**	-
Current year movement	**(58)**	(11)	**-**	-
Balance at 31 December	**937**	995	**-**	-
Asset Revaluation Reserve:				
Opening balance in reserve	**79 467**	30 028	**70 700**	21 261
Add: Revaluation increment on investments and works of art	**5 460**	49 439	**1 026**	49 439
Balance at 31 December	**84 927**	79 467	**71 726**	70 700
Initial Asset Recognition Reserve:				
Opening balance	**279 378**	279 124	**279 124**	279 124
Current year movement	**-**	254	**-**	-
Balance at 31 December	**279 378**	279 378	**279 124**	279 124
Special Reserve:				
Opening balance	**23 117**	21 067	**23 117**	21 067
Transfer (to) from accumulated funds	**(1 569)**	2 050	**(1 365)**	2 050
Transfer from (to) reserves	**119**	-	**(85)**	-
Balance at 31 December	**21 667**	23 117	**21 667**	23 117
Bequests/Donations Unspent Income Reserves:				
Opening balance	**8 283**	7 766	**8 283**	7 766
Transfer from accumulated funds	**434**	517	**434**	517
Balance at 31 December	**8 717**	8 283	**8 717**	8 283
Restricted Purpose Bequest Capital Reserve:				
Opening balance	**46 210**	45 878	**46 210**	45 878
Transfer from accumulated funds	**692**	320	**692**	320
Adjustment	**-**	12	**-**	12
Balance at 31 December	**46 902**	46 210	**46 902**	46 210
Composite Fund Revaluation Reserve:				
Opening balance	**14 403**	12 066	**14 403**	12 066
Transfer from accumulated funds	**2 510**	2 349	**2 510**	2 349
Adjustment	**(10)**	(12)	**(10)**	(12)
Balance at 31 December	**16 903**	14 403	**16 903**	14 403

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 and at bank and short-term investments in money market instruments. 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:

		Consolidated		University	
		1999	1998	**1998**	1998
	Note	**$'000**	$'000	**$'000**	$'000
Cash		**8 252**	9 538	**3 641**	5 354
Short-term investment portfolio		**56 553**	71 918	**55 462**	70 932
		64 805	81 456	**59 103**	76 286

(b) *Reconciliation of Net Cash provided by Operating Activities to Operating Surplus after Abnormal Items*

	Note	Consolidated 1999	Consolidated 1998	University 1998	University 1998
Operating result		**3 473**	6 429	**3 398**	4 754
Add (Less): Non-cash items:					
Amortisation		**335**	45	**316**	-
Depreciation	6	**15 165**	18 173	**14 588**	17 262
(Write-up) investments		**(1 181)**	(1 123)	**(1 181)**	(1 328)
Bad debts written off		**296**	148	**259**	148
Superannuation expense		**2 600**	900	**2 600**	900
Superannuation revenue		**(2 600)**	(900)	**(2 600)**	(900)
Other revenue/expenses		**52**	(348)	**(162)**	(164)
Loss (profit) on sale of property, plant and equipment		**57**	(558)	**126**	(543)
HECS		**-**	321	**-**	321
Abnormal (revenue) expense		**-**	(1 231)	**-**	500
Extraordinary item		**-**	209	**-**	209
Changes in assets/liabilities:					
Decrease (Increase) in inventories		**152**	(351)	**-**	-
(Increase) Decrease in receivables		**(1 396)**	840	**(1 978)**	803
(Increase) in loans		**-**	(36)	**-**	(36)
Decrease (Increase) in other current assets		**1 041**	(552)	**1 420**	220
(Decrease) Increase in creditors		**(496)**	169	**(563)**	569
Increase (Decrease) in other current liabilities		**200**	(1 465)	**123**	(1 458)
(Decrease) in other non-current liabilities		**(165)**	(39)	**-**	-
Increase in provisions		**2 244**	3 892	**2 138**	3 949
Net Cash provided by Operating Activities		**19 777**	24 523	**18 484**	25 206

(c) *Borrowings*

Refer Note 15.

20. Future Expenditure Commitments

Operating Expenditure

Contracted but not provided for in the financial statements and payable:

	Note	Consolidated 1999	Consolidated 1998	University 1998	University 1998
Not later than one year		**1 361**	1 740	**1 361**	1 740
Later than one year but not later than two years		**-**	1 500	**-**	1 500
Later than two years but not later than five years		**-**	-	**-**	-
Later than five years		**-**	-	**-**	-
		1 361	3 240	**1 361**	3 240

Capital Expenditure

Contracted but not provided for in the financial statements and payable:

	Note	Consolidated 1999	Consolidated 1998	University 1998	University 1998
Not later than one year		**16 774**	13 860	**16 607**	13 860
Later than one year but not later than two years		**4 072**	13 950	**3 500**	13 950
Later than two years but not later than five years		**700**	-	**700**	-
Later than five years		**-**	-	**-**	-
		21 546	27 810	**20 807**	27 810

Operating Lease Commitments

Future operating base rental not provided for in the financial statements and payable:

	Note	Consolidated 1999	Consolidated 1998	University 1998	University 1998
Not later than one year		**794**	599	**794**	599
Later than one year but not later than two years		**795**	585	**795**	585
Later than two years but not later that five years		**975**	1 620	**975**	1 620
Later than five years		**-**	2 321	**-**	2 321
		2 564	5 125	**2 564**	5 125

	Note	Consolidated 1999	Consolidated 1998	University 1998	University 1998
Finance Lease Commitments	3(j)				
Finance leases rentals are payable as follows:					
Not later than one year		**89**	13	**71**	-
Later than one year but not later than two years		**78**	18	**70**	-
Later than two years but not later than five years		**-**	-	**-**	-
Later than five years		**7**	16	**-**	-
		174	47	**141**	-
Less: Future lease finance charges		**5**	6	**-**	-
		169	41	**141**	-
Lease liabilities provided for in the financial statements:					
Current		**86**	13	**71**	-
Non-current		**83**	28	**70**	-
Total lease liability		**169**	41	**141**	-

The University leases plant and equipment under finance leases expiring from one to five years. At the end of the lease term the University has the option to purchase the equipment.

21. Contingent Liabilities

(a) Guarantees

The University in 1997 provided a $4.35 million guarantee and an indemnity to the Bank of South Australia to support a loan made to Frome Street Carpark Developments Pty Ltd. The guarantee is for a ten year loan.

The University in 1997 provided a $120 000 guarantee to the Australian Government, Department of Human Services and Health, for an interest free 20 year loan of $126 000 to be used for the construction of the Observatory Child Care Centre.

The University has guaranteed loans for a maximum of $600 000 taken out by Lubims Pty Ltd (a controlled entity). The balance outstanding as at 31 December 1999 was $50 000 ($250 000).

(b) The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)

The University has guaranteed that members of this superannuation scheme will receive defined benefits in the event that this closed scheme has insufficient assets to meet the benefits. Actuarial advice is that there are sufficient assets available - refer Note 23(d).

(c) Insurance Claims

Luminis Pty Ltd is a named co-defendant in an action for loss and damages with respect to the Hindmarsh Island Bridge. The total claim is approximately $20 million ($70 million). The claim relates to alleged negligence in the employment of a consultant who assisted in making submissions to the Minister for Aboriginal Affairs. The company insurers have employed legal advisers who consider the claim to be without merit. The directors of Luminis Pty Ltd intend that the claim be vigorously defended.

(d) Litigation

In the ordinary course of its operations, the University and its controlled entities become involved in legal disputes. At the date of adoption of these accounts, some matters remained outstanding. On legal advice, the University is of the opinion that no material losses are likely to arise. The University or its controlled entities will make a provision where a material loss is identified. No such provision is contained in the University's accounts.

22. Events Subsequent to Balance Date

There were no events which took place subsequent to balance date so as to have a material impact on the operating results or Statement of Financial Position of the University or the consolidated entity.

23. Superannuation Schemes

(a) The University contributes to a range of superannuation schemes, which are divided into the following categories:

(i) Those operative and open to membership*:*
- Superannuation Scheme for Australian Universities (SSAU);
- Tertiary Education Superannuation Scheme (TESS).

(ii) Those operative but closed to future membership:
- The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985).

(iii) State Government Schemes closed to future membership by University employees:
- State Pension Scheme;
- State Lump Sum Scheme.

(b) Superannuation Scheme for Australian Universities (SSAU)

From 1984 the University became a participating institution in the Superannuation Scheme for Australian Universities (SSAU). The Scheme is administered by UniSuper Management Pty Ltd and UniSuper Pty Ltd is the trustee. As at 1 July 1998, the rules governing the Fund were amended to allow employees the option to remain within the defined benefits arrangement or convert to an accumulation fund. The employer contribution rate throughout 1999 was 14 percent of salaries. The employee contribution rate throughout 1999 was 7 percent of their gross salaries. The Defined Benefits Scheme is fully funded.

An actuarial assessment as at 30 June 1997 was completed on 21 October 1997. This assessment was carried out by Mr G Harslett FIA, FIAA of Towers Perrin. The actuary concluded that the assets of the Fund were sufficient to meet all benefits payable in the event of the Fund's termination, or the voluntary or compulsory termination of employment of each employee of the University. The actuarial review for 1999 will not be completed until mid March 2000.

As at 31 December 1999, vested and accrued benefits of staff members who are in the Defined Benefits Plan were valued at the greater of the present value of expected future payment of benefits or the vested benefit as follows:

(i) Estimated vested and accrued benefits at 31 December 1999 - $149.2 million (unaudited) ($173.2 million audited).

(ii) Estimated net market value of assets of SSAU for current members at 31 December 1999, available to pay the superannuation liabilities of the University of Adelaide members was $174.4 million (unaudited) ($209.1 million audited).

(iii) The difference between the estimated net market value of SSAU assets and accrued benefits at 31 December 1999 apportioned to the University of Adelaide was $25.2 million (unaudited) ($35.9 million audited).

23. Superannuation Schemes (continued)

(c) Tertiary Education Superannuation Scheme

The University, is a participating institution in the Tertiary Education Superannuation Scheme (TESS), a non-contributory scheme for University employees. The Fund is administered by UniSuper Management Pty Ltd and TESS Superannuation Ltd is the trustee. The employer contribution rate throughout 1999 was 3 percent of salaries for members of other superannuation schemes, and 7 percent for staff not covered by other schemes.

(d) The University of Adelaide Superannuation Scheme A 1985

The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985) provides superannuation benefits for employees who have not transferred to SSAU. The Scheme is administered by William M Mercer Pty Ltd. The trustee is the University of Adelaide Superannuation Scheme A 1985 Inc. The Scheme is governed by a separate trust deed and the general laws relating to trusts and superannuation. The Scheme provides a defined benefit, (or accumulated member contributions multiplied by a factor of 2.5, if this amount is greater) and is fully funded.

No employer contribution was made in 1999. Actuarial advice is that there are sufficient assets in the Scheme to meet expected future liabilities of remaining members, and that no contributions from the University are required over the foreseeable future.

As at 30 June 1999, accrued benefits were valued by the actuary, William M Mercer Pty Ltd, and together with the vested benefits are reported as follows:

(i) Accrued benefit at 30 June 1999 - $9.5 million ($9.5 million)

(ii) Vested benefits at 30 June 1999 - $9.9 million ($9.5 million)

(iii) Estimated net market value of the assets of Scheme A 1985 available to pay benefits as at 30 June 1999 was $12.4 million ($12.5 million)

(iv) The difference as at 30 June 1999 between accrued benefits and the net market value of assets was $2.9 million.

(e) State Government Superannuation Schemes

In 1991 employees of the City Campus of the South Australian College of Advanced Education and the Roseworthy Agricultural College were transferred to the University. Their terms of appointment to the University protected their membership of the State Pension Scheme and State Lump Sum Scheme. The schemes are administered by the Superannuation Board of South Australia. The Schemes provide defined benefits and are mainly unfunded. The only employer contributions made in 1999 were 3 percent of salaries, and remaining benefits are met on an emerging costs basis.

The South Australian Department of Treasury and Finance estimates that as at 31 December 1999 there is an unfunded liability of $34.5 million ($31.9 million). This represents an increase in liability of $2.6 million since 31 December 1998. This is recognised as a deferred expense for 1999 in the Operating Statement, with a corresponding deferred income accrual.

The Commonwealth Government has agreed to provide assistance under section 20 of the *Higher Education Funding Act 1988* to meet the additional costs in respect of State Government emerging cost schemes where costs are in excess of funding provided for this purpose in the base operating grant, (ie 14 percent of salaries). Under the Commonwealth legislation titled *State Grants (General Purposes) Amendment Act 1982*, the method of payment of these costs by the Commonwealth to the State Governments was promulgated. Further, the accounting methodology employed in these accounts was in accordance with 'Guidelines for the Preparation of Annual Financial Reports for the 1999 Reporting Period by Australian Higher Education Institutions' provided by DETYA. The accounting treatment employed is also consistent with the approach taken by other Australian Universities. Accordingly, total assets of $34.5 million have been recorded as a 'deferred government superannuation contribution' which offsets the current and non-current liability for the State Government Superannuation Schemes recorded as 'Deferred Employee Superannuation Benefits'.

(f) Summary

	Consolidated		University	
	1999	1998	**1999**	1998
Deferred Government Superannuation Contribution:	**$'000**	$'000	**$'000**	$'000
Non-Current asset	**34 500**	31 900	**34 500**	31 900
Deferred Employee Superannuation Benefits:				
Current liability	**2 800**	2 200	**2 800**	2 200
Non-Current liability	**31 700**	29 700	**31 700**	29 700
	34 500	31 900	**34 500**	31 900
The total employer contributions remitted by the University were:				
Superannuation Scheme for Australian Universities (SSAU)	**-**	-	**12 605**	11 087
Tertiary Education Superannuation Scheme (TESS)	**-**	-	**5 202**	4 816
State Superannuation Schemes (3 percent)	**-**	-	**68**	68
	-	-	**17 875**	15 971

24. Segment Information

The University predominately operates in the field of education in Australia and provides teaching and research services.

25. Auditors' Remuneration

	Consolidated		University	
	1999	1998	**1999**	1998
Amounts paid or payable were:	**$'000**	$'000	**$'000**	$'000
South Australian Auditor-General	**135**	135	**135**	135
Other	**152**	43	**42**	-
	287	178	**177**	135

26. Remuneration for University Senior Management

The number of senior managers whose total remuneration from the University falls within the following bands:

	University	
	1999	1998
	Number of Managers	Number of Managers
$110 000 - $119 999	**-**	1
$120 000 - $129 999	**1**	-
$130 000 - $139 999	**-**	3
$140 000 - $149 999	**3**	1
$150 000 - $159 999	**1**	1
$160 000 - $169 999	**2**	1
$170 000 - $179 999	**1**	1
$180 000 - $189 999	**1**	-
$200 000 - $209 999	**1**	1
$220 000 - $229 999	**-**	1
$250 000 - $259 999	**1**	1

Total remuneration paid was $2.1 million ($1.9 million). Remuneration is based upon the total remuneration package which includes employer and employee superannuation contributions, due and receivable by the senior managers of the University. Certain senior managers were employed for part of the year.

27. Additional Financial Instruments Disclosure

(a) *Interest Rate Risk*

The economic entity has placed its investments in a portfolio managed by independent investment managers. The fund managers enter into interest rate swaps, futures contracts, interest rate options and other forms of agreements to manage cash flow risks associated with the interest rates on investments that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities.

1999

Financial Assets:	Note	Floating Interest Rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-Interest Bearing $'000	**Total $'000**
Cash		8 252	-	-	-	-	**8 252**
Receivables	9	-	-	-	-	10 236	**10 236**
Investments	10	26 410	59 799	-	4 846	41 752	**132 807**
		34 662	59 799	-	4 846	51 988	**151 295**
Weighted average interest rate (percent)		4.88	5.37	-	5.13	-	
Financial Liabilities:							
Trade creditors	14	-	-	-	-	12 246	**12 246**
Outside funded positions	14	-	-	-	-	793	**793**
Borrowings	15	-	2 863	17 175	-	1 432	**21 470**
		-	2 863	17 175	-	14 471	**34 509**
Weighted average interest rate (percent)		-	10.20	10.42	-	-	

1998

Financial Assets:	Note	Floating Interest Rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-Interest Bearing $'000	Total $'000
Cash		9 538	-	-	-	-	9 538
Receivables	9	-	-	-	-	9 562	9 562
Investments	10	40 231	59 330	-	5 039	35 540	140 140
		49 769	59 330	-	5 039	45 102	159 240
Weighted average interest rate (percent)		4.65	4.79	-	5.52	-	
Financial Liabilities:							
Trade creditors	14	-	-	-	-	12 611	12 611
Outside funded positions	14	-	-	-	-	1 089	1 089
Borrowings	15	362	2 863	17 206	-	145	20 576
		362	2 863	17 206	-	13 845	34 276
Weighted average interest rate (percent)		6.90	10.20	9.31	-	-	

27. Additional Financial Instruments Disclosure (continued)

(b) Foreign Exchange Risk

The economic entity has placed its investment in a portfolio managed by independent investment managers. The fund managers enter into forward foreign currency exchange contracts to hedge overseas share trading and foreign currency cash exposures. The terms of the hedge contracts are usually less than three months.

(c) Credit Risk Exposure

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

(i) On-Statement of Financial Position Financial Instruments

The credit risk on financial assets, excluding investments of the economic entity which have been recognised in the Statement of Financial Position is the carrying amount, net of any provisions for doubtful debts.

The economic entity's financial assets and liabilities are not materially exposed to any individual overseas country or individual customer.

(ii) Off-Statement of Financial Position Financial Instruments

The reporting entity and its controlled entities do not posses or trade any Off-Statement of Financial Position Financial Instruments.

(d) Net Fair Values of Financial Assets and Liabilities

Net fair values of financial assets and liabilities are determined by the economic entity on the following basis:

(i) On-Statement of Financial Position Financial Instruments

The economic entity has placed its investments in a portfolio managed by independent investment managers. Listed shares and equities included within these investments are traded in an organised financial market by the fund managers. The economic entity values these investments at current market value.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at amounts due from customers (reduced for expected credit losses) or due to suppliers.

The carrying amount of bank term deposits, accounts receivable, accounts payable and bank loans approximate net fair value.

The net fair value of investments in unlisted shares in other corporations is determined by reference to underlying net assets of the respective corporations.

(ii) Off-Statement of Financial Position Financial Instruments

The reporting entity and its controlled entities do not possess or trade any Off-Statement of Financial Position Financial Instruments.

28. Investment in Controlled Entities

Controlled entities and contribution to Operating result before elimination of consolidation and extraordinary items:	Investment at Cost		Contribution to Operating Result	
	1999	1998	**1999**	1998
Controlled Entity:	**$'000**	$'000	**$'000**	$'000
Luminis Pty Ltd	**2 898**	2 898	**50**	1 567
Lubims Pty Ltd	**-**	-	**480**	24
Martindale Holdings Pty Ltd as trustee for:				
JS Davies Estate	**-**	-	**152**	347
JAT Mortlock Trust	**-**	-	**479**	680
Adelaide Graduate School of Management Ltd (De-registered 23.12.99)	**-**	-	**-**	-
Roseresco Pty Ltd (Liquidation 24.12.99)	**-**	200	**35**	24
	2 898	3 098	**1 196**	2 642

JS Davies Estate

The University holds an interest of 5/6th in a joint venture named JS Davies Estate, the principal activity of which is farming. This venture is managed by Martindale Holdings Pty Ltd and is included in consolidated figures for the group. The remaining 1/6th is recognised as an outside equity interest.

29. Investments in Associates

(a) Equity and Contribution to Results

Associate Entity	Principal Activity	Holding Percent	Consolidated Carrying Amount **1999 $'000**	Consolidated Carrying Amount 1998 $'000	Investment At Cost **1999 $'000**	Investment At Cost 1998 $'000
Held by the University of Adelaide						
AITEC Pty Ltd	Provides advanced information technology courses	25.0	**289**	262	**-**	-
Unisure Pty Ltd	Responsible for processing of Tertiary Institution Workers Compensation Insurance	33.3	**-**	-	**-**	-
Ngee Ann Adelaide Education Centre Pte Ltd	Operates a graduate education centre in Singapore	50.0	**-**	197	**197**	197
Anti-Cancer Foundation Pty Ltd	Fundraising and educational awareness of cancer	50.0	**-**	-	**-**	-
			289	459	**197**	197

(a) ***Equity and Contribution to Results (continued)***			Consolidated Carrying Amount		Investment At Cost	
Associate Entity	Principal Activity	Holding Percent	**1999 $'000**	1998 $'000	**1999 $'000**	1998 $'000
Held by Luminis Investment Trust						
BresaGen Pty Ltd	Biotechnology research	30.7	**7 934**	3 500	**-**	-
GroPep Pty Ltd	Biotechnology research	26.4	**638**	150	**-**	-
			8 572	3 650	**-**	-

(b) Movements in Carrying Amounts of Investments In Associates				
At 1 January	**459**	-	**-**	-
Adjustment on adoption of equity accounting as at 31 December 1998	**-**	451	**-**	-
Share of operating (losses) profits	**(170)**	8	**-**	-
	289	459	**-**	-
(c) Results Attributed to Associates				
Operating (losses) profits	**(170)**	8	**-**	-
Retained profits attributable to associates	**459**	-	**-**	-
Adjustment on adoption of equity accounting as at 31 December 1998	**-**	451	**-**	-
Retained profits attributable to associates as at 31 December 1999	**289**	459	**-**	-

(d) ***Other***

(i) *Capital and Other Expenditure Commitments*
There are no material capital expenditure commitments relating to associated entities.

(ii) *Contingent Liabilities*
There are no material contingent liabilities relating to associated entities.

(iii) *After Balance Date Events*
There are no material after balance date events to report for associated entities.

(iv) *Assets, Revenue and Expenditure*
Since the above activities do not materially effect the University group figures, assets, revenue and expenditure have been reported as net amounts.

(v) *Off-Statement of Financial Position Financial Instruments*
Neither the reporting entity, nor any of its associated entities, have any Off-Statement of Financial Position financial instruments.

30. Interest in Joint Ventures

The University participates in a number of joint ventures. For reporting purposes these have been segregated into two groups as follows.

Their operations are not material to the University and there is no separate disclosure for 1999 in accordance with Australian Accounting Standard AAS 19 'Accounting for Interests in Joint Ventures'.

(a) ***Co-operative Research Centres***

The University participates in the following co-operative research centres (CRCs) at 31 December 1999. These centres have the characteristics of joint ventures and have been reported as such.

				Participation Percent
Australian Petroleum CRC	(U)	(C)		13
Research Data Network CRC	(U)	(C)		20
CRC for Welded Structures (was CRC for Materials Welding & Joining)	(I)	(C)		7
CRC for Molecular Plant Breeding	(U)	-		17
CRC for Clean Power from Lignite (was New Technology for Power Generation from Low Rank Coal)	(U)	(C)		10
CRC for Premium Quality Wool	(U)	(C)		3
CRC for Sensor Signal and Information Processing	(U)	-		16
CRC for Tissue Growth and Repair	(U)	(C)		16
CRC for Viticulture	(U)	(C)		18
CRC for Water Quality and Treatment	(U)	(C)		6
CRC for Weed Management Systems	(U)	(C)	(A)	7
CRC for Biological Control of Pest Animals	(U)	(C)		8
The University is also a supporting participant (but not a signatory) for the following CRC:				
CRC for Cattle and Beef Quality	(U)	(C)		

Cooperative Research Centres (CRCs), still in progress, are overall revenue neutral to the University and consequently are reported as part of the University's activity. Upon completion of a CRC, there is the possibility of realising net revenue on the sale of the intellectual property of the CRC. Until such time it is not possible to value such intellectual property. Accordingly, the value of completed CRCs is reported at nil value.

30. Interest in Joint Ventures (continued)

(b) Other Joint Ventures

Name	Principal Activity		Participation Percent
South Australian Regional Network Organisation (SAARDNet)	To provide high speed microwave networks to link areas of research concentration in South Australia	(U)	20
Middleback Field Centre	To provide pastoral-zone courses and range land ecology research programmes	(U)	33
National Course in General Arbitration & Dispute Resolution	To develop and deliver tertiary courses in general arbitration and alternative dispute resolution.	(U)	50
South Australian Centre for Economic Studies	To obtain quality research regarding regional economic development with particular application to South Australia	(U)	50
South Australian Tertiary Admissions Centre	Established as the agent for tertiary institutions in Adelaide for the purpose of receiving and processing applications from intending students	(U)	25

(I) Incorporated (U) Unincorporated (C) CSIRO is a partner (A) Centre Agent

The consolidated entity's reported interest in the assets employed in the joint ventures total $150 000 (Nil). These are included in the consolidated Statement of Financial Position, in accordance with the accounting policy described in Note 3.

(c) Other

(i) Capital and Other Expenditure Commitments

There are no material capital expenditure commitments relating to joint ventures.

(ii) Contingent Liabilities

There are no material contingent liabilities relating to joint ventures.

(iii) After Balance Date Events

There are no material after balance date events to report for joint ventures.

(iv) Assets, Revenue and Expenditure

Since the above activities do not materially effect the University group figures, assets, revenue and expenditure have been reported as net amounts.

(v) Off-Statement of Financial Position Financial Instruments

Neither the reporting entity, nor any of its joint ventures, have any Off-Statement of Financial Position financial instruments.

(d) Joint Venture Accounts Not Received

Joint venture accounts are reported in accordance with Note 3, with the exception of:

- The South Australian Centre for Economic Studies
- South Australian Tertiary Admissions Centre

Financial Statements for these joint ventures were not received for inclusion in the 1999 Financial Statements. Their omission does not distort the overall financial position of the University, as the amounts involved are not considered material.

31. Other Business Undertakings

The University holds investments in the following business undertakings which are carried in the Financial Statements at historical costs.

Entity	Ownership Percent	Investment at Cost **1999** **$'000**	1998 $'000
Ngapartji Pty Ltd	-	**75**	-
IDP Education Australia Ltd	2.7	**10**	10
Other	-	**18**	-
		103	10

32. Related Party Transactions

(a) Councillor Related Transactions

Certain Councillors are members of incorporated and unincorporated associations that are an integral part of the University. Transactions between these bodies, the University and Council members, in respect of services provided to Council members are trivial and domestic in nature.

Professor M O'Kane is a member of the Board of the CSIRO. Board fees derived by Professor O'Kane from the CSIRO are paid to the University.

Mr NR Adler is a Board member of Telstra Corporation Ltd. The University purchases services from Telstra on normal commercial terms and conditions. The University receives research grants from Telstra.

Dr H Reid is a Board member of St Mark's College Incorporated. The University has advanced a loan to St Mark's College at an interest rate calculated as the CPI for the previous year plus 1 percent.

32. Related Party Transactions (continued)

(b) CSIRO

The University leases land at peppercorn rents to the CSIRO. On this land the CSIRO has erected or leased buildings. These buildings become property of the University at the termination of the lease.

The University and the CSIRO are partners in a number of Cooperative Research Centres - Refer to Note 30.

33. The following information has been prepared in accordance with DETYA reporting guidelines.

Operating Statement for the year ended 31 December 1999

		Consolidated		University	
	Note	**1999 $'000**	1998 $'000	**1999 $'000**	1998 $'000
OPERATING REVENUE:					
Commonwealth Government grants	34	**146 098**	150 074	**146 098**	150 074
Higher Education Contribution Scheme (HECS)	36	**36 803**	32 715	**36 803**	32 715
State Government grants	37	**6 671**	6 535	**6 466**	6 330
Other research grants and contracts		**7 195**	8 287	**7 195**	8 259
Scholarships and prizes		**679**	669	**654**	644
Donations and bequests	5	**1 603**	1 272	**2 731**	2 552
Investment income	5	**9 658**	10 203	**9 471**	9 888
Fees and charges	38	**38 682**	35 855	**38 203**	35 282
Other revenue		**58 578**	57 192	**23 679**	27 153
Deferred government contributions for superannuation	23(e)	**2 600**	900	**2 600**	900
Total Operating Revenues before Abnormal Items		**308 567**	303 702	**273 900**	273 797
OPERATING EXPENSES:					
Academic activities	39	**152 137**	151 714	**152 137**	151 714
Library	39	**14 565**	12 617	**14 565**	12 617
Other academic support services	39	**4 953**	5 483	**4 953**	5 483
Student services	39	**19 274**	19 047	**19 274**	19 047
Public services	39	**1 524**	1 532	**1 524**	1 532
Buildings and grounds	39	**16 582**	19 362	**16 183**	19 379
Administration and other general institutional services	39	**52 808**	29 381	**35 937**	29 381
Other expenses	39	**40 651**	58 468	**23 329**	28 490
Deferred employee benefits for superannuation	23(e)	**2 600**	900	**2 600**	900
Total Operating Expenses before Abnormal Items		**305 094**	298 504	**270 502**	268 543
OPERATING RESULT BEFORE ABNORMAL ITEMS		**3 473**	5 198	**3 398**	5 254
ABNORMAL ITEMS	7	**-**	1 231	**-**	(500)
OPERATING RESULT AFTER ABNORMAL ITEMS		**3 473**	6 429	**3 398**	4 754
EXTRAORDINARY ITEMS	8	**-**	7 256	**-**	7 256
OPERATING RESULT AFTER EXTRAORDINARY AND ABNORMAL ITEMS		**3 473**	13 685	**3 398**	12 010
ACCUMULATED FUNDS AT 1 JANUARY		**72 348**	63 969	**62 618**	55 844
TRANSFERS:					
To reserves	18	**(2 067)**	(5 236)	**(2 271)**	(5 236)
Outside equity interest		**(13)**	(70)	**-**	-
ACCUMULATED FUNDS AT 31 DECEMBER		**73 741**	72 348	**63 745**	62 618

34. Commonwealth Government Grants

	University	
	1999 $'000	1998 $'000
(a) Grants received pursuant to the Higher Education Funding Act 1988, excluding HECS:		
Operating purposes (excluding HECS)	**100 208**	103 671
Special research assistance:		
Large research grants	**6 325**	6 642
Small research grants	**1 687**	1 693
Research infrastructure grants	**6 111**	7 673
Special research centres	**1 463**	1 441
Key centres	**210**	239
Special research initiatives	**-**	15
Research fellowships	**2 362**	2 147
International research fellowships	**-**	51
Australian postgraduate awards	**3 688**	3 737
Overseas postgraduate research scholarships	**978**	897
International researcher exchange	**10**	-
International projects	**-**	3
ANZCCART	**21**	20
SPIRT Scheme	**1 970**	2 121
Advanced engineering centres	**562**	553
Teaching hospitals	**497**	490
	126 092	131 393

34. Commonwealth Government Grants (continued)

(b) Other Commonwealth Government Grants received:

	University 1999 $'000	1998 $'000
Austrade	**25**	-
Australia Council	**45**	22
Australian Geological Survey Organisation	**37**	8
Australia India Council	**17**	-
Australian Institute of Nuclear Science and Engineering	**3**	-
Bureau of Rural Sciences	**48**	-
Community Broadcasting Foundation	**41**	-
CSIRO	**154**	186
Defence, Science and Technology Organisation	**250**	157
Department of Agriculture, Fisheries and Forestry	**6 411**	7 304
Department of Communications and the Arts	**58**	84
Department of Education, Training and Youth Affairs	**193**	326
Department of Employment, Workplace Relations and Small Business	**207**	-
Department of Environment and Heritage	**110**	-
Department of Foreign Affairs and Trade	**696**	553
Department of Health and Aged Care	**11 362**	9 692
Department of Industry, Science and Resources	**256**	172
Department of Veterans Affairs	**85**	80
Energy Research and Development Corporation	**6**	21
Immigration and Ethnic Affairs	**-**	16
Transport	**-**	60
Other	**2**	-
	20 006	18 681
Total Commonwealth Government Grants excluding HECS	**146 098**	150 074

35. Acquittal of Commonwealth Government Grants

Amounts received and expended pursuant to the *Higher Education Funding Act 1988* excluding HECS:

Operating Purposes excluding HECS:

	1999	1998
Surplus (Deficit) from previous reporting period	**447**	1 323
Grants received in advance (in previous reporting period)	**7 987**	8 320
Grants received in the reporting period (including grants received in advance for next reporting period)	**100 251**	103 338
Less: Grants received in advance for next reporting period	**8 030**	7 987
Funds available in current reporting period	**100 655**	104 994
Expenses in current reporting period	**99 668**	104 547
Surplus (Deficit) from current reporting period	**987**	447

Large Research Grants:

	1999	1998
Surplus (Deficit) from previous reporting period	**2 069**	1 902
Grants received in advance (in previous reporting period)	**355**	345
Grants received in the reporting period (including grants received in advance for next reporting period)	**6 310**	6 652
Less: Grants received in advance for next reporting period	**340**	355
Funds available in current reporting period	**8 394**	8 544
Expenses in current reporting period	**6 499**	6 475
Surplus (Deficit) from current reporting period	**1 895**	2 069

Small Research Grants:

	1999	1998
Surplus (Deficit) from previous reporting period	**612**	586
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**1 687**	1 693
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**2 299**	2 279
Expenses in current reporting period	**1 581**	1 667
Surplus (Deficit) from current reporting period	**718**	612

Research Infrastructure Grants:

	1999	1998
Surplus (Deficit) from previous reporting period	**-**	(195)
Grants received in advance (in previous reporting period)	**436**	751
Grants received in the reporting period (including grants received in advance for next reporting period)	**5 675**	7 358
Less: Grants received in advance for next reporting period	**-**	436
Funds available in current reporting period	**6 111**	7 478
Expenses in current reporting period	**5 404**	7 478
Surplus (Deficit) from current reporting period	**707**	-

35. Acquittal of Commonwealth Government Grants (continued)

(b) Other Commonwealth Government Grants received:

	University 1999 $'000	University 1998 $'000
Special Research Centres:		
Surplus (Deficit) from previous reporting period	**-**	-
Grants received in advance (in previous reporting period)	**-**	115
Grants received in the reporting period (including grants received in advance for next reporting period)	**1 513**	1 326
Less: Grants received in advance for next reporting period	**50**	-
Funds available in current reporting period	**1 463**	1 441
Expenses in current reporting period	**1 463**	1 441
Surplus (Deficit) from current reporting period	**-**	-
Key Centres:		
Surplus (Deficit) from previous reporting period	**-**	-
Grants received in advance (in previous reporting period)	**17**	19
Grants received in the reporting period (including grants received in advance for next reporting period)	**207**	237
Less: Grants received in advance for next reporting period	**14**	17
Funds available in current reporting period	**210**	239
Expenses in current reporting period	**210**	239
Surplus (Deficit) from current reporting period	**-**	-
Special Research Initiatives:		
Surplus (Deficit) from previous reporting period	**26**	19
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**-**	15
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**26**	34
Expenses in current reporting period	**24**	8
Surplus (Deficit) from current reporting period	**2**	26
Research Fellowships:		
Surplus (Deficit) from previous reporting period	**153**	111
Grants received in advance (in previous reporting period)	**138**	139
Grants received in the reporting period (including grants received in advance for next reporting period)	**2 363**	2 146
Less: Grants received in advance for next reporting period	**139**	138
Funds available in current reporting period	**2 515**	2 258
Expenses in current reporting period	**2 310**	2 105
Surplus (Deficit) from current reporting period	**205**	153
International Research Fellowships:		
Surplus (Deficit) from previous reporting period	**51**	-
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**-**	51
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**51**	51
Expenses in current reporting period	**45**	-
Surplus (Deficit) from current reporting period	**6**	51
Australian Postgraduate Awards:		
Surplus (Deficit) from previous reporting period	**199**	211
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**3 688**	3 737
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**3 887**	3 948
Expenses in current reporting period	**3 731**	3 749
Surplus (Deficit) from current reporting period	**156**	199
International Researcher Exchange:		
Surplus (Deficit) from previous reporting period	**-**	-
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**10**	-
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**10**	-
Expenses in current reporting period	**10**	-
Surplus (Deficit) from current reporting period	**-**	-

35. Acquittal of Commonwealth Government Grants (continued)

	University 1999 $'000	University 1998 $'000
Overseas Postgraduate Research Scholarships:		
Surplus (Deficit) from previous reporting period	**-**	-
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**978**	897
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**978**	897
Expenses in current reporting period	**978**	897
Surplus (Deficit) from current reporting period	**-**	-
International Projects:		
Surplus (Deficit) from previous reporting period	**-**	5
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**-**	3
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**-**	8
Expenses in current reporting period	**-**	8
Surplus (Deficit) from current reporting period	**-**	-
ANZCCART:		
Surplus (Deficit) from previous reporting period	**-**	-
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**21**	20
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**21**	20
Expenses in current reporting period	**21**	20
Surplus (Deficit) from current reporting period	**-**	-
SPIRT Scheme:		
Surplus (Deficit) from previous reporting period	**250**	111
Grants received in advance (in previous reporting period)	**131**	1 173
Grants received in the reporting period (including grants received in advance for next reporting period)	**1 940**	1 079
Less: Grants received in advance for next reporting period	**101**	131
Funds available in current reporting period	**2 220**	2 232
Expenses in current reporting period	**1 859**	1 982
Surplus (Deficit) from current reporting period	**361**	250
Advanced Engineering Centres:		
Surplus (Deficit) from previous reporting period	**-**	-
Grants received in advance (in previous reporting period)	**45**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**517**	598
Less: Grants received in advance for next reporting period	**-**	45
Funds available in current reporting period	**562**	553
Expenses in current reporting period	**562**	553
Surplus (Deficit) from current reporting period	**-**	-
Teaching Hospitals:		
Surplus (Deficit) from previous reporting period	**-**	-
Grants received in advance (in previous reporting period)	**40**	39
Grants received in the reporting period (including grants received in advance for next reporting period)	**497**	491
Less: Grants received in advance for next reporting period	**40**	40
Funds available in current reporting period	**497**	490
Expenses in current reporting period	**-**	490
Surplus (Deficit) from current reporting period	**497**	-

36. Higher Education Contribution Scheme

Amounts received and expended pursuant to the Higher Education Funding Act 1988 for the Higher Education Contribution Scheme (HECS):

	1999 $'000	1998 $'000
Surplus (Deficit) from previous reporting period	**-**	-
Amounts received in advance (in previous reporting period)	**2 560**	2 239
Amounts received in the reporting period (including grants received in advance for next reporting period)	**31 634**	28 305
Less: Amounts received in advance for next reporting period	**2 486**	2 560
Funds available in current reporting period	**31 708**	27 984
Expenses in current reporting period	**31 708**	27 984
Surplus (Deficit) from Current Reporting Period	**-**	-
HECS Contributions Actually Received from Students	**5 095**	4 731
Total HECS Revenue for the Reporting Period	**36 803**	32 715

37. State Government Grants

	Note	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
(a) South Australian Government, State Government Grants					
Arts SA		**106**	43	**106**	43
Central Yorke Peninsula Hospital		**15**	20	**15**	20
Department of Education Training and Employment		**92**	48	**92**	48
Department for Environment, Heritage and Aboriginal Affairs		**326**	175	**326**	175
Department of Human Services		**404**	1 043	**404**	838
Department of Industry and Trade		**-**	119	**-**	119
Department of the Premier and Cabinet		**35**	203	**35**	203
Department of Primary Industries and Resources		**982**	1 164	**982**	1 164
Department of Treasury and Finance		**14**	35	**14**	35
Drug and Alcohol Services Council		**92**	101	**92**	101
Economic Development Authority		**-**	33	**-**	33
Information Technology Workforce Strategy Office		**124**	13	**124**	13
Institute of Medical and Veterinary Science		**113**	96	**113**	96
Lyell McEwin Hospital		**120**	123	**120**	123
Modbury Hospital		**-**	126	**-**	126
Multi Function Polis Australia		**13**	12	**13**	12
North Western Adelaide Health Service		**88**	84	**88**	84
North Western Adelaide Mental Health Services		**58**	-	**58**	-
Northern Adelaide and Barossa Catchment Water Management Board		**30**	-	**30**	-
Office of Energy and Planning		**-**	47	**-**	47
Patawalonga Catchment Water Management Board		**19**	32	**19**	32
Planning SA		**120**	52	**120**	52
Police Department SA		**221**	135	**221**	135
Racing Industry Development Authority		**-**	69	**-**	69
Royal Adelaide Hospital		**865**	964	**865**	964
SA Dental Service		**135**	128	**135**	128
SA Housing Trust		**30**	33	**30**	33
SA Mental Health Service		**-**	111	**-**	111
SA Water		**14**	85	**14**	85
South Australian Research and Development Institute		**230**	8	**230**	8
South Australian State Energy Research Advisory Committee		**19**	-	**19**	-
Southern Yorke Peninsula Health Service		**413**	-	**208**	-
The Queen Elizabeth Hospital		**1 582**	1 036	**1 582**	1 036
Torrens Catchment Water Management Board		**16**	-	**16**	-
Transport SA		**21**	5	**21**	5
Women's and Children's Hospital		**319**	309	**319**	309
WorkCover Corporation		**12**	55	**12**	55`
Other		**34**	28	**34**	28
		6 662	6 535	**6 457**	6 330
(b) Other State Government Grants		**9**	-	**9**	-
Total State Government Grants		**6 671**	6 535	**6 466**	6 330

38. Fees and Charges

Fees and charges were collected from the following sources during the reporting period:

	Note	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Student fee income	5	**31 224**	27 925	**31 224**	27 925
Library fines and charges		**622**	948	**622**	948
Late fees		**35**	70	**35**	70
Parking fees		**651**	718	**651**	718
Rental charges and accommodation fees		**3 136**	3 683	**2 657**	3 110
Other		**3 014**	2 511	**3 014**	2 511
		38 682	35 855	**38 203**	35 282

39. Expenses Attributed to Functions

	Note	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Academic Activities:					
Academic staff salaries		**63 295**	58 829	**63 295**	58 829
Academic staff salary related expenses		**16 559**	15 081	**16 559**	15 081
Non-academic staff salaries		**25 759**	28 745	**25 759**	28 745
Non-academic staff salary related expenses		**6 455**	5 368	**6 455**	5 368
Depreciation expense:					
Plant, equipment and motor vehicles		**3 895**	3 978	**3 895**	3 978
Buildings		**1 933**	4 250	**1 933**	4 250
Other expenses		**34 241**	35 463	**34 241**	35 463
		152 137	151 714	**152 137**	151 714
Libraries:					
Non-academic staff salaries		**4 794**	5 036	**4 794**	5 036
Non-academic staff salary related expenses		**1 795**	1 031	**1 795**	1 031
Depreciation expense:					
Library		**5 850**	4 577	**5 850**	4 577
Plant, equipment and motor vehicles		**73**	75	**73**	75
Buildings		**344**	825	**344**	825
Other expenses		**1 709**	1 073	**1 709**	1 073
		14 565	12 617	**14 565**	12 617

39. Expenses Attributed to Functions (continued)

	Consolidated		University	
	1999	1998	**1999**	1998
Other Academic Support Services:	**$'000**	$'000	**$'000**	$'000
Academic staff salaries	**697**	425	**697**	425
Academic staff salary related expenses	**241**	90	**241**	90
Non-academic staff salaries	**1 219**	1 462	**1 219**	1 462
Non-academic staff salary related expenses	**383**	287	**383**	287
Depreciation expense:				
Plant, equipment and motor vehicles	**494**	499	**494**	499
Buildings	**307**	667	**307**	667
Other expenses	**1 612**	2 053	**1 612**	2 053
	4 953	5 483	**4 953**	5 483
Student Services:				
Academic staff salaries	**1 165**	959	**1 165**	959
Academic staff salary related expenses	**326**	159	**326**	159
Non-academic staff salaries	**1 389**	1 980	**1 389**	1 980
Non-academic staff salary related expenses	**440**	361	**440**	361
Depreciation expense:				
Plant, equipment and motor vehicles	**9**	11	**9**	11
Buildings	**284**	596	**284**	596
Other expenses	**15 661**	14 981	**15 661**	14 981
	19 274	19 047	**19 274**	19 047
Public Services:				
Academic staff salaries	**158**	167	**158**	167
Academic staff salary related expenses	**37**	21	**37**	21
Non-academic staff salaries	**635**	458	**635**	458
Non-academic staff salary related expenses	**169**	71	**169**	71
Depreciation expense:				
Plant, equipment and motor vehicles	**25**	31	**25**	31
Buildings	**95**	213	**95**	213
Other expenses	**405**	571	**405**	571
	1 524	1 532	**1 524**	1 532
Buildings and Grounds:				
Non-academic staff salaries	**2 911**	3 251	**2 872**	3 251
Non-academic staff salary related expenses	**1 059**	632	**1 049**	632
Depreciation expense:				
Plant, equipment and motor vehicles	**114**	117	**114**	117
Buildings	**230**	550	**230**	550
Other expenses	**12 268**	14 812	**11 918**	14 829
	16 582	19 362	**16 183**	19 379
Administration and Other General Institutional Services:				
Academic staff salaries	**524**	543	**524**	543
Academic staff salary related expenses	**238**	160	**238**	160
Non-academic staff salaries	**18 933**	12 960	**13 393**	12 960
Non-academic staff salary related expenses	**5 806**	2 609	**5 082**	2 609
Depreciation expense:				
Plant, equipment and motor vehicles	**934**	487	**684**	487
Buildings	**141**	291	**141**	291
Software and system development costs	**315**	-	**315**	-
Other expenses	**25 917**	12 331	**15 560**	12 331
	52 808	29 381	**35 937**	29 381
Other:				
Academic staff salaries	**1 167**	3 335	**1 167**	3 335
Academic staff salary related expenses	**437**	1 738	**568**	1 738
Non-academic staff salaries	**7 437**	9 086	**4 607**	6 811
Non-academic staff salary related expenses	**1 928**	2 987	**1 365**	2 794
Depreciation expense:				
Plant, equipment and motor vehicles	**399**	898	**110**	95
Buildings	**38**	108	**-**	-
Other expenses	**29 245**	40 316	**15 512**	13 717
	40 651	58 468	**23 329**	28 490
Total:				
Academic staff salaries	**67 006**	64 258	**67 006**	64 258
Academic staff salary related expenses	**17 838**	17 249	**17 969**	17 249
Non-academic staff salaries	**63 077**	62 978	**54 668**	60 703
Non-academic staff salary related expenses	**18 035**	13 346	**16 738**	13 153
Depreciation expense:				
Plant, equipment and motor vehicles	**5 943**	6 096	**5 404**	5 293
Buildings	**3 372**	7 500	**3 334**	7 392
Libraries	**5 850**	4 577	**5 850**	4 577
Software and system development costs	**315**	-	**315**	-
Sub-total depreciation expense	**15 480**	18 173	**14 903**	17 262
Other expenses	**121 058**	121 600	**96 618**	95 018
	302 494	297 604	**267 902**	267 643

UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

The University of South Australia was established by the *University of South Australia Act 1990*. The mission of the University is to advance, disseminate and preserve knowledge through a teaching, learning and research environment which fosters excellence in scholarship, innovation, and social responsibility.

The University operated from six campuses during 1999: City East, City West, Magill, The Levels, Underdale and Whyalla.

During 1999, the following entities were controlled by the University:

- Techsearch Incorporated — Until July 1995 Techsearch Incorporated provided a range of services to University staff to support commercial activities. As from July 1996, these services were provided by the University with the operations of Techsearch Incorporated gradually winding down. Effective from 1 July 1999, Techsearch Incorporated ceased operations.

- ITEK Pty Ltd — Effective from 1 July 1999, the University established ITEK Pty Ltd and ITEK Trust which provide University business incubation and technology commercialisation services.

- University of South Australia Foundation Incorporated — The main purposes of the Foundation are to generate interest in the University and to attract broadly based levels of philanthropic support for the benefit of the University.

SIGNIFICANT FEATURES

- Consolidated Operations for the year resulted in a surplus before abnormal items of $1.3 million (surplus of $10.1 million in 1998).

- Commonwealth grant funding (including research grants) and Higher Education Contribution Scheme funding increased by a net $3.7 million to $183.0 million.

- Income from fee paying students totalled $24.3 million ($22.7 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 19 of the *University of South Australia Act 1990* provides for the Auditor-General to audit the accounts of the University in respect of each year of operation.

Scope of Audit

The audit program covered all 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 control.

The scope of the audit for 1999 included:

- Accounts payable
- Salaries and wages
- Revenue, Receipting and Banking
- Commercial Projects, Research Grants and Scholarships
- Budgetary Control and Management Reporting
- Risk Management
- Property, Plant and Equipment.

Consideration was also given to the work of Internal Audit in framing the audit coverage.

The audit of the University of South Australia Foundation Incorporated was performed by the Auditor-General. The audits of Techsearch Incorporated and ITEK Pty Ltd were performed by a private accounting firm.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Vice Chancellor to which a satisfactory response was received. The comments provided to the University and the related responses are summarised in 'Audit Findings and Comments' hereunder. The matters raised did not result in an adverse audit opinion of the overall control environment.

AUDIT FINDINGS AND COMMENTS

Responsibilities of Cost Centre Managers

As reported last year, the operational and related financial responsibilities of the University have been devolved to the cost centre manager level over recent years. This has required the establishment and/or consolidation of responsibilities of the different levels of cost centre managers in order to highlight to them the associated increased accountability. It also requires the clear communication of these responsibilities and the management of the impact of this fundamental change in management philosophy. Audit noted that the responsibilities of cost centre managers had been consolidated into a document that was, however, only in draft form and that this exposed the University's operations to a number of risks as cost centre managers may misinterpret responsibilities or may not be aware of all of their responsibilities.

The University has responded that it continues to have management responsibilities distributed across local and central administrative areas and that in more recent years, the balance has shifted towards more local responsibility. This reflects a change in the approach towards control, where the emphasis has moved away from reliance on excessive checking to one of greater accountability by the manager initiating the transaction. Managers are supported in their responsibilities by appropriate operating frameworks and provision of adequate training. The broad responsibilities of managers are contained within their duty statements. The University indicated that as well as finalising the document incorporating the responsibilities of cost centre managers, it would have discussions with managers to ascertain the extent to which they might remain unclear about their responsibilities in the current operating environment and the capacity for further documentation to assist in making responsibilities clear. Should further documentation be helpful in making responsibilities clear, this would be developed.

Risk Management Strategy

The University has made significant progress in relation to the identification and assessment of its risks. This has provided the University with a framework against which strategic decisions can be made in relation to the efficiencies and effectiveness of its operations. Audit noted that the risk management strategy evolving from the process to date did not appear totally cohesive or to have filtered down to the operational level. In particular, where risks identified extended beyond an individual cost centre, there did not appear to be a full understanding by all effected parties of its potential impact or a collaborative approach to its mitigation. It was also noted that decisions regarding the efficiency and effectiveness of the University's operations made against the resultant framework needed to be clearly documented in order to ensure the integrity of decisions.

The University has advised that it will re-examine its risk management guidelines to ensure that where a risk has been identified that extends across cost centres, the potential impact is understood by all affected cost centres and a collaborative approach to its mitigation is adopted. In addition, the University indicated that although decisions in accordance with agreed risk management plans are documented to the extent appropriate for the decisions being made, there will be a number of on-going activities in which decisions may not be formally documented but which should be consistent with risk management plans.

Policies and Procedures

The University has, over a number of years, compiled policies and procedures to be used by officers in governing their actions in carrying out University operations. These policies and procedures are available to officers through a number of mediums. Audit noted instances during the course of the audit where, because of the significant change in operations, the policies and/or procedures were not being followed because they were out of date and as such there was a risk that the intended principle would not be properly applied. Audit recommended that all changes to policies and procedures be made in the context of the strategic direction of the University and be appropriately promulgated using the most functional medium.

The University advised that it was the intention of the University to review policies and procedures on a regular basis in the context of the strategic direction of the University. In the event that a significant change in operations occurs, the related policies and procedures will reflect that change on a timely basis and be promulgated using effective communication mediums.

General Financial Controls

In Audit's opinion, the preceding matters resulted in a range of financial compliance matters being raised with the University, in particular, in relation to the processing of payroll and accounts payable transactions.

The University indicated that these matters would be resolved as appropriate and in consideration of its changing control environment.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the University of South Australia included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by the University of South Australia in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

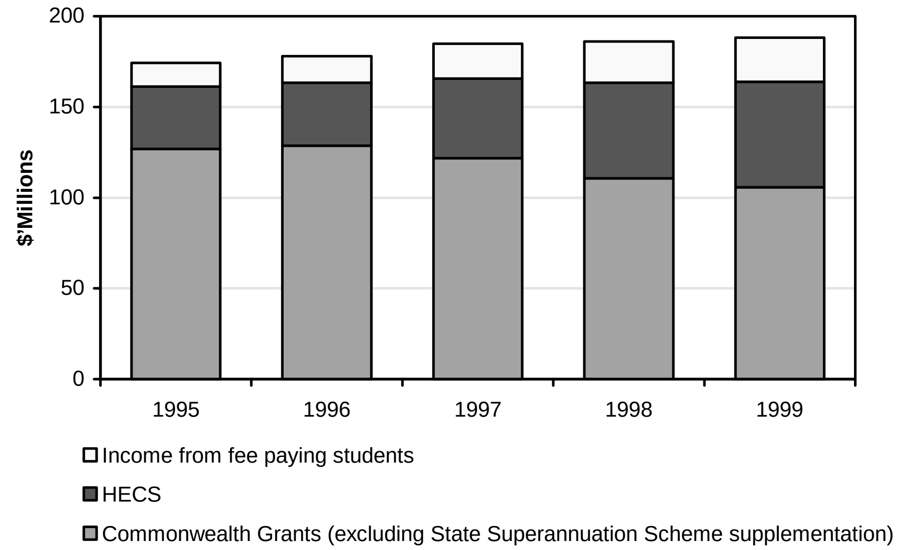
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

The consolidated result of operations for the year, before abnormal items, was a surplus of $1.3 million, a decrease of $8.8 million. The result reflects an increase of $17.5 million in operating expenses compared to an increase of $8.7 million in operating revenue.

The primary reason for the increase in operating expenses over operating revenue is the impact of the University's enterprise bargaining process. In addition, planned upgrades to certain facilities were undertaken during the year and, as a result of a net increase in property, plant and equipment and a change in accounting policy (refer Note 2), there was also a net increase in depreciation expenses.

The increase in operating revenue is due mainly to a net increase in funding from the Commonwealth of $3.7 million. While grant funding decreased by $1.6 million, Higher Education Contribution Scheme (HECS) funding increased by $5.3 million. In addition, income from fee paying students has continued to increase, up by $1.6 million to $24.3 million.

The following graph reflects the changing composition of revenues over recent years.



Operating Statement for the year ended 31 December 1999

		Consolidated		University	
		1999	1998	**1999**	1998
OPERATING REVENUE:	Note	**$'000**	$'000	**$'000**	$'000
Commonwealth Government grants	1(d),3	**124 856**	126 421	**124 856**	126 421
Higher Education Contribution Scheme	4	**58 110**	52 817	**58 110**	52 817
South Australia Government grants	1(d),5	**2 502**	2 538	**2 502**	2 538
Other research grants and contracts	1(d)	**8 743**	8 999	**8 743**	8 999
Scholarships and prizes		**742**	1 055	**736**	1 055
Donations and bequests	1(d)	**1 530**	527	**1 097**	337
Investment income	1(d)	**2 086**	2 114	**2 007**	2 047
Fees and charges	1(d),6	**38 981**	36 386	**34 184**	33 075
Deferred income - Government superannuation contribution	20	**15 600**	13 600	**15 600**	13 600
Other		**1 580**	1 525	**1 830**	1 493
Total Operating Revenues before Abnormal Items		**254 730**	245 982	**249 665**	242 382
OPERATING EXPENSES:					
Academic activities	7	**145 872**	139 913	**145 872**	139 913
Libraries	7	**16 222**	12 341	**16 222**	12 341
Other academic support services	7	**16 522**	18 313	**16 522**	18 313
Student services	7	**7 091**	5 774	**7 091**	5 774
Public services	7	**407**	3 551	**407**	3 551
Building and grounds	7	**17 952**	13 361	**17 952**	13 361
Administration and other general institutional services	7	**29 158**	25 832	**29 158**	25 832
Deferred employee benefits for superannuation	7,20	**15 600**	13 600	**15 600**	13 600
Other	7	**4 580**	3 208	**-**	-
Total Operating Expenses before Abnormal Items		**253 404**	235 893	**248 824**	232 685
OPERATING RESULT BEFORE ABNORMAL ITEMS		**1 326**	10 089	**841**	9 697
Abnormal items	1(i)	**-**	(4 892)	**-**	(4 892)
OPERATING RESULT AFTER ABNORMAL ITEMS		**1 326**	5 197	**841**	4 805
Add: **ACCUMULATED FUNDS AT 1 JANUARY**		**343 304**	349 143	**341 313**	347 544
Transfers from (to) Reserves:	27				
Unspent grant reserve		**8 373**	(8 373)	**8 373**	(8 373)
Workers compensation reserves		**2 663**	(2 663)	**2 663**	(2 663)
Sub-total Transfers to Reserves		**11 036**	(11 036)	**11 036**	(11 036)
ACCUMULATED FUNDS AT 31 DECEMBER		**355 666**	343 304	**353 190**	341 313

Statement of Financial Position as at 31 December 1999

		Consolidated		University	
		1999	1998	**1999**	1998
CURRENT ASSETS:	Note	**$'000**	$'000	**$'000**	$'000
Cash		**2 236**	1 320	**1 276**	942
Receivables	10	**7 305**	5 273	**6 402**	5 063
Investments	11	**38 138**	41 778	**37 838**	40 930
Other	12	**22 263**	22 332	**22 220**	22 323
Total Current Assets		**69 942**	70 703	**67 736**	69 258
NON-CURRENT ASSETS:					
Investments	11	**5 601**	5 184	**5 667**	5 250
Property, plant and equipment	1(f)(g),13	**443 636**	452 717	**443 318**	452 407
Other	12	**262 900**	247 200	**262 900**	247 200
Total Non-Current Assets		**712 137**	705 101	**711 885**	704 857
Total Assets		**782 079**	775 804	**779 621**	774 115
CURRENT LIABILITIES:					
Revenue in advance	14	**16 436**	18 826	**16 313**	18 632
Creditors	15	**10 651**	11 024	**10 051**	10 873
Borrowings	16	**5 056**	5 056	**5 056**	5 056
Accrued liabilities	1(h),17	**13 094**	14 329	**13 019**	14 297
Other	18	**21 252**	21 880	**22 068**	22 559
Total Current Liabilities		**66 489**	71 115	**66 507**	71 417
NON-CURRENT LIABILITIES					
Borrowings	16	**20 106**	25 163	**20 106**	25 163
Accrued liabilities	1(h),17	**16 711**	17 779	**16 711**	17 779
Other	18	**262 900**	247 200	**262 900**	247 200
Total Non-Current Liabilities		**299 717**	290 142	**299 717**	290 142
Total Liabilities		**366 206**	361 257	**366 224**	361 559
NET ASSETS		**415 873**	414 547	**413 397**	412 556
EQUITY:					
Asset revaluation reserve	27	**60 207**	60 207	**60 207**	60 207
Other reserves	27	**-**	11 036	**-**	11 036
Accumulated results of operations		**355 666**	343 304	**353 190**	341 313
TOTAL EQUITY	27	**415 873**	414 547	**413 397**	412 556
Commitments	21,22				
Contingent Liabilities	23				

Statement of Cash Flows for the year ended 31 December 1999

	Note	Consolidated **1999 Inflows (Outflows) $'000**	Consolidated 1998 Inflows (Outflows) $'000	University **1999 Inflows (Outflows) $'000**	University 1998 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
INFLOWS:					
Grant revenue:					
Commonwealth Government grants		**117 816**	127 677	**117 816**	127 677
South Australian Government grants		**2 484**	2 363	**2 484**	2 363
Higher Education Contribution Scheme:					
Student payments		**8 212**	7 678	**8 212**	7 678
Higher Education Trust Fund		**50 279**	46 053	**50 279**	46 053
Interest and investment earnings		**1 728**	2 114	**1 650**	2 047
Fees, charges and other		**56 077**	49 315	**50 674**	44 711
OUTFLOWS:					
Staff salaries		**(111 057)**	(104 157)	**(108 602)**	(101 728)
Staff salary related expenditure		**(43 625)**	(44 917)	**(42 380)**	(44 559)
Interest and other expenditure of finance paid		**(2 878)**	(2 897)	**(2 878)**	(2 897)
Other		**(64 841)**	(59 626)	**(63 225)**	(58 188)
Net Cash provided by Operating Activities	28 (ii)	**14 195**	23 603	**14 030**	23 157
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of property, plant and equipment		**1 296**	488	**1 193**	262
OUTFLOWS:					
Investment		**(440)**	(349)	**(440)**	(349)
Payments for property, plant and equipment		**(13 215)**	(8 231)	**(12 990)**	(7 893)
Net Cash used in Investing Activities		**(12 359)**	(8 092)	**(12 237)**	(7 980)
CASH FLOWS FROM FINANCING ACTIVITIES:					
OUTFLOWS:					
Repayments of borrowings		**(5 056)**	(113)	**(5 056)**	(113)
Net Cash used in Financing Activities		**(5 056)**	(113)	**(5 056)**	(113)
NET (DECREASE) INCREASE IN CASH HELD		**(3 229)**	15 398	**(3 263)**	15 064
CASH AT 1 JANUARY		**42 914**	27 516	**41 688**	26 624
CASH AT 31 DECEMBER	28(i)	**39 685**	42 914	**38 425**	41 688

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

The significant accounting polices which have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation

The financial statements are a special purpose report for the Commonwealth Department of Education, Training and Youth Affairs (DETYA) and a general purpose financial report. They have been prepared on a full accrual basis and in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Public Sector Accounting Standards Board and the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the requirements of DETYA.

The financial statements comply, except as identified below, with relevant provision of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and the Accounting Policy Statements issued pursuant to the Treasurer's Instructions. The format of the Operating Statement and the basis of recognising grant income are not consistent with requirements of the Accounting Policy Statements to the extent that the requirements of the Accounting Policy Statements and the DETYA guidelines conflict.

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.

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.

(b) Principles of Consolidation

The consolidated accounts includes the accounts of the University and its controlled entities (detailed in Note 24). The effects of transactions between controlled entities included in the consolidated accounts have been eliminated.

(c) 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. Under the requirements of DETYA in 1999 revenue in advance has been disclosed for the first time, as a separate class of liability on the Statement of Financial Position. This change in presentation required an adjustment to other liabilities of $19.0 million for both consolidated and University 1998 comparatives.

(d) Revenue Recognition

(i) Grants

Grants received from DETYA under the *Higher Education Funding Act 1988* are recognised in the period to which they relate. In accordance with DETYA instructions, the DETYA advance of $13.263 million received in 1999 for the 2000 academic year ($13.098 million) has been recognised as income in advance of the operating year and recorded as a liability. Other grants, except for other research grants, are recognised as revenue when they are received.

(d) Revenue Recognition (continued)

(ii) Other Research Grants and Contracts

Income from other research grants and contracts is recognised in the period to which the grant relates, or the period in which the contract services are provided.

(iii) Donations and Bequests

Donations are received in cash and non-cash forms. Non-cash donations have been recognised at the University's estimate of fair value.

(iv) Fees and Charges

Fees and charges comprise revenue earned from the provision of courses and other services. Fees and charges are recognised in the period the courses or services are provided. Revenue on commercial projects is recognised with regard to progress on the project.

(v) Investment Income

Interest income is recognised as it accrues.

(e) Inventories

Consumable supplies are not recognised in the Statement of Financial Position as the value of these supplies is not considered to be material.

(f) Property, Plant and Equipment

Items of property, plant and equipment have been recognised in the Financial Statements as follows:

(i) Land

Land occupied by the University is owned by the University in its own right and by the State Government. The value of the land is reflected in the University's financial statements on the basis that the University effectively controls the land occupied.

Land controlled by the University at 31 December 1999 has been recognised at unimproved value as determined by the South Australian Department for Administrative and Information Services (DAIS).

Land is revalued every five years at unimproved value as determined by the South Australian Department for Administrative and Information Services. The last valuation was completed on 31 December 1998.

(ii) Buildings

Buildings controlled by the University at 31 December 1999 have been recognised at independent valuation. Buildings are independently revalued every five years on the basis of their existing use. Where a building's valuation is above its recoverable amount, the building valuation is reduced to its recoverable amount in accordance with Australian Accounting Standard AAS 10 'Accounting for the Revaluation of Non-Current Assets'. The last valuation was carried out as at 31 December 1998 by the South Australian Department for Administrative and Information Services, and is on the basis of written down current cost.

Buildings constructed or under construction since 31 December 1998 are valued at the cost of construction.

(iii) Building Infrastructure

Building infrastructure controlled by the University at 31 December 1999 is recognised at independent valuation. Infrastructure is independently revalued every five years. Where the infrastructure valuation is above its recoverable amount, the infrastructure valuation is reduced to its recoverable amount in accordance with AAS 10. The last valuation was carried out as at 31 December 1998 by the South Australian Department for Administrative and Information Services and is on the basis of written down current cost.

(iv) Library Collection

The library collection is reported at University valuation, based on written down current cost as at 31 December 1998. The collection is reviewed at least every five years for valuation purposes.

(v) Plant and Equipment

The IT network is reported at University valuation, based on written down current cost at 31 December 1998. All other items of plant and equipment are recorded at historical cost less accumulated depreciation.

(vi) Leased Property, Plant and Equipment

Payments made under operating leases are charged as an operating expense in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

The University had not entered into any finance leases at 31 December 1999.

(g) Depreciation

Depreciation is calculated on a straight line basis on all property, plant and equipment other than buildings under construction and land which are not subject to depreciation. Rates are calculated to allocate the cost or value of the assets over the estimated useful life to the entity.

Asset Class	1999 Estimated Useful Life Years
Property:	
Land	-
Buildings:	
Less than ten years old	40
Greater than or equal to 10 years old	Historical life and maximum 30 years remaining life
Infrastructure	Historical life and maximum 30 years remaining life

(g) Depreciation (continued)

Asset Class	1999 Estimated Useful Life Years
Library Collections:	
Serials	20
Monographs	15
Audio visual materials	10
Plant and Equipment:	
IT equipment	3
Non IT equipment	10
Motor vehicles	5
Major IT facilities	5 or 10

(h) Accrued Liabilities

The long service leave liability is independently estimated by the long hand method prescribed by Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. This takes into account the probability of staff remaining with the University until an unconditional entitlement has been accrued. A future cash outflow has been estimated on the basis of when leave will be taken and that cash flow is discounted using the interest rate in risk free government securities to derive the long service leave liability.

The liability for annual leave and leave loading is calculated on current wage rates and includes superannuation on-costs and the applicable payroll tax.

(i) Abnormal Items

	Consolidated		University	
	1999	1998	**1999**	1998
Summary of Abnormal Items:	**$'000**	$'000	**$'000**	$'000
Prior period result - Unisure Unit Trust	**-**	3 125	**-**	3 125
Increase in workers compensation liability	**-**	(962)	**-**	(926)
Redundancy expenses	**-**	(4 615)	**-**	(4 615)
Major bad debt expense	**-**	(1 600)	**-**	(1 600)
Asset revaluation decrement	**-**	(876)	**-**	(876)
	-	(4 892)	**-**	(4 892)

2. Change in Accounting Policy

The University has reviewed the remaining useful life of its buildings and infrastructure and adjusted depreciation rates to reflect the latest estimate of their useful life to the University. The effect of this change was a decrease in depreciation expense for the period of $0.440 million. As it is not practicable to determine the cumulative financial effect of this change to useful life for preceding periods, this new accounting policy has been applied from the beginning of the current reporting period.

The University has increased the depreciation rates for the library collection to reflect the latest estimate of their useful life to the University. The effect of this change was to increase depreciation expense for the period by $1.801 million. As it is not practicable to determine the cumulative financial effect of this change to useful life for preceding periods, this new accounting policy has been applied from the beginning of the current reporting period.

There have been no other changes to accounting policies for 1999.

3. Commonwealth Government Grants Excluding HECS

	University	
	1999	1998
Grants pursuant to the *Higher Education Funding Act 1988* excluding HECS:	**$'000**	$'000
Operating purposes excluding HECS(1) (2)	**115 430**	117 518
Special research assistance:		
Large research grants	**669**	205
Small research grants	**213**	228
Research infrastructure grants	**1 102**	1 818
Key centre for teaching and research	**126**	-
Research fellowships	**127**	10
International research fellowships	**-**	28
Australian postgraduate awards	**1 019**	866
Overseas postgraduate research scholarships	**233**	176
ATSI grants	**6**	13
Collaborative research grants – Ongoing	**624**	1 462
SPIRT Scheme – Other (including APA Industry)	**1 440**	978
Sub-total pursuant to the *Higher Education Funding Act 1988*	**120 989**	123 302
Other Commonwealth Government grants:		
Other Commonwealth Government research grants	**2 743**	2 142
CALUSA Migrant Language Training Program grant	**-**	77
Aboriginal Tutorial Assistance Scheme grant	**252**	363
Rural Health grant	**534**	359
Other Commonwealth grants	**338**	178
Sub-total Other Commonwealth Government grants	**3 867**	3 119
Total Commonwealth Government Grants excluding HECS	**124 856**	126 421

(1) Included in 'Operating purposes excluding HECS' are funds received from DETYA as supplementation for cost in relation to the State Superannuation Scheme. These funds are provided for superannuation costs above those provided in the Operating grant for former employees who are part of the South Australia Superannuation Scheme. The reconciliation below is provided for DETYA grant acquittal purposes.

3. Commonwealth Government Grants Excluding HECS (continued)

Reconciliation of State Superannuation supplementation:

	University 1999 $'000	University 1998 $'000
Amount received from DETYA	**17 171**	19 800
Less: Amount previously accrued	**(3 139)**	(842)
Add: Amount accrued for current year	**(1 183)**	(3 139)
Total State Superannuation supplementation included in Operating purposes excluding HECS on an accrual basis	**19 127**	15 819

(2) Included in 'Operating purposes excluding HECS' is an amount of $1.923 million ($0.868 million) being an estimate of funds due from DETYA for enrolments above funded load.

4. Acquittal of Commonwealth Government Grants

Amounts received and expended pursuant to *Higher Education Funding Act 1998* excluding HECS:

	University 1999 $'000	University 1998 $'000
Operating purposes excluding HECS:		
Surplus from previous reporting period	**1 877**	1 899
Grants received in advance (in previous reporting period)	**8 800**	13 628
Grants received in the reporting period (including grants received in advance for next reporting period)	**115 688**	112 690
Less: Grants received in advance for next reporting period	**9 058**	8 800
Funds available in current reporting period	**117 307**	119 417
Expenses in the current reporting period	**116 869**	117 540
Surplus from current reporting period	**438**	1 877

	1999	1998
Reconciliation of Operating Purposes excluding HECS to Note 3:		
Advance payment received in previous period	**8 800**	13 628
Amount received in reporting period	**115 688**	112 690
Advance payment received in respect of next period	**(9 058)**	(8 800)
	115 430	117 518
Large research grants:		
Surplus from previous reporting period	**132**	560
Grants received in advance (in previous reporting period)	**32**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**676**	237
Less: Grants received in advance for next reporting period	**39**	32
Funds available in current reporting period	**801**	765
Expenses in the current reporting period	**584**	633
Surplus from current reporting period	**217**	132
Small research grants:		
Surplus from previous reporting period	**91**	94
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**213**	228
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**304**	322
Expenses in the current reporting period	**260**	231
Surplus from current reporting period	**44**	91
Research infrastructure:		
Surplus from previous reporting period	**265**	196
Grants received in advance (in previous reporting period)	**88**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**1 014**	1 906
Less: Grants received in advance for next reporting period	**-**	88
Funds available in current reporting period	**1 367**	2 014
Expenses in the current reporting period	**1 362**	1 749
Surplus from current reporting period	**5**	265
Key centres for teaching and research:		
Surplus from previous reporting period	**-**	-
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**126**	-
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**126**	-
Expenses in the current reporting period	**57**	-
Surplus from current reporting period	**69**	-

4. Acquittal of Commonwealth Government Grants (continued)

	University 1999 $'000	University 1998 $'000
Special research initiatives:		
Surplus from previous reporting period	**17**	17
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**-**	-
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**17**	17
Expenses in the current reporting period	**17**	-
Surplus from current reporting period	**-**	17
Research fellowships:		
Surplus from previous reporting period	**12**	21
Grants received in advance (in previous reporting period)	**12**	6
Grants received in the reporting period (including grants received in advance for next reporting period)	**121**	16
Less: Grants received in advance for next reporting period	**6**	12
Funds available in current reporting period	**139**	31
Expenses in the current reporting period	**139**	19
Surplus from current reporting period	**-**	12
International research fellowships:		
Surplus from previous reporting period	**8**	8
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**2**	28
Less: Grants received in advance for next reporting period	**2**	-
Funds available in current reporting period	**8**	36
Expenses in the current reporting period	**4**	28
Surplus from current reporting period	**4**	8
Australian postgraduate awards:		
Surplus from previous reporting period	**8**	15
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**1 019**	866
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**1 027**	881
Expenses in the current reporting period	**941**	873
Surplus from current reporting period	**86**	8
Overseas postgraduate research scholarships:		
(Deficit) Surplus from previous reporting period	**(23)**	18
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**233**	176
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**210**	194
Expenses in the current reporting period	**193**	217
Surplus (Deficit) from current reporting period	**17**	(23)
ATSI (Aboriginal and Torres Strait Islander) grant:		
Surplus from previous reporting period	**12**	24
Grants received in advance (in previous reporting period)	**-**	1
Grants received in the reporting period (including grants received in advance for next reporting period)	**6**	12
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**18**	37
Expenses in the current reporting period	**9**	25
Surplus from current reporting period	**9**	12
International projects:		
Surplus from previous reporting period	**4**	8
Grants received in advance (in previous reporting period)	**-**	-
Grants received in the reporting period (including grants received in advance for next reporting period)	**-**	-
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**4**	8
Expenses in the current reporting period	**4**	4
Surplus from current reporting period	**-**	4

4. Acquittal of Commonwealth Government Grants (continued)

	University 1999 $'000	University 1998 $'000
Collaborative research grants:		
Surplus from previous reporting period	**151**	218
Grants received in advance (in previous reporting period)	**-**	1 455
Grants received in the reporting period (including grants received in advance for next reporting period)	**624**	7
Less: Grants received in advance for next reporting period	**-**	-
Funds available in current reporting period	**775**	1 680
Expenses in the current reporting period	**644**	1 529
Surplus from current reporting period	**131**	151
SPIRT - Other Including Australian Postgraduate Awards (Industry):		
Surplus from previous reporting period	**301**	71
Grants received in advance (in previous reporting period)	**138**	24
Grants received in the reporting period (including grants received in advance for next reporting period)	**1 395**	1 092
Less: Grants received in advance for next reporting period	**93**	138
Funds available in current reporting period	**1 741**	1 049
Expenses in the current reporting period	**1 279**	748
Surplus from current reporting period	**462**	301
Amounts received and expended pursuant to the *Higher Education Funding Act 1988* for the Higher Education Contribution Scheme (HECS):		
Surplus from previous reporting period	**-**	-
Amounts received in advance (in previous reporting period)	**4 028**	3 591
Amounts received in the reporting period (including grants received in advance for next reporting period)	**49 936**	45 576
Less: Amounts received in advance for next reporting period	**(4 066)**	(4 028)
Funds available in current reporting period	**49 898**	45 139
Expenses in the current reporting period	**49 898**	45 139
Surplus from current reporting period	**-**	-
HECS contributions actually received from students	**8 212**	7 678
Total HECS revenue for the reporting period	**58 110**	52 817

5. South Australia Government Grants

	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
State Government grants for the following purposes were received during the reporting period:				
Department of Education, Training and Employment (DETE) - Certificate teaching	**4**	71	**4**	71
Anangu Teacher Education Program (AnTEP)	**150**	150	**150**	150
Research grants	**2 342**	2 290	**2 342**	2 290
Other	**6**	27	**6**	27
	2 502	2 538	**2 502**	2 538

6. Fees and Charges

	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Fees and charges were collected from the following sources during the reporting period:				
Fee paying overseas students	**20 042**	18 457	**20 042**	18 457
Fee paying Australian postgraduate students	**2 678**	2 018	**2 678**	2 018
Open Learning Australia (OLA)	**1 005**	1 343	**1 005**	1 343
Fees - Flying School	**531**	914	**531**	914
Hire of facilities	**1 604**	1 294	**1 604**	1 294
Consultancy	**7 512**	6 883	**2 754**	3 582
All other	**5 609**	5 477	**5 570**	5 467
	38 981	36 386	**34 184**	33 075

7. Expenses Attributed to Functions

	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Academic Activities:				
Academic staff salaries	**59 240**	55 347	**59 240**	55 347
Academic staff salary related expenses	**27 232**	25 871	**27 232**	25 871
Non-academic staff salaries	**16 990**	15 670	**16 990**	15 670
Non-academic staff salary related expenses	**4 164**	3 732	**4 164**	3 732
Depreciation expense:				
Buildings and infrastructure	**8 010**	7 390	**8 010**	7 390
Plant and equipment	**1 296**	1 731	**1 296**	1 731
Sub-total depreciation expense	**9 306**	9 121	**9 306**	9 121
Other expenses	**28 940**	30 172	**28 940**	30 172
	145 872	139 913	**145 872**	139 913

7. Expenses Attributed to Functions (continued)

	Consolidated		University	
	1999	1998	**1999**	1998
Libraries:	**$'000**	$'000	**$'000**	$'000
Academic staff salaries	**92**	116	**92**	116
Academic staff salary related expenses	**48**	54	**48**	54
Non-academic staff salaries	**5 777**	5 336	**5 777**	5 336
Non-academic staff salary related expenses	**1 361**	1 271	**1 361**	1 271
Depreciation expense:				
Buildings and infrastructure	**1 261**	1 163	**1 261**	1 163
Library collection	**6 352**	2 967	**6 352**	2 967
Plant and equipment	**64**	42	**64**	42
Sub-total depreciation expense	**7 677**	4 172	**7 677**	4 172
Other expenses	**1 267**	1 392	**1 267**	1 392
	16 222	12 341	**16 222**	12 341
Other Academic Support Services:				
Academic staff salaries	**417**	383	**417**	383
Academic staff salary related expenses	**140**	179	**140**	179
Non-academic staff salaries	**6 168**	6 542	**6 168**	6 542
Non-academic staff salary related expenses	**1 285**	1 558	**1 285**	1 558
Depreciation expense:				
Buildings and infrastructure	**453**	417	**453**	417
Plant and equipment	**877**	803	**877**	803
Sub-total depreciation expense	**1 330**	1 220	**1 330**	1 220
Other expenses	**7 182**	8 431	**7 182**	8 431
	16 522	18 313	**16 522**	18 313
Student Services:				
Academic staff salaries	**447**	817	**447**	817
Academic staff salary related expenses	**204**	382	**204**	382
Non-academic staff salaries	**1 662**	1 226	**1 662**	1 226
Non-academic staff salary related expenses	**383**	292	**383**	292
Depreciation expense:				
Buildings and infrastructure	**1 735**	1 601	**1 735**	1 601
Sub-total depreciation expense	**1 735**	1 601	**1 735**	1 601
Other expenses	**2 660**	1 456	**2 660**	1 456
	7 091	5 774	**7 091**	5 774
Public Services:				
Academic staff salaries	**57**	737	**57**	737
Academic staff salary related expenses	**3**	344	**3**	344
Non-academic staff salaries	**114**	823	**114**	823
Non-academic staff salary related expenses	**-**	196	**-**	196
Depreciation expense:				
Buildings and infrastructure	**47**	43	**47**	43
Plant and equipment	**1**	1	**1**	1
Sub-total depreciation expense	**48**	44	**48**	44
Other expenses	**185**	1 407	**185**	1 407
	407	3 551	**407**	3 551
Buildings and Grounds:				
Academic staff salaries	**-**	7	**-**	7
Academic staff salary related expenses	**1**	3	**1**	3
Non-academic staff salaries	**2 991**	2 652	**2 991**	2 652
Non-academic staff salary related expenses	**719**	631	**719**	631
Depreciation expense:				
Buildings and infrastructure	**333**	307	**333**	307
Plant and equipment	**23**	48	**23**	48
Sub-total depreciation expense	**356**	355	**356**	355
Other expenses	**13 885**	9 713	**13 885**	9 713
	17 952	13 361	**17 952**	13 361
Administration and Other General Institutional Services:				
Academic staff salaries	**846**	744	**846**	744
Academic staff salary related expenses	**384**	347	**384**	347
Non-academic staff salaries	**13 798**	11 145	**13 798**	11 145
Non-academic staff salary related expenses	**3 360**	2 654	**3 360**	2 654
Depreciation expense:				
Buildings and infrastructure	**736**	679	**736**	679
Plant and equipment	**413**	707	**413**	707
Sub-total depreciation expense	**1 149**	1 386	**1 149**	1 386
Other expenses	**9 621**	9 556	**9 621**	9 556
	29 158	25 832	**29 158**	25 832
Deferred Employee Benefits for Superannuation:				
Academic staff salary related expenses	**12 480**	10 880	**12 480**	10 880
Non-academic staff salary related expenses	**3 120**	2 720	**3 120**	2 720
	15 600	13 600	**15 600**	13 600

7. Expenses Attributed to Functions (continued)

	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Other:				
Non-academic staff salaries	**2 234**	1 541	**-**	-
Non-academic staff salary related expenses	**436**	358	**-**	-
Depreciation expense:				
Plant and equipment	**111**	86	**-**	-
Sub-total depreciation expense	**111**	86	**-**	-
Other expenses	**1 799**	1 223	**-**	-
	4 580	3 208	**-**	-
Total:				
Academic staff salaries	**61 099**	58 151	**61 099**	58 151
Academic staff salary related expenses	**40 492**	38 060	**40 492**	38 060
Non-academic staff salaries	**49 737**	44 935	**47 503**	43 934
Non-academic staff salary related expenses	**14 825**	13 412	**14 389**	13 054
Depreciation expense:				
Buildings and infrastructure	**12 575**	11 600	**12 575**	11 600
Library collection	**6 352**	2 967	**6 352**	2 967
Plant and equipment	**2 785**	3 418	**2 674**	3 332
Sub-total depreciation expense	**21 712**	17 985	**21 601**	17 899
Other expenses	**65 539**	63 350	**63 740**	62 127
	253 404	235 893	**248 824**	232 685

Staff salary related expenses include superannuation expenses made on behalf of former employees (1999: $20.850 million, 1998: $19.393 million) and the increase in the liability of the South Australia Superannuation Fund (1999: $15.6 million, 1998: $13.6 million) which relates to both existing and past employees. Refer to Notes 19 and 20 for further details about the South Australia Superannuation Fund. Calculation of remuneration costs for employees for the current operating period will be distorted unless the above effects are adjusted for.

Included in salary expenditure are three targeted separation packages totalling $0.113 million. The aggregate of accrued leave and long service leave paid to employees who received these targeted separation payments was $0.012 million and $0.023 million respectively. There was no recovery from the Office for the Commissioner for Public Employment in respect of the targeted separation packages.

8. Salary Related Expenses

The following salary related expenses (refer Note 7) were incurred during the reporting period:

	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Contributions to superannuation and pension schemes:				
Deferred employee benefits for superannuation	**15 600**	13 600	**15 600**	13 600
Emerging cost	**20 850**	19 393	**20 850**	19 393
Funded	**10 875**	9 717	**10 671**	9 533
Payroll tax	**6 987**	6 856	**6 856**	6 731
Workers compensation	**347**	820	**320**	799
Long service leave	**1 835**	2 654	**1 835**	2 654
Annual leave	**(1 178)**	(1 568)	**(1 251)**	(1 596)
Total Salary Related Expenses	**55 316**	51 472	**54 881**	51 114

Payments for annual leave are shown as direct salaries (refer Note 7). The movement in the provision for annual leave is shown above.

Long service leave includes amounts paid for long service leave and the net movement in the provision for long service leave.

9. Payment to Consultants

In 1999 the University expended $1.408 million as a result of engaging consultants.

10. Receivables

	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Current:				
Debtors	**7 178**	6 891	**6 275**	6 661
Student loans	**533**	459	**533**	459
	7 711	7 350	**6 808**	7 120
Provision for doubtful debts	**(406)**	(2 077)	**(406)**	(2 057)
	7 305	5 273	**6 402**	5 063

11. Investments

	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Current:				
Workers Compensation Investment Fund	**158**	135	**158**	135
Short term deposits	**37 980**	41 643	**37 680**	40 795
	38 138	41 778	**37 838**	40 930
Non-Current:				
Investment in controlled entity	**-**	-	**66**	66
Workers Compensation Investment Fund	**5 296**	4 954	**5 296**	4 954
Share investments	**305**	230	**305**	230
	5 601	5 184	**5 667**	5 250

		Consolidated		University	
		1999	1998	**1999**	1998
12.	**Other Assets**	**$'000**	$'000	**$'000**	$'000
	Current:				
	Deferred government superannuation contribution (refer Note 20)	**21 200**	21 300	**21 200**	21 300
	Prepayments	**107**	72	**64**	63
	Accrued income	**956**	960	**956**	960
		22 263	22 332	**22 220**	22 323
	Non-Current:				
	Deferred government superannuation contribution (refer Note 20)	**262 900**	247 200	**262 900**	247 200
13.	**Property, Plant and Equipment**				
	Land, Buildings and Infrastructure:				
	At independent valuation 31 December 1998	**547 822**	548 249	**547 822**	548 249
	At cost	**5 661**	-	**5 661**	-
	Accumulated depreciation	**(160 175)**	(147 718)	**(160 175)**	(147 718)
		393 308	400 531	**393 308**	400 531
	Library Collection:				
	At University valuation 31 December 1998	**104 614**	105 901	**104 614**	105 901
	At cost	**3 034**	-	**3 034**	-
	Accumulated depreciation	**(70 230)**	(64 748)	**(70 230)**	(64 748)
		37 418	41 153	**37 418**	41 153
	Plant and Equipment:				
	At University valuation 31 December 1998	**3 920**	3 920	**3 920**	3 920
	At cost	**27 160**	23 769	**26 778**	22 958
	Accumulated depreciation	**(18 170)**	(16 656)	**(18 106)**	(16 155)
		12 910	11 033	**12 592**	10 723
	Total Property, Plant and Equipment	**443 636**	452 717	**443 318**	452 407
	Acquisitions:				
	The following property, plant and equipment was purchased or constructed during the year:				
	Land, buildings and infrastructure	**5 661**	885	**5 661**	885
	Library collection	**3 039**	2 587	**3 039**	2 587
	Plant and equipment	**5 046**	4 632	**4 888**	4 229
		13 746	8 104	**13 588**	7 701
	Disposals:				
	The following property, plant and equipment was disposed of or written-off during the year:				
	Land, buildings and infrastructure	**427**	-	**427**	-
	Library collection	**1 292**	187	**1 292**	187
	Plant and equipment	**1 655**	586	**1 068**	469
		3 374	773	**2 787**	656
	Revaluations:				
	Land, buildings and infrastructure	**-**	22 669	**-**	22 669
	Library	**-**	1 083	**-**	1 083
	Plant and equipment	**-**	(347)	**-**	(347)
		-	23 405	**-**	23 405
14.	**Revenue in Advance**				
	Current:				
	Amounts invoiced in advance on incomplete projects	**2 315**	1 449	**2 192**	1 255
	Work in progress	**(336)**	(436)	**(336)**	(436)
		1 979	1 013	**1 856**	819
	Fees and charges	**1 194**	465	**1 194**	465
	DETYA Commonwealth grant	**13 263**	17 348	**13 263**	17 348
		16 436	18 826	**16 313**	18 632
15.	**Creditors**				
	Current:				
	Trade creditors	**10 120**	10 975	**9 520**	10 824
	Bank overdraft	**531**	49	**531**	49
		10 651	11 024	**10 051**	10 873
16.	**Borrowings**				
	Current:				
	Not later than one year	**5 056**	5 056	**5 056**	5 056
	Non-Current:				
	Later than one year but not later than five years	**5 056**	10 113	**5 056**	10 113
	Later than five years	**15 050**	15 050	**15 050**	15 050
		20 106	25 163	**20 106**	25 163

17. Accrued Liabilities

	Consolidated		University	
	1999	1998	**1999**	1998
Current:	**$'000**	$'000	**$'000**	$'000
Annual leave	**8 859**	10 068	**8 785**	10 036
Long service leave	**2 450**	1 530	**2 450**	1 530
Separation Scheme	**77**	890	**77**	890
Workers compensation liability	**879**	1 016	**879**	1 016
Accrued interest	**713**	814	**713**	814
Other	**116**	11	**115**	11
	13 094	14 329	**13 019**	14 297
Non-Current:				
Workers compensation liability	**1 219**	1 409	**1 219**	1 409
Long service leave	**15 492**	16 370	**15 492**	16 370
	16 711	17 779	**16 711**	17 779

18. Other Liabilities

	Consolidated 1999 $'000	Consolidated 1998 $'000	University 1999 $'000	University 1998 $'000
Current:				
Provision for State Superannuation (Refer Note 19(i), 20)	**21 200**	21 300	**21 200**	21 300
Funds held on behalf of external entities	**52**	580	**868**	1 259
	21 252	21 880	**22 068**	22 559
Non-Current:				
Provision for State Superannuation (Refer Note 19(i), 20)	**262 900**	247 200	**262 900**	247 200
	262 900	247 200	**262 900**	247 200

19. Superannuation

The University contributes to the following employee superannuation funds:

(i) South Australia Superannuation Fund

A number of present and past employees of the University and its predecessor institutions are members of State Government Superannuation Schemes. Under the schemes benefits are paid as a lump sum or continuing pension on the termination of employees' service, based on contributions made by the employee and the employee's final salary. Employee contributions and certain employer contributions are paid the South Australia Superannuation Board (the Board) which is responsible for the administration of the schemes.

Under current arrangements, the Board pays the benefits and is reimbursed by the University. The Commonwealth Government funds the University on an emerging cost basis for the supplementation costs and recovers the State's share of the cost directly from the State Government.

The University's superannuation liability with respect to future benefits for current pensioners and employees was assessed by the Director Superannuation (State Superannuation Office), Department of Treasury and Finance as at 31 December 1999 to be $297.3 million ($279.3 million).

The University's liability under the scheme has been partly funded by an amount of $13.2 million ($10.9 million) arising from 3 percent productivity employer contributions. This reduces the unfunded liability to $284.1 million ($268.5 million). The net unfunded amount has been recognised in the accounts of the University as a liability and a corresponding receivable from the Commonwealth Government (refer Note 20). The asset and liability have been classified as current and non-current according to cash flow projections of the assessment.

Recognition of the receivable from the Commonwealth is in accordance with DETYA Instructions and reflects an assessment that while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

Assumptions adopted by the Director Superannuation (State Superannuation Office), Department of Treasury and Finance in determining the University's liability were:

Rate of increase in the Consumer Price Index	3.00% per annum
Rate of salary increases	4.00% per annum
Investment earnings	7.00% per annum

If an investment earnings rate of 2 percent per annum above the rate of salary increase had been assumed, rather than 3 percent, the unfunded liability would have been $318.3 million.

Further details are provided in Note 20.

(ii) Superannuation Scheme for Australian Universities (SSAU)

The University contributes to the SSAU at a rate double the contributions made by employees. Employee contributions are normally 7 percent of their gross salaries. The Fund provides defined benefits based on years of service and final average salary or choice of investment funds.

The last actuarial investigation was conducted as at 21 October 1997 by Grant Harslett, FIA, FIAA. A funding and solvency certificate required under regulation 9.09(1) of the Superannuation Industry (Supervision) Regulations had been obtained by SSAU with a date of effect of 26 November 1997.

As at 31 December the University of South Australia's share of the Fund was:

	1999	1998
	$'000	$'000
Net market value	**64 017**	65 921
Accrued benefits	**54 669**	54 594
Difference	**9 348**	11 327
Vested Benefits	**54 669**	54 594

19. Superannuation (continued)

(iii) Tertiary Education Superannuation Scheme

The University contributes to the fund at a rate determined by the trust deed. The Scheme is non-contributory for employees. The Fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University also makes contributions into the Fund for employee entitlements arising under the Superannuation Guarantee Legislation.

20. Deferred Government Superannuation Contribution

The Commonwealth Government has undertaken to provide funding for emerging superannuation costs in its grants to institutions and to recover the State's share of the cost directly from the State Government.

In 1999, an amount of $15.6 million ($13.6 million) was brought to account to reflect the increase in the net unfunded past service cost for State superannuation.

	1999	1998
	$'000	$'000
Deferred government superannuation contribution at 1 January	**268 500**	254 900
Increase in amount owing for unfunded liability	**15 600**	13 600
Deferred government superannuation contribution at 31 December	**284 100**	268 500
Comprising:		
Current asset	**21 200**	21 300
Non-Current asset	**262 900**	247 200
	284 100	268 500

21. Capital Expenditure Commitments

	Consolidated		University	
	1999	1998	**1999**	1998
Contacted for, but not provided for and payable:	**$'000**	$'000	**$'000**	$'000
Not later than one year	**720**	1 902	**720**	1 902
	720	1 902	**720**	1 902

22. Lease Expenditure Commitments

Operating Lease rentals are payable as follows:				
Not later than one year	**2 850**	2 561	**2 690**	2 561
Later than one year but not later than five years	**6 594**	6 779	**6 434**	6 779
Later than five years	**424**	438	**424**	438
	9 868	9 778	**9 548**	9 778

23. Contingent Liabilities

The University has entered into an agreement with the Minister of the Department of Education, Training and Employment to provide 35 spaces in a Child Care Centre built in 1997 at the University's City West campus. If the agreement is terminated within the first seven years, an amount of $680 000, being the Minister's contribution to the Child Care Centre, will be refunded. If the agreement is terminated after seven years, a sum of $680 000 to be repaid is reduced on a pro rata basis, reducing to zero after 21 years.

In 1994 the University received a South Australian Government grant of $1 million towards establishing the Ian Wark Research Institute (IWRI). Under the conditions the grant was awarded, if the IWRI ceases to operate the University is liable to repay 10 percent of the grant for each complete year the IWRI fails to operate up to the year 2004.

The University has no other material contingent liabilities.

24. Controlled Entities

The University has 100 percent ownership of two controlled entities.

(i) Techsearch Incorporated

Techsearch was the commercial arm of the University and has previously provided a range of services to support staff in commercial activities. As from July 1996 new University commercial activity has been generally conducted through the University and the support services previously provided by Techsearch are now provided by the University.

(ii) ITEK Pty Ltd

The University resolved to wind up Techsearch Incorporated on 1 July 1999, and put in place new operating structures, which include ITEK Pty Ltd and the ITEK Trust. ITEK provides University business incubation and technology commercialisation services.

(iii) University of South Australia Foundation Incorporated

The Foundation's purpose is to partner the University, its alumni and its supporters in industry and elsewhere in generating interest in the University. At the same time it will seek to attract broadly based levels of philanthropic support for the benefit of the University.

The University funds the operating costs of the Foundation directly so that donations and bequests received are used for the intended purpose.

25. Unisure Pty Ltd

The University of South Australia is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*, and is a shareholder along with the University of Adelaide and the Flinders University of South Australia in Unisure Pty Ltd, which manages workers compensation claims on behalf of the three institutions. Unisure Pty Ltd is the trustee of the Unisure Unit Trust which holds the University's workers compensation liabilities and the associated investments funds. As at 31 December 1999 the Unit Trust held net assets of $3.357 million on behalf of the University of South Australia ($2.663 million).

From 1998 the University annual financial statements incorporated the financial transactions of the Unisure Unit Trust.

26. Interest in Other Joint Ventures

The University is required to measure its interests in non-partnership joint ventures by applying the equity method of accounting in its consolidated financial statements under Australian Accounting Standard AAS 19 'Accounting for Interests in Joint Ventures'. Disclosure requirements of specific information about each joint venture are also required under this standard.

The University participates in several joint ventures as described below. The University's interest in these joint ventures is by note disclosure only as these interests are immaterial in relation to the University's core activities.

The following table indicates for each joint venture entity, if they are an incorporated (I) or unincorporated (U) entity, the date on which annual reports are produced, the percentage ownership (or voting rights) for the University, the University's nominal share of accumulated cash and expenditure commitments during the next accounting period.

Joint Venture Entities:		Reporting Date	*Ownership Percent	Share Accumulated (Cash) Funds $'000	Expenditure Commitments 2000 $'000
(i) SAARDNET	U	31 December	20	11	40
(ii) SATAC	U	30 June	25	54	109
(iii) AITEC Pty Ltd	I	31 December	25	262	0
(iv) CSSIP	U	30 June	5	30	0
(v) CWQT	U	30 June	5	26	50
(vi) CRCSS	U	30 June	24	0	100
(vii) CRCIMST	U	30 June	8	20	20
(viii) CMC	I	30 June	4	75	0
Joint Ventures Operations:					
(ix) SPRI (building)	U	30 June	30	0	50
				478	369

* *Ownership (or voting rights) percentage as determined by agreement or proportion of cash and in-kind contributions.*

Joint Venture Entities

(i) South Australian Academic Research and Development Network (SAARDNet)

SAARDNet is a joint venture by the three South Australian universities, DSTO and CSIRO to provide members with an enhanced network and shared resources. SAARDNet was formed to facilitate greater data, voice and video communications between higher education and research organisations in South Australia.

(ii) South Australian Tertiary Admissions Centre (SATAC)

SATAC is a joint venture of the three South Australian universities and the Minister for Education, Training and Employment.

SATAC process undergraduate and postgraduate applications for admission to tertiary level courses.

(iii) Australian Information Technology Engineering Centre Pty Ltd (AITEC)

The Centre is jointly owned by the University of Adelaide, the Flinders University of South Australia, the South Australian Minister of Education, Employment and Training and the University of South Australia. AITEC was formed by its higher education venturers to support the State's information technology, education and training. It has created educational programs designed to significantly increase the productivity of engineers employed in the Australian Information and Technology (IT & T) industries.

(iv) Cooperative Research Centre for Sensor Signal and Information Processing (CSSIP)

The CSSIP is a national Cooperative Research Centre. Its purpose is to provide research and postgraduate education in signal and information processing for sensors. The University has a commitment to the CSSIP to provide funding up to a maximum of $100 000 for 2000.

(v) Centre for Water Quality and Treatment (CWQT)

The CWQT is a national Cooperative Research Centre. Its purpose is to enhance scientific and technological capabilities, support scientific research and encourage applications of science and technology in industry and other areas in the area of water quality and treatment.

The University has a commitment to the CWQT to provide cash funding of $50 000 per annum, for the next three years.

(vi) CRC for Satellite Systems (CRCSS)

The mission of the CRCSS is to deliver a new, sustainable advantage for Australian industries and government agencies involved in services based on the applications of future generations of small satellites.

The University has a commitment to CRCSS to provide cash funding of $100 000 per annum for the next five years.

(vii) CRC for Intelligent Manufacturing Systems and Technologies

The Centre for Intelligent Manufacturing Systems and Technologies is a national Cooperative Research Centre. Its purpose is to establish a world class research centre with representation from both industry and universities in areas of research that are directed at industry manufacturing methodologies and technologies. The University has a commitment to provide cash funding of $20 000 for the next six years.

(viii) Cooperative Multimedia Centre (CMC)

The University is a shareholder in Ngapartji Pty Ltd which is a CMC. The University shareholding is below that required for Ngapartji to be considered an associated company. The aim of Ngapartji is to provide an international focal point for the creation and development of world leading commercially successful skills, technology and products in interactive media.

The University has no commitment to contribute to Ngapartji Pty Ltd in 2000 ($25 000).

26. Interest in Other Joint Ventures (continued)

Joint Venture Operations

(ix) Signal Processing Research Institute (SPRI) Building

The University and the Technology Development Corporation (subsumed by the MFP Development Corporation and subsequently the Land Management Corporation) entered into an agreement in 1991 to establish a building to house the Signal Processing Research Institute (SPRI) adjacent to the Levels at Mawson Lakes. The building is leased to the University research centres affiliated with the SPRI and other lessees. The University has a 30 percent share of the joint venture with the MFP Development Corporation holding the remaining 70 percent share.

27. Reconciliation of Equity

	Consolidated		University	
	1999	1998	**1999**	1998
Asset Revaluation Reserve	**$'000**	$'000	**$'000**	$'000
Land, Buildings and Infrastructure Reserve:				
Opening balance 1 January	**59 125**	36 803	**59 125**	36 803
Asset revaluation increment	**-**	22 322	**-**	22 322
Closing balance 31 December	**59 125**	59 125	**59 125**	59 125
Library Reserve:				
Opening Balance 1 January	**1 082**	-	**1 082**	-
Asset revaluation increment (Library)	**-**	1 082	**-**	1 082
Closing balance 31 December	**1 082**	1 082	**1 082**	1 082
Closing Balance 31 December	**60 207**	60 207	**60 207**	60 207
Accumulated Results of Operations				
Opening balance 1 January	**343 304**	349 143	**341 313**	347 544
Result of operations	**1 326**	5 197	**841**	4 805
Transfers to reserves	**11 036**	(11 036)	**11 036**	(11 036)
Closing balance 31 December	**355 666**	343 304	**353 190**	341 313
Other Reserves				
Unspent HEFA Grant Reserve:				
Opening balance 1 January	**2 878**	-	**2 878**	-
Transfer to (from) reserves	**(2 878)**	2 878	**(2 878)**	2 878
Closing balance 31 December	**-**	2 878	**-**	2 878
Unspent Other Grant Reserve:				
Opening balance 1 January	**5 495**	-	**5 495**	-
Transfer to (from) reserves	**(5 495)**	5 495	**(5 495)**	5 495
Closing balance 31 December	**-**	5 495	**-**	5 495
Workers Compensation Reserve:				
Opening balance 1 January	**2 663**	-	**2 663**	-
Transfers to (from) reserves	**(2 663)**	2 663	**(2 663)**	2 663
Closing balance 31 December	**-**	2 663	**-**	2 663
Total Equity	**415 873**	414 547	**413 397**	412 556

28. Notes to the Statement of Cash Flows

(i) Reconciliation of Cash

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

		Consolidated		University	
		1999	1998	**1999**	1998
	Note	**$'000**	$'000	**$'000**	$'000
Cash		**2 236**	1 320	**1 276**	942
Short-term deposits	11	**37 980**	41 643	**37 680**	40 795
Bank overdraft	15	**(531)**	(49)	**(531)**	(49)
		39 685	42 914	**38 425**	41 688

(ii) Reconciliation of Operating Result after Abnormal Items to Net Cash Used in Operating Activities

Operating result after abnormal items	**1 326**	5 197	**841**	4 805
Add (Less): Items classified as investing, financing				
(Profit) Loss on sale of plant and equipment	**(168)**	(26)	**(179)**	8
Add (Less): Non-cash items:				
Plant and equipment revaluation decrement	**-**	876	**-**	876
Depreciation	**21 712**	17 985	**21 601**	17 899
Increase (Decrease) in doubtful debts provision	**(1 671)**	1 820	**(1 651)**	1 820
Workers Compensation Investment Fund	**-**	(4 740)	**-**	(4 740)
Non cash donations	**(536)**	-	**(536)**	-
Change in assets and liabilities:				
(Increase) Decrease in receivables	**(361)**	585	**311**	515
(Increase) Decrease in other assets	**(15 631)**	(13 947)	**(15 597)**	(13 952)
Increase (Decrease) in trade creditors	**(855)**	4 044	**(1 304)**	3 894
Increase (Decrease) in advanced revenue	**(2 390)**	(2 147)	**(2 319)**	(2 186)
Increase (Decrease) in accrued liabilities	**(2 303)**	(67)	**(2 346)**	(74)
Increase (Decrease) in other liabilities	**15 072**	14 023	**15 209**	14 292
Net Cash used in Operating Activities	**14 195**	23 603	**14 030**	23 157

28. Notes to the Statement of Cash Flows (continued)

(iii) Non-Cash Financing and Investing Activities

The University received in the reporting period donations of works of art and library materials with a fair value of $536 000. These non-cash acquisitions are not reflected in the Statement of Cash Flows.

(iv) Financing Facilities

The University has a $4 million ($4 million) credit card facility with the National Australia Bank. The balance owing at the end of each monthly cycle is automatically paid by transfer from the University's NAB bank account. The unused portion of this facility as at 31 December 1999 was $0.501 million ($2.356 million).

The University has entered into an arrangement with the Department of Treasury and Finance to provide a loan facility of $35 million for the purposes of building a new campus at the University's City West site. As at 31 December 1998 the University had drawn $30 million of the loan. As at 31 December 1999 the University had repaid $5 million, leaving $25 million outstanding. No security is held against these borrowings.

In addition, the South Australia Treasurer has agreed to provide a short-term credit facility to 30 June 2001 of up to $10 million. As at 31 December 1999 the unused amount available was $10 million ($10 million). A condition of this facility is that any funds drawn down must be repaid prior to 30 June in the relevant financial year.

(v) Cash Balances Not Available for Use

There are no cash balances not available for use.

29. Segment Information

The University operates in the field of higher education in Australia and provides teaching and research services.

30. Auditors' Remuneration

	Consolidated		University	
	1999	1998	**1999**	1998
Amounts paid or payable were:	**$'000**	$'000	**$'000**	$'000
South Australia Auditor-General	**140**	156	**140**	148
Other	**9**	4	**1**	-
	149	160	**141**	148

31. Employee Remuneration over $100 000

	University	
	1999 Number of Employees	1998 Number of Employees
$100 000 - $109 999	**25**	31
$110 000 - $119 999	**21**	6
$120 000 - $129 999	**11**	14
$130 000 - $139 999	**5**	7
$140 000 - $149 999	**4**	1
$150 000 - $159 999	**7**	2
$160 000 - $169 999	**4**	1
$170 000 - $179 999	**1**	-
$190 000 - $199 999	**-**	1
$220 000 - $229 999	**1**	-
$260 000 - $269 999	**-**	1
$290 000 - $299 999	**1**	-
	80	64
	$'000	$'000
Total remuneration received or due and receivable by senior employees from the University	**10 101**	7 692

The remuneration includes salary, employer's superannuation costs and other benefits, including the associated fringe benefits tax, but excludes the value of separation payments.

32. Additional Financial Instruments Disclosure

(i) Interest Rate Risk

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

			Fixed Interest maturing in				
	Note	Floating Interest Rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-Interest Bearing $'000	**1999 Total $'000**
Financial Assets:							
Cash		2 236	-	-	-	-	**2 236**
Receivables	10	-	-	-	-	7 305	**7 305**
Investments	11	43 434	-	-	-	305	**43 739**
		45 670	-	-	-	7 610	**53 280**
Weighted average interest rate		4.85%	-	-	-	-	**-**
Financial Liabilities:							
Bank overdraft*	15	531	-	-	-	-	**531**
Accounts payable	15	-	-	-	-	10 120	**10 120**
Borrowings	16	-	5 000	5 000	15 000	162	**25 162**
Funds held on behalf of external entities	18	319	-	-	-	(267)	**52**
		850	5 000	5 000	15 000	10 015	**35 865**
Weighted average interest rate		1.69%	9.40%	9.80%	10.18%	-	**-**

(i) Interest Rate Risk (continued)

			Fixed Interest maturing in				
		Floating Interest Rate	1 year or less	Over 1 to 5 years	More than 5 years	Non-Interest Bearing	1998 Total
Financial Assets:	Note	$'000	$'000	$'000	$'000	$'000	$'000
Cash		1 320	-	-	-	-	1 320
Receivables	10	-	-	-	-	5 273	5 273
Investments	11	46 732	-	-	-	230	46 962
		48 052	-	-	-	5 503	53 555
Weighted average interest rate		4.86%	-	-	-	-	-
Financial Liabilities:							
Bank overdraft*	15	49	-	-	-	-	49
Accounts payable	15	-	-	-	-	10 975	10 975
Borrowings	16	-	5 000	10 000	15 000	219	30 219
Funds held on behalf of external entities	18	154	-	-	-	426	580
		203	5 000	10 000	15 000	11 620	41 823
Weighted average interest rate		3.22%	8.20%	9.60%	10.18%	-	-

* *The bank overdraft is caused by unpresented cheques. The University maintains sufficient cash in the bank overdraft account to cover presented cheques and to avoid incurring interest expense.*

(ii) Foreign Exchange Risk

The University assesses the likely foreign exchange risk for offshore activities and enters into hedge arrangements if appropriate. As at 31 December 1999 the University had no hedge arrangements in place.

(iii) Credit Risk Exposure

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

On-Balance Sheet Financial Instruments

The credit risk on financial assets excluding investments of the economic entity which have been recognised on the Statement of Financial Position, is the carrying amount, net of any provisions for doubtful debts.

The economic entity is not materially exposed to any individual overseas country or individual customer.

(iv) Net Fair Values of Financial Assets and Liabilities

Valuation Approach

Net fair values of financial assets and liabilities are determined by the economic entity on the following basis:

- *On-Balance Sheet Financial Instruments*

  Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at amounts due from customers (reduced for expected credit losses) or due to suppliers.

  The carrying amount of bank term deposits, accounts receivable, accounts payable and loans approximate net fair value.

  The net fair value of unlisted share investments is determined by reference to underlying net assets of the respective entities.

- *Net Fair Values*

  The carrying amounts of financial assets and liabilities at the reporting date all approximate the net fair values except for borrowings at fixed rates of interest. The values of those borrowings are:

1999	
Carrying Amount	**Net Fair Value**
$'000	**$'000**
25 000	**30 000**

MINISTER FOR ENVIRONMENT AND HERITAGE;
MINISTER FOR RECREATION, SPORT AND RACING

PORTFOLIO – ENVIRONMENT AND HERITAGE

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 Minister, namely:

- Minister for Environment and Heritage
- Minister for Recreation, Sport and Racing

The agency included herein relating to the portfolio of Environment and Heritage is the Department for Environment and Heritage.

DEPARTMENT FOR ENVIRONMENT AND HERITAGE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department for Environment and Heritage (DEH) is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

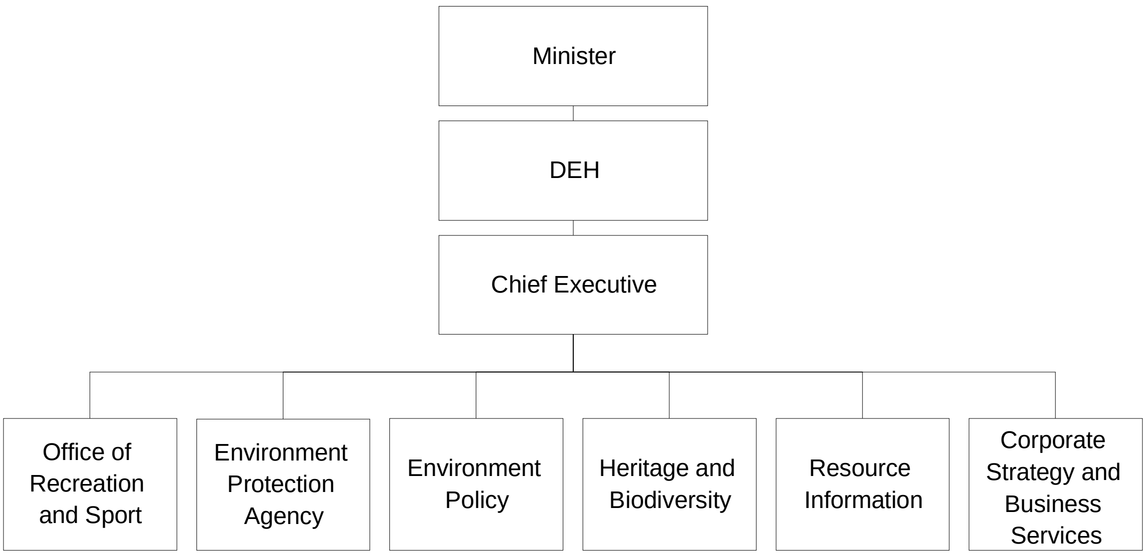
DEH is responsible for:

- managing the protection, conservation, enhancement and utilisation of South Australia's natural resources and heritage within a framework of ecologically sustainable development;

- developing recreation and sport services, programs and alliances to make a positive impact on the social, health and economic well being of the community;

- promoting and supporting involvement of the community in volunteer activities.

The structure of DEH is shown in the following diagram:



CHANGES TO ORGANISATIONAL STRUCTURE

In February 2000 a range of Government functions were restructured pursuant to the *Public Sector Management Act 1995* and the *Administrative Arrangements Act 1994*. The impact of this restructure on this Department was to:

- alter the title of the Department for Environment, Heritage and Aboriginal Affairs to the Department for Environment and Heritage;

- transfer from the Department the activities and employees of the Division of State Aboriginal Affairs to the Department for Transport, Urban Planning and the Arts;

- transfer to the Department the activities and employees of the Office for Recreation and Sport from the Department of Industry and Trade;

- transfer from the Department certain water related activities and employees to the Department for Water Resources.

The above transfers were effective from 14 February 2000, except for the transfer of employees to the Department for Water Resources, which was effective from 1 March 2000.

SIGNIFICANT FEATURES

- Net revenue from the restructure of Government functions amounted to $47.4 million.
- Total expenses increased to $180.1 million from $156.3 million, an increase of $23.8 million or 15.2 percent.
- Non-current assets of $53 million relating to the Office for Recreation and Sport were transferred to DEH.
- Amounts in the Accrual Appropriation Excess Funds Special Deposit Account with the Department of Treasury and Finance increased from $1.6 million as at 30 June 1999 to $19.2 million as at 30 June 2000.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of DEH in respect of each year.

Scope of Audit

The audit program covered all major financial areas of activity and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control.

During 1999-2000 specific areas of audit attention included:

- revenue receipting and banking
- accounts payable
- salaries and wages
- fixed assets
- bank reconciliations
- general ledger
- imprest account reconciliations
- inventory.

Audit Communications to Management

During the year Audit attended meetings with respect to all management letters issued. All audit management letters were forwarded to the Chief Executive. The main findings together with responses received from DEH are explained in 'Audit Findings and Comments' hereafter.

AUDIT FINDINGS AND COMMENTS

Financial Management Framework

Effective from 1 July 1998, the Treasurer's Instructions were reissued. The reissued Instructions require each Government department to develop, implement and document policies, procedures and systems which are sufficient to ensure the credibility and objectivity of the accountability process. These require that policies, procedures and systems are consistent with the prescribed principles set out in the 'Financial Management Framework' (FMF). Those prescribed principles are grouped into five components that cover control, transaction processing, asset and liability management, planning and analysis, and reporting.

Consideration of the FMF is highly relevant to forming an opinion on the adequacy of controls operating in departments and the issue of the control opinion. Consequently as a part of the 1999-2000 audit, Audit reviewed documentation with a view to obtaining an understanding of DEH's status in relation to the implementation of the prescribed elements of the FMF.

In considering the status of implementation of the FMF in agencies it is important to recognise that 1999-2000 was the second year of its operation. Further, specifically in relation to DEH, it is highlighted that there were a number of critical matters such as the restructure of the Department during 1999-2000, the lengthy delay in appointing a permanent Chief Executive and implementation of the GST that were relevant to the capacity of DEH to settle some key matters associated with the FMF.

Broadly, Audit observed that DEH has achieved or has in progress a large number of actions that address or seek to address the prescribed elements of the FMF. Notwithstanding this observation, Audit formed the opinion that there are several key overarching elements that require further development and implementation.

DEH's Response

The agency's response was positive in that DEH agreed with the broad audit observation and indicated that the Chief Executive is strongly committed to improving the performance and accountability of the agency.

Key matters raised by Audit and DEH's response to those matters are detailed below:

Financial Management Framework Implementation

Audit observed DEH had not established a specific management process (ie project management) to implement and monitor the requirements of the FMF. Audit noted that a recently (June 2000) established Audit and Risk Management Committee may include in its terms of reference the evaluation of strategies for implementation of the FMF. However, it was not clear whether the Committee had assumed this role.

DEH's Response

DEH's response indicated that in 1999-2000 responsibility to co-ordinate planning and monitoring of the FMF was assigned to the Management Assurance Officer. Furthermore, management reporting would be expanded to include a broader range of organisational and functional aspects plus agreed time schedules for milestone reporting in 2000-01. The Draft Terms of Reference of the Audit and Risk Management Committee indicate that the Committee will receive quarterly reports on the implementation of the FMF.

Audit and Risk Management Committee

It was noted by Audit that an interim Audit and Risk Management Committee was approved during the year. Audit understood that the Committee may have an important role in establishing a focus for ongoing risk identification, mitigation and monitoring, and the implementation of internal audit processes aimed at providing an element of assurance on the control practices of the Department. At the time of review the terms of reference, membership of the Committee and reporting relationships were still to be finalised. The Committee met for the first time on 30 June 2000 and consequently was not considered by Audit in its assessment of the control framework for the Department in 1999-2000. Likewise no internal audit function operated during 1999-2000.

DEH's Response

The response from DEH stated that approval had been provided for DEH to establish a single framework to cover, in a generic sense, the functions of risk management, internal control, prudential management and governance within DEH. The Risk Management and Audit Committee will have an important role in establishing a focus for ongoing risk identification, mitigation and monitoring, and the implementation of internal audit processes, and provide a level of assurance about the control practices of the Department.

Strategic Planning

Audit observed that for the 1999-2000 financial year information of a strategic nature was provided in a combination of the Budget Portfolio Statement, Corporate Overview 2000, Annual Report, individual divisional plans and a number of individual documents outlining specific longer term issues and directions. Best practice advocated in the FMF suggests that a single strategic plan that consolidates strategic information should be developed, with timeframes between three and five years as appropriate.

DEH's Response

DEH's response stated that the Executive is currently assessing the merit of publishing a suite of documents, including a forward-looking (3-5 year) 'Corporate Plan'.

Risk Management Plan

During the course of the audit it was observed that DEH does not have a consolidated risk management plan in a form as outlined in the FMF. Further it was noted that DEH had recently established a risk management policy statement and was in the process of developing mechanisms for risk identification and mitigation.

DEH's Response

The response from DEH indicated that the design of a structured program to develop risk and change management skills in staff commenced in the last quarter of 1999-2000.

Monitoring and Reporting

The Department operates a range of monitoring and reporting mechanisms, including monthly corporate reports to executive and quarterly performance agreement reporting. Audit observed that monthly corporate reports focused on financial information by expenditure type rather than relating to outputs as outlined in the Budget Portfolio Statement (ie outputs from a corporate perspective). However, it was noted that quarterly performance reports for Executives focussed on a range of matters and included performance relating to outputs. Audit observed that consideration of financial (dollar) information relating to outputs was, however, not included in the report.

DEH's Response

In response, DEH indicated that a reporting and overhead allocation model that will include the outputs of the agency is currently under development and may be extended to cover Directors' quarterly performance reports.

Property Plant and Equipment

Accounting for Fixed Assets

Over the past three years DEH has undergone significant changes, including departmental restructures and the implementation of accrual accounting. During the 1998-99 financial year DEH completed a significant asset recognition process in which assets with a written down value in the order of $121 million were recognised for the first time.

As reported in the 1998-99 Auditor-General's Report to Parliament, Audit testing during the financial statement verification process revealed significant examples of incorrect data being included in the asset register, asset details not being recorded in the asset register, assets being miss-classified and incorrect depreciation rates being applied to assets. At that time these difficulties were considered to reflect a lack of quality assurance procedures, internal control and independent checking processes, which have resulted in a significant amount of additional audit verification work being required together with significant adjustments to the financial statements.

In May 2000 Audit completed a review to determine the progress being made in addressing the aforementioned concerns and in implementing a system to account for the Department's fixed assets. That review revealed that progress in addressing the various issues surrounding the recognition and reporting of assets required further attention. Key Audit observations related to shortcomings with the:

- integrity and timeliness of key reconciliations;
- quality of information recorded in the asset register and related systems;
- processes to ensure assets are revalued;
- processes to ensure information recorded is complete and accurate;
- planning and project management relating to achieving a fully operational, ongoing and robust process of accounting for fixed assets.

At that time, Audit considered that the controls over asset recording were not adequate and the records maintained were such that an efficient audit could not be conducted.

These concerns were relayed to DEH on 31 May 2000.

DEH's Response

The response to these issues, dated 21 July 2000, acknowledged the importance of monthly reconciliation and independent checking processes. The response also indicated key reconciliations and other work would not be complete until mid to late July 2000. In addition DEH indicated that a Strategic Asset Manager had been appointed in July 2000 to oversee this area and that a comprehensive plan for the short term had been drawn up.

1999-2000 Financial Statements

Information relating to fixed assets was not provided to Audit for review until mid-August 2000. Similar to the previous year, testing performed as part of the financial statement verification process revealed significant examples where the recording and processing of asset information could be improved. These are considered to reflect the lack of adequate controls, including independent checking and quality control processes, over the fixed asset system during the year and have resulted in additional audit verification work and adjustments being required to the financial statements.

Accounting for Crown Land

In last year's Auditor-General's Report to Parliament comment was made on the treatment of Crown lands for accounting purposes. In particular, it was considered that there was insufficient information available to enable a broad appreciation of the impact the various types of Crown tenures may have on the accounting treatment for these lands. Further, Audit expressed concerns regarding the use of information from the Land Ownership and Tenure System (LOTS) for financial reporting purposes. These concerns relate to anomalies that adversely impacted on the completeness and accuracy of information relating to Crown lands obtained from LOTS. Notwithstanding these limitations the Department resolved to treat the Crown lands as administered rather than controlled. As a result of these aforementioned matters the 1998-99 financial statements of the Department were qualified with respect to administered property.

My 1998-99 Report also noted that DEH had secured funding to review Crown lands assets. That review was expected to meet the financial reporting requirements for assets in DEH and other agencies and result in the development of a robust Government property register providing reliable information for effective management and decision making, and the facilitation of departmental and whole-of-government reporting. In this regard, the Department of Treasury and Finance approved an additional appropriation of $530 000 to complete the project.

An important part of DEH meeting its management and accounting responsibilities is ensuring that information on land holdings is reliable for decision making and reporting purposes. In this respect the Financial Management Framework prescribes a number of elements that must be adhered to including that all assets are identified and accurately classified, used for authorised purposes only and proper authority is obtained before acquiring or disposing of assets. In addition, the Framework requires that information is obtained to allow the timely provision of relevant and reliable management information and preparation of external reports.

Audit follow-up in May 2000 revealed that the established project was not sufficiently progressed to facilitate the production of timely, reliable and complete information for inclusion in the 1999-2000 financial statements. In addition, Audit sought certain information and documentation with respect to the scope, management and status of the project.

DEH's Response

The response from DEH, 21 July 2000, stated:

> *... that much of the work in the project proposal had been completed, in particular, major asset identification related to parks, valuation methodology for Crown land subject to leases and investigation of a robust process for accounting for State-controlled land.*
>
> *The investigation of a process of accounting for State-controlled land has led to the development of a number of papers discussing issues that must be addressed in order for this process to be successful.*

The response also provided a copy of a Valuer's report, dated May 2000, into options regarding valuations of Crown lands. That report concluded that:

> *... at this point in time, given the errors in the database, we have not been able to develop a cost effective method of valuing the properties that we consider to be reliable or meaningful.*

DEH indicated that it considered that the management of Crown lands should be addressed from a whole-of-government perspective and would be taking this matter up with other key Government stakeholders.

As detailed above, there are a number of shortcomings with the information maintained with respect to land holdings of the Crown. The work undertaken to resolve issues relating to the identification and valuation of administered property (ie Crown land) was not sufficiently progressed to facilitate the production of timely, reliable and complete information for inclusion in this year's financial statements. Consequently the Independent Audit Report to the financial statements has again been qualified with respect to the completeness and valuation of property, plant and equipment included in the Schedule of Administered Items. An extract from the Independent Audit Report is provided later.

Change Processes

As a part of the fixed assets review, it was observed that there has been a change in key personnel in the fixed assets area with DEH setting up a process aimed at staff acquiring skills and knowledge rather than relying on contractors. Audit considered there are benefits to this approach and that, with proper planning and monitoring, together with the development of adequate documented policies and procedures, the accounting for assets could be improved.

Notwithstanding this observation, Audit considers that there have been occasions where the hand-over process could be improved when contractors/officers move on. Further, in consideration of the comments made above relating to fixed assets, Audit considered this observation may reflect the level of project planning and management control together with the level of documented and quality control processes in place.

Audit also observed in previous years that there has also been a high reliance on contractors in other areas (eg compilation/preparation of the financial statements) and that consistent with the previous observation there have been occasions where some of the skills and knowledge acquired by the contractors did not appear to have been transferred to departmental officers.

DEH's Response

In response to these issues, DEH indicated they have recently created a new management position of Manager, Strategic Assets and Budgets and that this position has the responsibility for the operational unit that administers Masterpiece fixed assets and the strategic component of asset management. The response further indicated that, in relation to fixed assets, a detailed hand-over was provided to another contractor and that the original contractor would be available to provide a hand-over to the Manager, Strategic Assets and Budgets.

Land Services Group

As part of the 23 October 1997 restructure of Government agencies the functions, assets and liabilities of the Land Services Group (LSG) were transferred to the Department for Administrative and Information Services (DAIS).

Since that time, Audit has on several occasions corresponded with the former Department for Environment, Heritage and Aboriginal Affairs (DEHAA, now DEH) seeking clarification of several outstanding issues regarding the transfer. Those correspondences highlighted the need for the Departments to formally document the final negotiated position and establish formal service agreements between DEHAA and DAIS (particularly relating to systems maintenance, revenue and accounts receivable), that outlined the responsibilities, rights and obligations of each agency resulting from the transfer of the LSG and associated information technology assets.

Previous responses to the matters raised indicated that the issue of ownership was difficult to resolve and acknowledged that formal service level agreements did not exist. The responses further acknowledged that agreements needed to be established to cover the new LOTS environment, systems maintenance responsibilities and services which are provided to LSG by DEHAA and that complementary agreements covering access to data and services provided by LSG to DEHAA also needed to be developed. However, the responses pointed out that work on these agreements could not progress far until matters arising from the ownership of LOTS are concluded.

A follow-up of the progress with respect to resolving the outstanding issues was conducted during the year. It was noted that even though it has been two and a half years since the restructure, agreement with respect to a number of areas still had to be achieved. That is, there have been difficulties involved in reaching agreement pertaining to certain aspects of LOTS due to the reliance on the system for the various businesses operations of both agencies.

DEH's Response

The DEH response advised that overall agreement on business arrangements between DAIS and DEH is being formally negotiated and that ownership issues had been resolved. Further, in August 2000 DEH advised that a 'Heads of Agreement in relation to Lands Administration' was completed. That agreement requires that DEH and DAIS operate according to the principles of the agreement from 17 July 2000, with the agreement being reviewed by 31 December 2001.

The Heads of Agreement identified the requirement for clearly defined roles and stated that LSG is responsible and accountable for land administration functions including cost data confidentiality, integrity, security and revenue. Consistent with that accountability, LSG will specify the level and quality of outputs, funding applied to those outputs and measures to be adopted to ensure the confidentiality, integrity, security and control of data sets. To facilitate the achievement of these principles the Heads of Agreement indicates that both parties will ensure the completion of various other agreements including land administration functions, land administration data, agent arrangements and service provider arrangements.

Commentary regarding this matter has also been included in this Report under the Department for Administrative and Information Services. Audit will follow-up the progress in regard to these matters during 2000-01.

Water Licensing System

In prior years comment was made regarding the control environment surrounding the Water Licensing System. This activity was transferred to the Department for Water Resources in February 2000. Commentary in this Report regarding the Water Licensing System has been included under the Department for Water Resources.

Waste Depot Levies

Audit reviews over the past three years have commented that a structured mechanism to ensure that the information accompanying waste levy payments is reflective of the underlying waste disposals received by licensed waste depots was not in place. Audit further noted that the Department was attempting to address waste measurement problems through a Cabinet Submission. Due to the time lags involved in having the recommendations of the draft Cabinet Submission approved and implemented, Audit suggested other interim measures be investigated including random site inspections and changes to certain regulations to reflect the current waste environment.

During the year a follow-up audit was conducted which revealed that in May 2000 Cabinet approved the drafting of regulatory changes relating to waste measurement and payment arrangements aimed at ensuring a more accurate method of measuring waste disposals. Further, DEH had performed audits of waste returns.

Audit wrote to the DEH requesting information on the planned future developments (such as systematic audits) by the Department aimed at ensuring that levies collected are representative of the underlying waste activities.

DEH's Response

In response, DEH agreed that audits of levies collected would be useful and that various options to implement this activity would be considered.

Payroll

A key focus of Audit was the review of the application and monitoring of internal controls operating over the payment of salaries and wages. As with many computerised systems, the payroll system (Concept) is characterised by manual input of information upon which the system performs various processes to produce required output. Audit observed that over the past two years there had been an improvement in the level of internal control and that generally, the Department had established control procedures aimed at ensuring information processed through the system is complete, accurate and bona fide.

The audit identified some suggestions aimed at improving the level of control. These related to reconciliation processes, bona fide certificates and system access. A satisfactory response to these suggestions was received from DEH.

Accounts Payable

The audit focused on the application and monitoring of internal controls operating over the payment of accounts. The accounts payable system is characterised by manual preparation and input of information to produce payments and required information. Audit noted that generally, the Department had established control procedures aimed at ensuring information processed through the system is complete, accurate and bona fide.

The audit identified some suggestions aimed at improving the level of control. These related to the documentation of policies and procedures and the use and control of corporate credit cards. A satisfactory response to these suggestions was received from DEH.

Office for Recreation and Sport

Sporting Stadium Management Arrangements

Previous Reports have included comment concerning matters relating to sporting stadium management and financing arrangements.

The Government, over the years, has provided significant financial support for the construction and/or upgrade of sporting stadiums, whether through the direct provision of funds for development costs or by the provision of government guarantees for loan contributions to the development costs made by sporting associations.

During the latter part of 1997-98, Audit undertook a review of the management arrangements operating in relation to some of the major sporting stadiums. Audit focused on those arrangements where an external party to the Government manages the daily operations of the stadiums (usually a sporting association). These comprise the Hindmarsh Soccer Stadium, Mile End Netball Stadium and the Pines Hockey Stadium.

The Audit review revealed deficiencies with respect to management arrangements that did not meet adequate standards of accountability. The 1998-99 Report summarised action taken in response to the 1997-98 Audit review. The following provides an update on the more salient matters that were still to be progressed during 1999-2000.

Hindmarsh Soccer Stadium

Last year's Report mentioned that Cabinet was to receive a comprehensive submission dealing with issues of the Hindmarsh Soccer Stadium debt and management of the Stadium. At the time of preparation of this Report these matters were still under consideration by the Government.

The Auditor-General, in accordance with a formal request received from the Treasurer in December 1999 pursuant to section 32 of the *Public Finance and Audit Act 1987*, is in the process of examining matters in relation to the Hindmarsh Soccer Stadium redevelopment project.

Pines Hockey Stadium

A formalised management arrangement between the Government and Hockey SA is still outstanding.

SA Netball Association Inc

The Development and Funding Deed between the Government and the Association provided for the collection of levies on players using the Edward Park (Anzac Highway) courts. Levies were not collected as required for the 1998 year. In October 1999 Cabinet approved a recommendation from the responsible Minister to waive the 1998 levy collection.

As part of the 2000-01 financial year audit, it is again programmed to review aspects of the management arrangements covering sporting stadiums.

Management and Development Program

In the latter part of 1999-2000 Audit reviewed some aspects of the grants administrative arrangements applying in respect of the abovementioned program. Approved funding allocations to sport and recreation organisations for 1999-2000 approximated $6 million.

Matters arising from the review were:

- Much of the policy and administrative framework and arrangements under which the Program operates is outlined in a policy based minute. Audit suggested as a matter of good administrative practice that the minute be referred to the responsible Minister for signing to evidence confirmation of the Program arrangements.

- Program Funding Guidelines and Agreements provide for audit of grant recipients. In the context of entering the second cycle of grant allocations Audit suggested it may be appropriate to initiate some form of program of sample audits of grant recipients.

- A Memorandum of Understanding (MOU) between the Office for Recreation and Sport (ORS) and the Department of Human Services (DHS) outlines the obligations of DHS in the provision of health promotion advice and support to grant recipients for and on behalf of ORS. The MOU for 1999-2000 was signed off by the respective parties.

- It was considered that commentary in the recorded minutes of the Committee with responsibility for assessing grant funding applications could be enhanced to be more aligned to the stated criteria of the funding program.

The abovementioned matters were communicated to the Office for Recreation and Sport and a response received indicates action in progress consistent with Audit suggestions.

EXTRACT FROM THE INDEPENDENT AUDIT REPORT

Qualification

Due to limitations with respect to the reliability and completeness of information maintained on property administered by the Department that have prevented the production of timely and appropriate information, I am unable to form an opinion on the completeness and reliability of values ascribed to the property, plant and equipment component of the Schedule of Administered Items. Recognising this property using similar valuation methodology to that used for other property in this financial report may have material effects, the amounts of which are uncertain, on the property, plant and equipment reported in the Schedule of Administered Items.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matter referred to in the qualification paragraph, 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 Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the Department for Environment and Heritage as at 30 June 2000, the results of its operations and its cash flows for the year then ended.*

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department for Environment and Heritage included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Department for Environment and Heritage 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 'Audit Findings and Comments', were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

In February 2000, as part of a wider Government restructure, certain functions (including assets and liabilities) were transferred out of and into DEH. A description of these transfers has been provided earlier in this Report under 'Changes to Organisational Structure'.

In addition, from 1 July 2000, the operating arrangements between DEH and the General Reserves Trust and the Board of the Botanic Gardens and State Herbarium changed. This change resulted in those bodies making a transfer of monies to DEH to contribute to projects and work undertaken by DEH in the National Parks and the Botanical Gardens. Previously those bodies funded these projects and work in their own right.

As a result of these changes, comparison of figures between financial years may not be appropriate. The analysis below highlights the major changes in the Financial Statements.

Expenses

Total expenses increased to $180.1 million from $156.3 million, an increase of $23.8 million or 15 percent. Major items affecting those expenses were:

- Salaries and wages, which increased by $10.7 million (20 percent) to $63.9 million.
- Contractor expenses, which increased by $4.2 million (41 percent) to $14.5 million.
- Computing expenses, which increased by $2.1 million (40 percent) to $7.3 million.
- Depreciation and amortisation expense decreased to $26.4 million from $29.8 million, a reduction of $3.4 million or 11 percent. This decrease mainly comprised a reduction in infrastructure depreciation of $7.6 million which was offset by an increase in application software depreciation of $3.7 million.

Appropriations

The accrual appropriation was $17.6 million ($1.6 million). This amount was placed in the Accrual Appropriation Excess Funds Special Deposit Account with the Department of Treasury and Finance which totalled $19.2 million ($1.6 million) as at 30 June 2000.

Net Revenues from Restructure of Administrative Arrangements

Revenues as a result of a Government restructure of administrative arrangements amounted to $47.4 million. These comprised net amounts transferred from the Office for Recreation and Sport of $60.1 million and net amounts transferred to the Department for Water Resources and Department for Transport, Urban Planning and the Arts of $7.5 million and $5.2 million respectively. Refer to Notes 27 and 28.

This net revenue contributed the majority of the increase in accumulated surplus which increased by $48.2 million to $223.5 million.

Assets

Assets with a written down value of $53 million were transferred to DEH relating to the Office for Recreation and Sport.

Operating Statement for the year ended 30 June 2000

	Note	2000 $'000	1999 $'000
OPERATING EXPENSES:			
Salaries and wages and other employee related expenses		**63 909**	53 214
Goods and services	4	**54 710**	42 713
Grants and transfers	5	**30 143**	26 864
Depreciation and amortisation	2(d),6	**26 442**	29 778
Interest and other finance expenses	7	**3 710**	3 713
Net loss from disposal of non-current assets	8	**586**	-
Other	9	**631**	-
Total Operating Expenses		**180 131**	156 282
OPERATING REVENUES:			
Fees and charges	10	**23 918**	22 236
Net revenue from disposal of non-current assets	11	**-**	263
Interest and dividends		**3 613**	3 139
Other revenues	12	**29 263**	26 625
Total Operating Revenues		**56 794**	52 263
NET COST OF SERVICES		**123 337**	104 019
REVENUES FROM GOVERNMENT:			
Recurrent appropriations		**103 154**	103 753
Accrual appropriations		**17 562**	1 593
Total Revenues from Government	13	**120 716**	105 346
OPERATING (DEFICIT) SURPLUS BEFORE ABNORMAL ITEMS		**(2 621)**	1 327
Abnormal items	27	**47 398**	2 235
OPERATING SURPLUS		**44 777**	3 562
OPERATING SURPLUS TRANSFERRED TO ACCUMULATED SURPLUS	26	**44 777**	3 562

Statement of Financial Position as at 30 June 2000

	Note	2000 $'000	1999 $'000
CURRENT ASSETS:			
Cash on hand and on deposit	14	**51 055**	42 544
Investments	15	**8**	8
Receivables	16	**6 988**	6 401
Inventory	17	**1 612**	914
Other	18	**579**	775
Total Current Assets		**60 242**	50 642
NON-CURRENT ASSETS:			
Receivables	16	**1 226**	497
Inventory	17	**4 772**	4 897
Property, plant and equipment	19	**226 797**	186 454
Other	20	**272**	-
Total Non-Current Assets		**233 067**	191 848
Total Assets		**293 309**	242 490
CURRENT LIABILITIES:			
Payables	21	**10 914**	7 232
Employee entitlements and other employee related provisions	22	**3 792**	6 816
Finance leases	23	**227**	267
Provision for workers compensation	24	**188**	34
Total Current Liabilities		**15 121**	14 349
NON-CURRENT LIABILITIES:			
Payables	21	**2 739**	1 430
Employee entitlements and other employee related provisions	22	**11 435**	12 353
Finance leases	23	**99**	208
Provision for workers compensation	24	**573**	231
Borrowings	25	**39 139**	38 604
Total Non-Current Liabilities		**53 985**	52 826
Total Liabilities		**69 106**	67 175
NET ASSETS		**224 203**	175 315
EQUITY:			
Accumulated surplus		**223 520**	175 315
Asset revaluation reserve		**683**	-
TOTAL EQUITY	26	**224 203**	175 315
Restrictions on Contributions	34		
Contingent Obligations	35		

Statement of Cash Flows for the year ended 30 June 2000

	Note	**2000 Inflows (Outflows) $'000**	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee entitlements and other employee related expenses		**(63 635)**	(53 108)
Goods and services		**(51 174)**	(40 049)
Grants		**(30 143)**	(26 864)
Interest		**(4 011)**	(3 744)
RECEIPTS:			
Fees and charges		**23 681**	18 259
Interest income		**3 579**	3 144
Other revenues		**29 150**	26 625
CASH FLOWS FROM GOVERNMENT:			
Recurrent appropriations		**103 154**	105 346
Accrual appropriations		**17 562**	-
Net transfer receipts from other Government Entities		**(1 867)**	1 153
Net Cash provided by Operating Activities	29	**26 296**	30 762
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Disposal of non-current assets	8,11	**1 281**	1 301
PAYMENTS:			
Purchase of non-current assets		**(18 963)**	(17 524)
Net Cash used in Investing Activities		**(17 682)**	(16 223)
CASH FLOWS FROM FINANCING ACTIVITIES:			
PAYMENTS:			
Principal repayments under finance leases and repayments of borrowings		**(103)**	(324)
Net Cash used in Financing Activities		**(103)**	(324)
NET INCREASE IN CASH HELD		**8 511**	14 215
CASH AT 1 JULY		**42 544**	28 329
CASH AT 30 JUNE	14	**51 055**	42 544

Schedule of Administered Items for the year ended 30 June 2000 (refer Note 1)

	2000 Total $'000	1999 Total $'000
ADMINISTERED ASSETS AND LIABILITIES:		
ASSETS:		
Cash on hand and on deposit	**14 526**	16 146
Current receivables	**588**	930
Inventory	**125**	892
Non-current receivables	**384**	464
Capital work in progress	**1 027**	332
Property, plant and equipment	**145 578**	165 666
Total	**162 228**	184 430
LIABILITIES:		
Current payables	**1 046**	7 095
Current amounts owing to agencies	**-**	188
Other current liabilities	**4 723**	-
Current borrowings	**-**	586
Non-current borrowings	**327**	277
Total	**6 096**	8 146

Schedule of Administered Items for the year ended 30 June 2000 (refer Note 1) (continued)

	2000	1999
ADMINISTERED REVENUES AND EXPENSES:	**$'000**	$'000
EXPENSES:		
War concessions	**2**	2
Arid zone ecology	**4**	9
Royal Zoological Society of SA	**2 771**	2 634
Grants paid	**730**	1 395
Salaries and allowances	**387**	3 071
Salaries and allowances - Special Acts	**141**	227
Accommodation and service costs	**26**	394
Materials and consumables	**158**	419
Purchase of goods for resale	**-**	1 097
Vehicle operating costs	**72**	187
Contract payments	**1 278**	1 882
Consultancies	**218**	19
Computer expenses	**-**	4
Minor plant and equipment	**-**	36
Depreciation and amortisation	**1 510**	1 466
Interest expense	**26**	100
Auditor's remuneration	**75**	66
Other expenses	**432**	818
Amounts remitted to the Department of Treasury and Finance	**5 098**	8 398
Other transfers and remittances	**16 844**	9 022
Total	**29 772**	31 246
REVENUES:		
Appropriations	**1 330**	1 330
Crown land/property sales	**2 775**	4 422
Draw on Consolidated Account (Ministerial Other Items, Special Acts)	**2 908**	2 872
Grants and transfers received	**8 442**	6 920
Rents and interest - War Service properties	**562**	496
Fees and charges	**5 619**	4 630
Charges and admissions	**2 060**	3 593
Sales of other goods and services	**9 226**	2 366
Fines and penalties	**9**	339
Private plated vehicles contributions	**1**	1
Interest	**370**	344
Other revenues	**63**	1 324
Total	**33 365**	28 637
SURPLUS (DEFICIT)	**3 593**	(2 609)

Output Class Schedule of Expenses and Revenues for the year ended 30 June 2000

	2000										
Output Class (See Note 3(b))	1	2	3	4	5	6	7	8	9	10	**Total**
EXPENSES:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
Employee entitlements/expenses	1 612	8 390	13 139	1 123	22 107	8 205	1 652	93	4 189	3 399	**63 909**
Goods and services	1 894	7 546	8 848	1 041	20 256	8 757	1 188	21	2 551	2 608	**54 710**
Grants and transfers	2 003	1 426	1 322	308	1 719	448	44	500	15 916	6 457	**30 143**
Depreciation and amortisation	129	54	241	54	24 801	1 056	-	-	107	-	**26 442**
Interest and other finance expenses	3	511	802	73	1 356	542	109	-	292	22	**3 710**
Net loss from disposal of non-current assets	-	-	-	-	-	-	586	-	-	-	**586**
Other	-	-	-	-	-	631	-	-	-	-	**631**
Total Expenses	5 641	17 927	24 352	2 599	70 239	19 639	3 579	614	23 055	12 486	**180 131**
REVENUES:											
Government appropriations	6 000	6 602	24 568	3 968	53 929	9 194	-	693	10 449	5 313	**120 716**
Fees and charges	33	1 240	7 292	312	222	10 905	3 432	-	195	287	**23 918**
Interest and dividends	152	490	768	130	1 161	488	121	-	278	25	**3 613**
Other	363	5 281	2 691	111	11 722	698	274	1	4 926	3 196	**29 263**
Total Revenues	6 548	13 613	35 319	4 521	67 034	21 285	3 827	694	15 848	8 821	**177 510**
OPERATING SURPLUS (DEFICIT) BEFORE ABNORMAL ITEMS	907	(4 314)	10 967	1 922	(3 205)	1 646	248	80	(7 207)	(3 665)	**(2 621)**
Abnormal items	(5 155)	(868)	(2 142)	(69)	(2 293)	(868)	(186)	-	(1 166)	60 145	**47 398**
Operating Surplus (Deficit)	(4 248)	(5 182)	8 825	1 853	(5 498)	778	62	80	(8 373)	56 480	**44 777**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

Objectives

The Department for Environment and Heritage (DEH):

- manages the protection, conservation, enhancement and utilisation of South Australia's natural resources and heritage within a framework of ecologically sustainable development;
- develops recreation and sport services, programs and alliances to make a positive impact on the social, health and economic well being of the community;
- promotes and supports involvement of the community in volunteer activities.

Financial Arrangements

The Department's sources of funds consist of monies appropriated by Parliament together with income derived from fees and charges for services to the public and industry. These include:

- rents for Crown Land;
- sales of spatial information;
- fees, levies and licences.

The financial activities of the Department are primarily conducted through Deposit Accounts with the Department of Treasury and Finance pursuant to section 8 of the *Public Finance and Audit Act 1987*. The Deposit Accounts are used for funds provided by Parliamentary appropriation together with revenues from services provided. All contracts and balances of the Department are denominated solely in Australian dollars, therefore there are no foreign currency assets or liabilities.

Administered Activities

The Department is responsible for the administration of certain activities described below on behalf of the Department of Treasury and Finance, the Crown, Industry, Interstate Governments, the Minister for Environment and Heritage and the Minister for Recreation, Sport and Racing. The transactions relating to these activities are not recorded in the Department's Operating Statement or Statement of Financial Position, as the Department does not have any control over these activities and merely acts as an agent. Administered revenues, expenses, assets and liabilities are detailed in the Schedule of Administered Items. The administered items are:

- War Service Land Settlement Scheme;
- Crown Land Sales Suspense Account;
- Surplus Land and Property Sales;
- Wildlife Conservation Fund;
- Bookmark Biosphere Trust;
- General Reserves Trust;
- Board of the Botanic Gardens and State Herbarium;
- Environment Protection Fund;
- Pastoral Land Management Fund;
- State Heritage Fund;
- Native Vegetation Fund;
- Coast Protection Fund;
- Adelaide Coastal Water Study;
- Murray Mallee Partnership;
- Land Services Group;
- Ministerial other payments:
  - War concessions;
  - Arid zone ecology;
  - Royal Zoological Society of South Australia.
- Special acts allocation:
  - Salary allowance - Minister.
- Consolidated revenue:
  - Fines and penalties arising from breaches of various acts administered by the Department;
  - Private plate vehicle contributions.

2. Significant Accounting Policies

(a) Changes to Agency Structure

The Department for Environment, Heritage and Aboriginal Affairs (DEHAA) was renamed the Department for Environment and Heritage (DEH) as of 14 February 2000. This followed the reassignment of the water resource function to the Department for Water Resources, the transfer of the Division of State Aboriginal Affairs to the Department for Transport, Urban Planning and the Arts (DTUPA) and the transfer of the Office for Recreation and Sport from the Department for Industry and Trade. The following statements include the financial operations of the Division of State Aboriginal Affairs and the water resources function to the date of transfer and includes the Office for Recreation and Sport from the date of transfer into the Department. Administered items have been dealt with in the same manner with the exception of the Catchment Water Management Boards which were deconsolidated as of 1 July 1999.

During the financial year a restructure of administrative arrangements between the Board of the Botanic Gardens, the General Reserves Trust and the Department has resulted in the recognition of all expenditure being recorded in the operating result of the Department, in relation to parks and gardens. The relevant boards have reimbursed the Department through revenue transfers during the financial year.

2. Significant Accounting Policies (continued)

(b) Basis of Accounting

The financial statements have been prepared in accordance with the Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views (UIGs), Treasurer's Instructions and Accounting Policy Statements issued by the Department of Treasury and Finance.

The financial statements, including administered items, have been prepared on the accrual basis of accounting. Accordingly, revenues are recognised when they are earned or when the Department has control over them, rather than when they are received and expenses are recognised when they are incurred, rather than when they are paid. Some revenues are recognised when cash is received because only at this time can the Department be certain about the amounts to be collected. These revenues include items such as licence and accreditation fees, fines and penalties.

The financial statements have been prepared in accordance with the historical cost convention, with the exception of certain types of physical non-current assets which are valued at written down current cost, in accordance with Department of Treasury and Finance guidance. Cost is based on the fair values of the consideration given in exchange for assets.

Accordingly, the book value of items carried in the Department's financial statements equates to their net fair value.

The financial statements detail the revenues, expenses and financial position of the Department as a single entity and accordingly all intra Departmental transactions and balances have been eliminated.

(c) Property, Plant and Equipment

All items of property, plant and equipment controlled by the Department have been brought to account at current cost, with assets other than land, being reduced to reflect the portion of economic benefits that had been consumed since the asset was acquired, ie 'depreciated current cost'.

Current cost has been determined using deprival value methodology, whereby assets are valued at the replacement cost of procuring assets with similar functions and which provide comparable future service potential. Accordingly, all assets acquired since 1 July 1996 are accounted for at cost of acquisition unless revalued in accordance with the Department's revaluation policy.

All classes of physical non-current assets with fair values at the time of acquisition equal to or greater than $1 million and estimated useful lives equal to or greater than three years were to be revalued at intervals not exceeding three years as per previous Treasurer's Instructions. However, the Department has approval from the Department of Treasury and Finance to use the transitional provisions of Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments' allowing the first revaluation to be an interval not exceeding five years, but prior to 30 June 2004, and then revaluations at every three years thereafter.

During the financial year the Department revalued certain items of property, plant and equipment in accordance with its cyclical revaluation policy.

A revaluation increment for land and buildings resulted in an asset revaluation reserve of $2.3 million being recognised in the financial statements. A revaluation decrement on the Department's holding of photographic proofs resulted in an operating expense of $631 000 being recognised in the operating result for the year.

Heritage assets are recognised in the Statement of Financial Position as part of the aggregate value of major classes of assets (buildings/improvements or other). Heritage assets and works of art that are unique are not depreciated due to their long useful lives. Heritage assets that provide a functional service are recorded at depreciated current cost.

Minor items of plant and equipment with an individual value of less than $2 000 are expensed in the Operating Statement at the time they are acquired.

(i) Land

Land comprising National Parks, Conservation Parks, Recreation Parks, Wilderness Protection Areas and Reserves, generally have restrictions on use imposed by statute or regulation. Independent valuers, using the deprival value approach, and having regard to restrictions on use, have determined the carrying amount of this type of land.

The Department is custodian of unallotted Crown Land, by virtue of its responsibilities under the *Crown Lands Act 1929*. This land is considered to be an administered asset. As the Department has been unable to formulate a suitable methodology for determining a reliable measure of value of the asset, unallotted Crown Land is not included in the Schedule of Administered Items.

The Schedule of Administered Items includes the Crown's interest in land leased to third parties under miscellaneous leases, perpetual leases, pastoral leases and annual licences.

(ii) Buildings, Improvements and Infrastructure

Selected items in this category have been valued by independent valuers. Other items have been measured at cost, or at estimated replacement cost using methodology developed by independent valuers.

(iii) Intellectual Property, Databases and Information Systems

Selected items have been measured at cost, or at estimated replacement cost using methodology developed by independent valuers. The Department controls a large number of databases, registers, information systems and other intellectual property. All databases were developed in-house and are used to store and manage intellectual property owned by the Department. While the development and maintenance of these databases involve on-going costs to the Department, neither the systems nor the data have been recognised in the financial statements as assets, as it has not been possible to reliably measure the value of those assets.

(iii) Intellectual Property, Databases and Information Systems (continued)

The purchase costs of information systems used by the Department have been recognised as assets. However, the implementation and development costs related to the systems have not been capitalised as assets. These costs therefore have been expensed when incurred, as it has not been possible to reliably identify and match the expenditure to economic benefits attributable to future reporting periods.

(iv) Capital Work in Progress

Capital work in progress consists of actual expenditure carried forward, where it is possible to reliably measure the cost of the asset/work, and it is probable that future economic benefits will flow to the Department from use or conversion of the asset/work.

(d) Depreciation

All items of property, plant and equipment, with the exception of land, unique heritage assets and works of art, have a limited useful life and are systematically depreciated in a manner which reflects the consumption of service potential. The depreciation rates are reviewed annually. No depreciation is applied to capital work in progress, as this asset category consists of unfinished projects which have not been commissioned into service.

Assets are subject to straight line depreciation over the following periods:	Years
Buildings/improvements	10-80
Infrastructure	2-50
Moveable vehicles	5-20
Computing equipment	3
Application Software	5
Furniture and fittings	5-20
Plant and equipment	3-30
Other	3-25

(e) Repairs and Maintenance

Repairs and maintenance costs are expensed as incurred.

(f) Income Recognition

All revenue recorded in the Operating Statement, including appropriations, grants, donations and other contributions are recognised as revenues when the Department obtains control over the assets comprising the contributions. Control over appropriations and granted assets is normally obtained upon their receipt.

Licences, leases and accreditation fees, where the period exceeds one reporting period, are recorded in their entirety as revenue in the period in which they are received.

(g) Cash and Bank Balances

Cash at Bank consists of at call accounts with Australian commercial banks and monies held by the Department of Treasury and Finance in Special Deposit Accounts. Interest is received on credit balances in accordance with standard commercial terms for deposits not held by the Treasurer. Deposit Account balances are at call amounts, which earn interest at a rate determined by the Treasurer. Interest is received quarterly in arrears. The average effective interest rate for the reporting period was 8.5 percent.

(h) Receivables

Receivables in respect of fees and charges are generally settled within 60 days and 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 recoverability is considered doubtful. Bad debts are written-off in the period in which they are identified. Credit risk therefore is confined to the amount set aside as provision for doubtful debts. The resulting carrying amount of receivables is considered to approximate their net fair values.

The Department does not have any significant exposure to any individual customer, thus its credit risks are due to its customer base being influenced by the South Australian economy.

As at 30 June 2000, the Department acquired the receivables balance relating to particular products and services of the Department for Administrative and Information Services (Land Services Group) under a service level agreement.

(i) Creditors/Payables

Trade creditors are unsecured debts, recognised in the financial statements when contracted goods or services have been received by the Department. These debts generally are settled within 30 days of invoice. Retention monies held on capital works projects are carried at their nominal face value.

On-costs associated with employee entitlements have been recognised as accrued payables for the period ending 30 June 2000 in accordance with Accounting Policy Statement 9 ‘Employee Entitlements’, paragraph 30. In prior years, on-costs were recognised as part of the closing balance for employee entitlements. The amount of on-costs that have been reclassified to payables as at 30 June 2000 is $2.2 million, of which $1.6 million is non-current.

(j) Employee Entitlements and Other Employee Related Provisions

A provision is raised at the end of the reporting period to reflect employee entitlements to annual leave, long service leave and accrued salaries and wages.

(i) Annual Leave

The annual leave entitlement is calculated by multiplying each employee’s entitlement by the remuneration rate current at the reporting date. Where leave loadings are paid, they are included in the calculation.

(j) Employee Entitlements and Other Employee Related Provisions (continued)

(ii) Long Service Leave

In calculating long service leave entitlements the Department takes into account, as a benchmark, an actuarial assessment undertaken 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 taking.

(iii) Sick Leave

The Department's employees' entitlement to sick leave is non vesting. Sick leave is only recognised as a liability at reporting date to the extent it is probable that sick leave expected to be taken in future periods will be greater than entitlements which are expected to accrue in those future periods. No sick leave liability has been recorded as the sick leave taken during the period was less than the sick leave entitlements accrued.

(k) Borrowings

Borrowings consist of loans advanced by the Department of Treasury and Finance. The loans, which are unsecured, generally incur interest at a rate determined by the Treasurer. Interest is paid quarterly in arrears. No interest is paid on certain non-current loans totalling $550 000. The average effective interest rate for the reporting period was 8.5 percent.

(l) Leases

The Department has entered into lease agreements for property, plant and equipment.

Where the lessors effectively retain all the risks benefits incidental to ownership of the items the arrangements are considered to be operating leases. For these cases 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 to be derived from the leased property. Details of operating leases are disclosed in Note 33.

The Department's rights and obligations under finance leases, which are leases that effectively transfer to the Department substantially all of the risks and benefits incidental to ownership of the leased items, are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as plant and equipment under lease, and are amortised to the Operating Statement over the period during which the Department is expected to benefit from the use of the leased assets. Minimum lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease. Details of finance leases are disclosed in Note 23.

(m) Superannuation

The Department made contributions of $5.7 million to Employer Contribution Accounts administered by the South Australian Superannuation Board, in respect of future superannuation liabilities.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. A transfer of inventory from the General Reserves Trust of $587 000 occurred at 1 July 1999 in accordance with a change in the notice of assigned duties of the Board as approved by the Minister.

(o) Lease Incentive

The Department has entered into an operating lease where it received an incentive, in the form of structural improvements and the provision of certain items of furniture and fittings. A liability has been raised to reflect the deferred benefits received under the lease incentive arrangement and this liability is systematically reduced by the allocation of lease rental payments between rental expense and reduction of the lease incentive liability.

(p) Goods and Services Tax

The Department is registered for GST, as such it charges GST on its products and claims input tax credits on its purchases where required by legislation. The GST and applicable input tax credits are recognised in the Statement of Financial Position as a current receivable or payable. Costs incurred in upgrading existing computer software to deal with GST have been expensed as the changes have not resulted in an enhancement of future economic benefits.

(q) Cash Flows

For the purpose of the Statement of Cash Flows, cash includes cash on hand (including petty cash and cashier floats), deposits held at call with banks and Deposit Accounts with the Department of Treasury and Finance.

(r) Comparative Figures

The comparative figures for the year ended 30 June 1999 reflect the operation of the former Department of Environment for Heritage and Aboriginal Affairs for the full year.

The actuals for the year ended 30 June 2000 reflect financial activity relating to the Water Resources and Aboriginal Affairs functions from 1 July 1999 to 14 February 2000 and the Recreation and Sport function from 14 February to 30 June 2000.

(s) Rounding

All amounts are rounded to the nearest thousand dollars.

3. Output Classes of the Department

(a) General

Information about the Department's output classes is set out below in the Output Class Summary.

3. Output Classes of the Department (continued)

(b) Output Class Summary

1. Aboriginal Development
2. Biodiversity Conservation
3. Environment Protection
4. Heritage Conservation
5. National Parks and Botanic Gardens Management
6. Spatial Information
7. Administration and Stewardship of Crown Lands
8. Animal Welfare
9. Policy Development, Advice and Ministerial Support
10. Recreation and Sport

4. Goods and Services

Goods and service expenses for the reporting period comprised:	**2000 $'000**	1999 $'000
Accommodation and service expenses	**9 667**	9 324
Section 7* remittances	**2 722**	2 169
Materials and consumables	**2 701**	2 054
Vehicle and aircraft operating expenses	**3 853**	3 395
Travel and accommodation	**1 889**	1 497
Contractor expenses	**14 510**	10 280
Consultancies	**2 302**	1 452
Computing expenses	**7 278**	5 200
Minor plant and equipment purchases	**1 011**	952
Auditor's remuneration - Auditing services	**277**	276
Equipment repairs and maintenance	**872**	586
Printing and publishing	**1 233**	818
Goods held for resale	**1 094**	288
Other	**5 301**	4 422
	54 710	42 713

* *Land and Business (Sale and Conveyancing) Act 1994*

5. Grants and Transfers

Grants and transfers for the reporting period comprised:		
Murray Darling 2001 Grants	**5 484**	4 958
Catchment Management Subsidy Scheme	**1 346**	3 862
Grants to service programs for Aboriginal people	**2 003**	3 375
Transfer to:		
Coast Protection Board	**-**	300
Murray Darling Basin Commission	**8 868**	10 834
Botanic Gardens	**1 137**	-
General Reserves Trust	**600**	-
Coast Care grants	**633**	377
Animal Welfare grants - RSPCA	**500**	500
National Estate program grants	**359**	209
Natural Heritage Trust grants	**1 293**	1 145
Resource Conservation grants	**232**	225
Waterwatch Program	**4**	259
KESAB	**276**	-
State Heritage grants	**37**	32
Recreation and sport financial assistance grants	**6 457**	-
Miscellaneous grants	**914**	788
	30 143	26 864

6. Depreciation and Amortisation

Depreciation and amortisation expenses for the reporting period were charged in respect of:		
Buildings/improvements	**1 361**	1 536
Infrastructure	**15 830**	23 389
Moveable vehicles	**428**	399
Computing equipment	**2 460**	2 003
Application Software	**4 307**	648
Furniture and fittings	**189**	166
Plant and equipment	**669**	497
Other	**882**	882
Amortisation of plant and equipment under finance lease	**316**	258
	26 442	29 778

7. Interest and Other Finance Expenses

Interest and other finance expenses for the reporting period comprised:		
Interest on borrowings	**3 565**	3 613
Finance charges on finance leases	**44**	42
Other	**101**	58
	3 710	3 713

8. Net Loss from Disposal of Non-Current Assets

Proceeds from disposal of non-current assets	**1 281**	-
Less: Written down value of non-current assets	**1 867**	-
Net Loss	**586**	-

9. Other Expenses

Revaluation decrements (refer Note 2(c))	**631**	-

10. Fees and Charges

	2000	1999
Fees and charges for the reporting period comprised:	**$'000**	$'000
Rent and other related income	**2 972**	3 050
Fees, levies and licences	**8 294**	8 329
Admissions and guided tour charges	**119**	548
Section 7* enquiries	**6 421**	5 041
Remote user property inquiry fees	**2 146**	2 055
Sale of products and other services	**3 966**	3 213
	23 918	22 236

* *Land and Business (Sale and Conveyancing) Act 1994*

11. Net Revenues from Disposal of Non-Current Assets

Proceeds from disposal of non-current assets	**-**	1 301
Less: Written down value of non-current assets	**-**	1 038
Net Revenues	**-**	263

12. Other Revenues

Other revenues for the reporting period comprised:		
Commonwealth contributions	**12 887**	12 248
State Government grants	**4 831**	-
Contributions received - LOTS Redevelopment project	**-**	1 410
Contributions towards overheads from DAIS	**331**	472
Contributions towards capital projects - Other government agencies	**860**	1 807
Contributions received - Catchment Management Subsidy Scheme	**1 330**	4 042
Contributions received - River Murray Catchment Water Management Board	**-**	1 890
Salaries and wage expenses recouped	**1 260**	1 109
Transfer from General Reserves Trust	**5 648**	-
Transfer from Board of Botanic Gardens and State Herbarium	**426**	-
Sundry grants and contributions received	**253**	197
Other revenue	**1 437**	3 450
	29 263	26 625

13. Appropriations

Reconciliation of Government Revenues

Total appropriations	**120 853**	105 402
Net draw on Consolidated Account not recognised in the Operating Statement*	**(137)**	(56)
Net cash from Government	**120 716**	105 346
Other Government revenues, assumption of liabilities	**-**	-
Total Government Revenues	**120 716**	105 346

* The Department does not control how these funds are to be spent and acts only as an agent in an administrative capacity on behalf of the Minister for Environment and Heritage.

The net draw on the Consolidated Account not recognised in the Operating Statement comprised:		
Ministerial other payments	**(6)**	(11)
Special Acts - Recurrent expenditure	**(141)**	(227)
Recurrent receipts	**10**	182
	(137)	(56)

14. Cash and Bank Balances

Bank accounts with non South Australian Government entities	**548**	578
Cash on hand (including petty cash)	**21**	21
Accrual Appropriation Excess Fund Special Deposit Account with the Department of Treasury and Finance	**19 155**	1 593
Special Deposit Accounts with the Department of Treasury and Finance	**31 331**	40 352
	51 055	42 544

15. Investments

Equity in listed entities	**7**	7
Equity in unlisted entities	**1**	1
	8	8

16. Receivables

Current:		
Fees and charges	**6 265**	5 362
Loans receivable	**244**	96
Accrued investment income	**261**	227
Other	**929**	903
Less: Provision for doubtful debts	**711**	187
	6 988	6 401
Non-Current:		
Loans receivable	**1 139**	497
Other	**87**	-
	1 226	497

17. Inventory

	2000	1999
Current:	**$'000**	$'000
Raw materials and consumables	**353**	226
Finished goods held for resale	**1 259**	688
	1 612	914
Non-Current:		
Land held for sale	**4 772**	4 897

18. Other Current Assets

	2000	1999
Prepayments	**476**	775
Provision for workers compensation - third party recoveries	**103**	-
	579	775

19. Property, Plant and Equipment

	2000 Cost/ Valuation* $'000	2000 Accumulated Depreciation/ Amortisation $'000	2000 Written Down Value $'000	1999 Cost/ Valuation* $'000	1999 Accumulated Depreciation/ Amortisation $'000	1999 Written Down Value $'000
Land	**72 695**	**-**	**72 695**	57 726	-	57 726
Buildings/improvements	**95 652**	**(29 436)**	**66 216**	48 042	(20 103)	27 939
Other infrastructure	**169 674**	**(130 286)**	**39 388**	168 358	(113 796)	54 562
Moveable vehicles	**6 280**	**(2 453)**	**3 827**	5 401	(2 042)	3 359
Computing equipment	**11 519**	**(6 268)**	**5 251**	10 654	(4 395)	6 259
Application software	**11 858**	**(4 830)**	**7 028**	9 551	(649)	8 902
Furniture and fittings	**2 060**	**(814)**	**1 246**	2 067	(718)	1 349
Plant and equipment	**7 865**	**(3 919)**	**3 946**	5 285	(1 945)	3 340
Plant and equipment under (finance) lease	**1 075**	**(706)**	**369**	1 034	(443)	591
Other	**12 700**	**(3 191)**	**9 509**	11 356	(4 015)	7 341
Capital work in progress	**17 322**	**-**	**17 322**	15 086	-	15 086
	408 700	**(181 903)**	**226 797**	334 560	(148 106)	186 454

* Valuations of protected areas, selected land and buildings (including fixtures and fittings), plant and equipment and heritage assets not providing a functional service were performed by Valcorp Australia Pty Limited. The valuers who provided professional opinions were Messrs A J Lucas, MBA, B App Sc (Val), Dip Acc, AAPI and F Taormina, B App Sc (Val), AAPI. Certain items have been valued by Mr D B Bruce AAPI (Val). Other land controlled by the Department has been valued at unimproved site value provided by the Valuer-General. Various items of infrastructure, computing equipment, moveable vehicles, plant and equipment and other assets have been included at officer's valuations. For further details of valuation methodologies adopted by the Department refer to Note 2(b).

20. Other Non-Current Assets

	2000 $'000	1999 $'000
Provision for workers compensation - Third party recoveries	**272**	-

21. Payables

	2000	1999
Current:		
Creditors	**7 534**	5 019
Accruals	**2 500**	1 912
Employee entitlements - On-costs (refer Note 2(i))	**579**	-
Lease incentive	**301**	301
	10 914	7 232
Non-Current:		
Employee entitlements - On-costs (refer Note 2(i))	**1 610**	-
Lease incentive	**1 129**	1 430
	2 739	1 430

22. Employee Entitlements and Other Employee Related Provisions

	2000	1999
Current:		
Long service leave	**940**	2 019
Annual leave	**2 846**	3 081
Accrued salaries and wages	**6**	1 716
	3 792	6 816
Non-Current:		
Long service leave	**11 435**	12 353

23. Finance Leases

At the reporting date, the Department had the following obligations under finance leases (the sum of which is recognised as a liability after deduction of future finance lease charges included in the obligation). The finance leases held by the Department are mainly PC leases which are non-cancellable and payable either six-monthly or monthly in advance. The option to renew the lease is held by DEH. There are no existing contingent rental provisions.

23. Finance Leases (continued)

	2000 $'000	1999 $'000
Payable not later than one year	**236**	292
Payable later than one year but not later than five years	**101**	221
Payable later than five years	**-**	-
	337	513
Minimum lease payments	**337**	513
Less: Future finance charges	**11**	38
Lease liability	**326**	475
Classified as:		
Current	**227**	267
Non-Current	**99**	208
	326	475

24. Provision for Workers Compensation

A provision is raised to reflect the liability for any outstanding (unsettled) workers compensation claims for lump sum payments, adjusted for potential recoveries from negligent third parties. It is based on an actuarial assessment prepared for the Department of the Premier and Cabinet.

These figures reflect an apportionment of the whole-of-government estimate of workers compensation liability of $128 million, according to the Department's experience of claim numbers and payments over the period 1 July 1987 to 30 June 2000. A separate valuation of the liabilities of the Department has not been undertaken and if such a valuation is performed this may result in a different assessed liability.

The whole-of-government estimate can be found in a report prepared by Taylor Fry Consulting Actuaries, dated August 2000 and submitted to the Public Sector Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet. This report conforms to the WorkCover Guidelines for Actuaries, Australian Accounting Standard AAS 26 'Financial Reporting of General Insurance Activities' and Professional Standard PS 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance' of the Institute of Actuaries of Australia.

The above allocation of workers compensation liabilities has also been split into current (ie the provision required to meet the liability over the coming year) and non-current (ie the provision required for later years).

25. Borrowings

	2000 $'000	1999 $'000
Loans - Department of Treasury and Finance	**39 139**	38 604

26. 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.

	2000 $'000	1999 $'000
Accumulated Surplus:		
Opening balance accumulated surplus	**175 315**	88 571
Adjustment to amounts previously recognised	**1 798**	(38 015)
Adjustment - Assets recognised for the first time	**-**	121 197
Amounts transferred from asset revaluation reserve	**1 630**	-
Surplus for the period	**44 777**	3 562
	223 520	175 315
Asset Revaluation Reserve:		
Amounts recognised on revaluation of property, plant and equipment	**2 313**	-
Amounts transferred to accumulated surplus	**(1 630)**	-
	683	-
	224 203	175 315

27. Abnormal Income

	2000 $'000	1999 $'000
Transfer of balances from Department of Industry and Trade	**60 145**	-
Transfer of balances to Department for Water Resources	**(7 557)**	-
Transfer of balances to Department for Transport, Urban Planning and the Arts	**(5 158)**	-
Transfer of the Kangaroo Management function to the Wildlife Conservation Fund	**(20)**	-
Prior period adjustments	**(12)**	-
Transfer receipt from the Environment Protection Fund	**-**	3 603
Net effect of deconsolidation of the General Reserves Trust	**-**	(856)
Net effect of deconsolidation of the Bookmark Biosphere Trust	**-**	(512)
	47 398	2 235

28. Net Revenues from Restructuring of Administrative Arrangements

As a result of a restructuring of administrative arrangements the Department assumed responsibility for the Office for Recreation and Sport during the reporting period. In addition, the Department relinquished its responsibility for the Division of State Aboriginal Affairs and water related functions to the new Department for Water Resources.

Assets assumed by the Department as a result of the assumption of the Office for Recreation and Sport (ORS) are recognised in the Statement of Financial Position at the notional carrying amount of those assets in the transferor Department's (Department of Industry and Trade (DIT)) Statement of Financial Position immediately prior to the transfer. The amounts are notional due to an inability to provide a clear statement of opening balances at the transfer date. The closing balance of assets has been used as the opening balance with the exception of cash which has been adjusted for the ORS operating result for the period 14 February to 30 June 2000.

In respect of the recreation and sport functions assumed, the following assets and liabilities were recognised:

Office for Recreation and Sport - Transferred from the Department of Industry and Trade	**2000**
Assets:	**$'000**
Cash	**7 498**
Receivables	**2 107**
Prepayments	**4**
Inventory	**222**
Property, plant and equipment	**52 992**
Liabilities:	
Payables	**1 058**
Employee entitlements	**1 085**
Borrowings	**535**
As per Abnormal Items (Note 27)	**60 145**

In respect of the Aboriginal Affairs and water functions relinquished, the following assets and liabilities were transferred:

Aboriginal Affairs - Transferred to Department for Transport, Urban Planning and the Arts	**2000**
Assets:	**$'000**
Cash	**5 439**
Receivables	**551**
Property, plant and equipment	**967**
Liabilities:	
Payables	**676**
Employee entitlements	**1 077**
Finance leases	**46**
As per Abnormal Items (Note 27)	**5 158**

Water Function - Transferred to Department for Water Resources	**2000**
Assets:	**$'000**
Cash	**3 894**
Receivables	**100**
Prepayments	**15**
Work in progress	**629**
Property, plant and equipment	**5 187**
Liabilities:	
Payables	**343**
Employee entitlements	**1 925**
As per Abnormal Items (Note 27)	**7 557**

In respect of recreation and sport functions which were assumed from DIT on 14 February 2000, DIT has recognised revenues of $3.6 million and expenses of $14.7 million in its Operating Statement for the reporting period ended 30 June 2000. Accordingly, the total revenues and expenses in respect of recreation and sport functions recognised by the Department for Environment and Heritage and the Department of Industry and Trade for the year ended 30 June 2000 are $7.1 million and $27.1 million respectively.

29. Reconciliation of Net Cash provided by Operating Activities to Operating Surplus

	2000	1999
	$'000	$'000
Operating surplus after abnormals	**44 777**	3 562
Depreciation and amortisation	**26 442**	29 778
Net loss (gain) on sale of non-current assets	**586**	(263)
Net result of transfer of assets to and from the Department	**(49 265)**	(1 083)
Revaluation decrement	**631**	-
Movements in assets and liabilities:		
Decrease (Increase) in receivables	**140**	(3 972)
(Increase) Decrease in inventories	**(351)**	226
Increase in other assets	**(87)**	(257)
Increase in payables	**4 952**	2 387
Increase (Decrease) in workers compensation provision	**496**	(767)
(Decrease) Increase in employee entitlements	**(2 025)**	1 151
Net Cash provided by Operating Activities	**26 296**	30 762

30. Remuneration of Executives

The number of executives whose remuneration received or receivable during the period 1 July 1999 to 30 June 2000 falls within the following bands:

	2000 Number of Executives	1999 Number of Executives
$100 000 - $109 999	**4**	2
$110 000 - $119 999	**3**	2
$120 000 - $129 999	**-**	1
$130 000 - $139 999	**1**	2
$140 000 - $149 999	**1**	-
$150 000 - $159 999	**1**	1
$160 000 - $169 999	**3**	-
$200 000 - $209 999	**-**	1
$260 000 - $269 999	**1**	-

Total remuneration received or due and receivable during the reporting period by these executives was $1 968 000 ($1 178 000).

31. Targeted Voluntary Separation Packages (TVSPs)

TVSPs paid to employees during the reporting period were:

	2000 $'000	1999 $'000
TVSP payments	**348**	659
Recovery from the Department of the Premier and Cabinet in respect of TVSPs	**(307)**	(612)
Annual and long service leave accrued over the period of employment paid to employees who received TVSPs	**102**	166

The number of employees who were paid TVSPs during the reporting period totalled 7 (12).

32. Audit Fees

Audit fees of $277 000 were accrued for the period ending 30 June 2000.

33. Operating Leases

At the reporting date, the Department had the following obligations under non-cancellable operating leases. These obligations are not recognised as liabilities in the Statement of Financial Position. The operating leases held by the Department are mainly 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 DEH. There are no existing or contingent rental provisions.

	2000 $'000	1999 $'000
Payable not later than one year	**4 531**	5 014
Payable later than one year but not later than five years	**14 278**	16 207
Payable later than five years	**3 925**	5 897
	22 734	27 118

34. Restrictions on Contributions Received

The Department receives contributions from various funding sources expressly for the purpose of undertaking specific projects. As at 30 June 2000, $5.4 million of those contributions, which have been recognised as revenues in the Operating Statement during current or previous periods, are yet to be spent in the manner specified by the contributors.

	2000 Revenue Received $'000	**Unspent Amount $'000**
Resource conservation and management	**12 435**	**4 653**
Water resources management	**1 145**	**135**
Environment protection	**2 216**	**586**
National Estates projects	**41**	**40**
Botanic Gardens and State Herbarium	**30**	**4**
	15 867	**5 418**

35. Contingent Obligations

35.1 Wilpena Tourist Centre

The Minister (on behalf of the Department) has extended a guarantee to a maximum value of $1.25 million to ANZ Bank on behalf of Flinders Ranges Tourist Services Pty Ltd., in respect of the Wilpena Tourist Centre redevelopment/lease arrangement. This contingent liability will reduce by an amount of $125 000 per year effective from 1 July 2000. As at the reporting date, no event was known to have occurred which would crystallise liability under the guarantee.

35.2 Hindmarsh Soccer Stadium - Stage 1

Included in the redevelopment arrangement between the Government and the South Australian Soccer Federation (SASF), are a Deed of Guarantee issued by the Treasurer and a Funding Deed between the Government and the SASF. Under the latter document, the SASF will service its loan repayments by a payment of $3.00 for each person entering the Western Grandstand area of the Stadium. Where this amount is not sufficient to meet any repayment, the Department on behalf of the Minister will meet the shortfall. The Minister has certain rights to require the levy be increased. In addition, any surplus Fit Out Levy (refer Note 35.3) is available to offset the Minister's liabilities.

As a result of these arrangements, the Department is contingently liable for the outstanding balance of the SASF loan at any time. As the amount is a contingency, a provision has not been set aside in the accounts.

As at balance date, the liability of the Federation under the loan was $3.9 million. The loan is at a fixed rate of interest for a period of 20 years and commenced on 1 October 1997.

During the reporting period amounts totalling $422 000 ($407 000) were paid to the SASF under these underwriting arrangements. These amounts are recoverable from any future surpluses in the levy with interest at a rate of 2 percent higher than the loan rate. Interest totalling $72 000 ($31 000) was charged during the reporting period.

35. Contingent Obligations (continued)

35.3 Hindmarsh Soccer Stadium - Fitout

Included in the redevelopment arrangement between the Government and the SASF are a Deed of Guarantee issued by the Treasurer and a Fit Out Guarantee Deed between the Government and the SASF. Under the latter document, the SASF will service its loan repayments by a payment of $2 for each person entering the Stadium for soccer matches. Where this amount is not sufficient to meet any repayment, the Department on behalf of the Minister will meet the shortfall. The Minister has certain rights to require the levy be increased.

As a result of these arrangements, the Department is contingently liable for the outstanding balance of the SASF loan at any time. As the amount is a contingency, a provision has not been set aside in the accounts.

As at balance date, the liability of the Federation under the loan was $1.9 million. The loan is at a fixed rate of interest for a period of 20 years and commenced on 13 February 1998.

During the reporting period amounts totalling $195 000 ($74 000) were paid to the SASF under these underwriting arrangements. These amounts are recoverable from any future surpluses in the levy with interest at a rate of 2 percent higher than the loan rate. Interest totalling $19 000 ($5 000) was charged during the reporting period.

35.4 Netball Stadium - Mile End

Included in the arrangement between the Government and the South Australian Netball Association (SANA) are a Deed of Guarantee issued by the Treasurer and a Development and Funding Deed between the Government and the SANA. Under the latter document, the SANA will service its loan repayments from the net operating revenues of the Stadium. Where this amount is not sufficient to meet any repayment, the Department on behalf of the Minister will meet the shortfall. The Minister has certain rights in relation to the setting of fees and charges at the Stadium.

As a result of these arrangements, the Department is contingently liable for the outstanding balance of the Association's loan at any time. As the amount is a contingency, a provision has not been set aside in the accounts.

As at balance date, the liability of the Association under the loan was $3.5 million. The loan is at a fixed rate of interest for a period of 20 years and commenced on 15 December 1997.

During the reporting period an amount of $20 000 ($40 000) was paid to the Association under these underwriting arrangements and subsequently repaid.

35.5 South Australian Cricket Association - Adelaide Oval Bowling Club

In February 1999, Cabinet approved an arrangement whereby the Department would underwrite 50 percent of the cost, up to a limit of $125 000 for repairs to grass if, within two years, it has been damaged by the wall at the western end of the Lloyd Leisure Development. Currently, the playing surfaces are in good condition and it is unlikely that indemnity will be required but it will remain as a contingent liability for 2 years after the completion of the development.

MINISTER FOR HUMAN SERVICES; MINISTER FOR DISABILITY SERVICES; MINISTER FOR THE AGEING

PORTFOLIO – HUMAN SERVICES

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:

- Minister for Human Services
- Minister for Disability Services
- Minister for the Ageing

The agencies included herein relating to the portfolio of Human Services are:

- HomeStart Finance
- Human Services - Department of
- Institute of Medical and Veterinary Science
    - Medvet Science Pty Ltd
- South Australian Aboriginal Housing Authority
- South Australian Community Housing Authority
- South Australian Health Commission and Associated Activities
- South Australian Housing Trust

HOMESTART FINANCE

FUNCTIONAL RESPONSIBILITY

HomeStart Finance is a statutory corporation established pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995*. The Act provides for the Governor to establish, by regulation, statutory corporations to undertake specified functions. It has a Board of Management appointed by the Minister for Human Services and is subject to the control and direction of the Minister.

Specific Functions

The functions of HomeStart Finance as prescribed by regulation include the:

- lending of monies or provision of other financial assistance to facilitate home ownership by persons of low to moderate income;
- provision, marketing and management of home finance products;
- provision, management or facilitation of finance for housing schemes or housing associations and of mortgage relief schemes.

In meeting these functional responsibilities, HomeStart Finance's activities includes the following:

- the management of existing loans and advance of new loans which form part of the ongoing HomeStart program;
- the management of concessional home loans advanced under the Home Ownership Made Easy Scheme which was closed to new borrowers in 1989;
- management of loans advanced by the SA Housing Trust to enable tenants to purchase their Trust homes;
- the Mortgage Relief Scheme which provides assistance to home owners who are experiencing temporary difficulty in meeting mortgage commitments.

Specific Obligations

HomeStart Finance is required by regulation to conduct its business in accordance with established principles of financial management. It is also required to coordinate its activities with those of other public sector agencies and to ensure its activities are consistent with the planning of a desirable physical and social environment and with the enhancement of the Government's physical and social development objectives.

Lending Services and Debt Funding

HomeStart Finance uses the services of a number of financial institutions and other intermediaries to provide essential services including loan retailing, loan management and arrears management. Debt funding for HomeStart Finance lending has been provided by the South Australian Government Financing Authority (SAFA).

Review of Government Ownership (Scoping Review)

The Government initiated a review of the future of HomeStart Finance in May 1997 which was completed by the Department of Human Services in July 1999. As a result of that review Cabinet approved the continuation of HomeStart's business subject to it operating under targeted lending criteria established in 1998-99 and within lending limits to be determined each year in consultation with the Department of Treasury and Finance.

SIGNIFICANT FEATURES

The level of outstanding home loans fell by $133.1 million ($158.6 million) to $797.7 million ($930.8 million) as at 30 June 2000.

The Operating Surplus after Income Tax was $5.2 million ($4.5 million), an increase of $0.7 million compared to the previous year. An income tax equivalent of $2.9 million was paid to the Treasurer.

HomeStart paid guarantee fees to the Treasurer of $5.5 million ($6.5 million) and a dividend of $5 million ($5 million) to the Department of Human Services. No repayment of capital was made during the year ($25 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* requires statutory corporations established pursuant to the Act to keep proper accounting records in relation to their financial affairs and to prepare annual statements of accounts for each financial year. That section also empowers the Auditor-General to audit the accounts of HomeStart Finance and the annual statement of accounts.

The Auditor-General has audited the accounts of HomeStart Finance. The accounts of Bank SA in relation to the administration of the HOME program are audited by external auditors appointed by the Bank. This did not occur for the 1999-2000 year. Instead, the Auditor-General performed sufficient work with respect to the HOME program so as to form an opinion as to HomeStart's financial statements.

Scope of Audit

The audit program covered all 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 control.

During 1999-2000 specific areas of audit attention included:

- Lending activities
- Raisings and receipting (including interest income)
- Loan loss provisioning
- Completeness and accuracy of the Loan Management Systems
- Funding through the South Australian Government Financing Authority (including interest expense)
- Other expenditure

HomeStart Finance has an Internal Audit function which uses an external contractor to undertake the internal audit program. External Audit has considered the work undertaken by Internal Audit to supplement other procedures performed in evaluating HomeStart's internal control.

Audit Communications to Management

No matters arose from the external audit of HomeStart Finance.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of HomeStart Finance included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

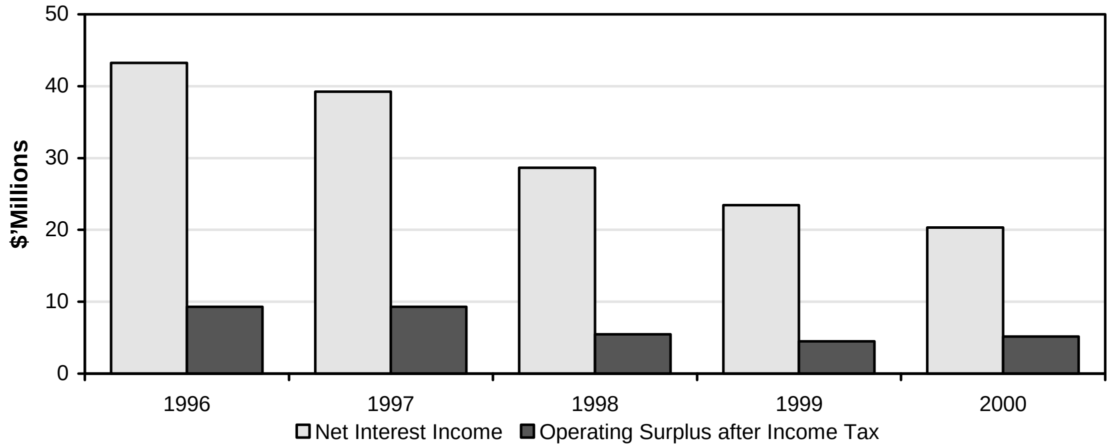
Audit formed the opinion that the controls exercised by HomeStart Finance in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

HomeStart Profitability and Return to Government

HomeStart achieved a slight increase in the Operating Surplus after Income Tax of $0.7 million to $5.2 million. Although Net Interest Income decreased by $3.1 million, this was offset by the write back of bad and doubtful debts expense by $1.8 million, a $3.1 million improvement from the previous year. The reduction in Net Interest Income is principally due to the reduction in the balance of Housing Loans and Advances by $133.1 million from $930.8 million over the period.

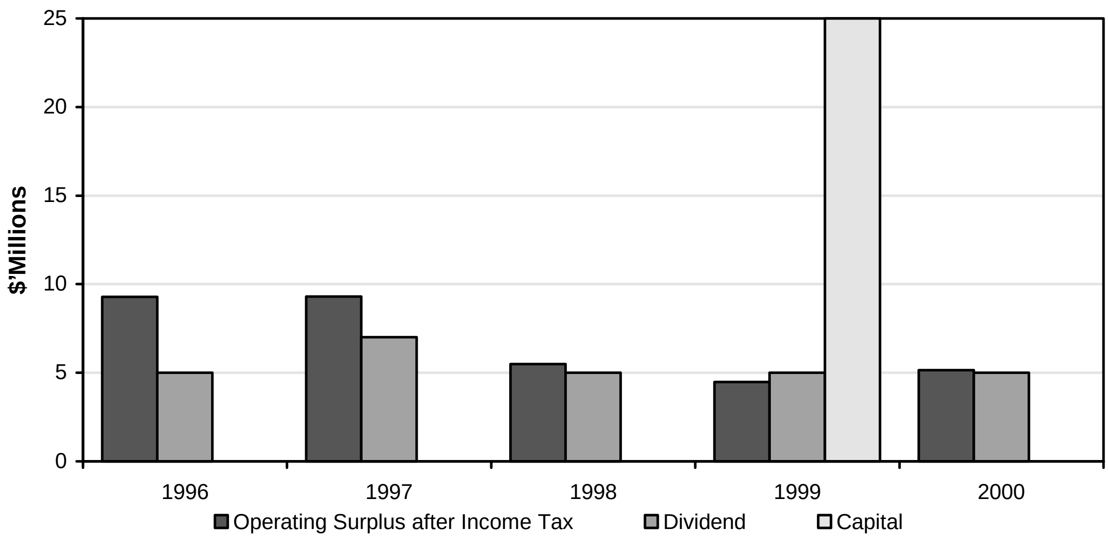
The following graph shows the relationship between Net Interest Income and Operating Surplus after Income Tax over the last five years.



The reduction in the balance of Housing Loans and Advances is principally due to two factors, namely compliance with government policy and market conditions. The limit placed by government on the level of new lending that can be advanced in each year was first imposed for the 1998-99 financial year. In order to comply and maintain its profitability, HomeStart tightened its lending criteria. The tightened lending criteria, which continued to be applied during 1999-2000, coupled with market conditions, resulted in the level of new lending by HomeStart being less than the limit imposed.

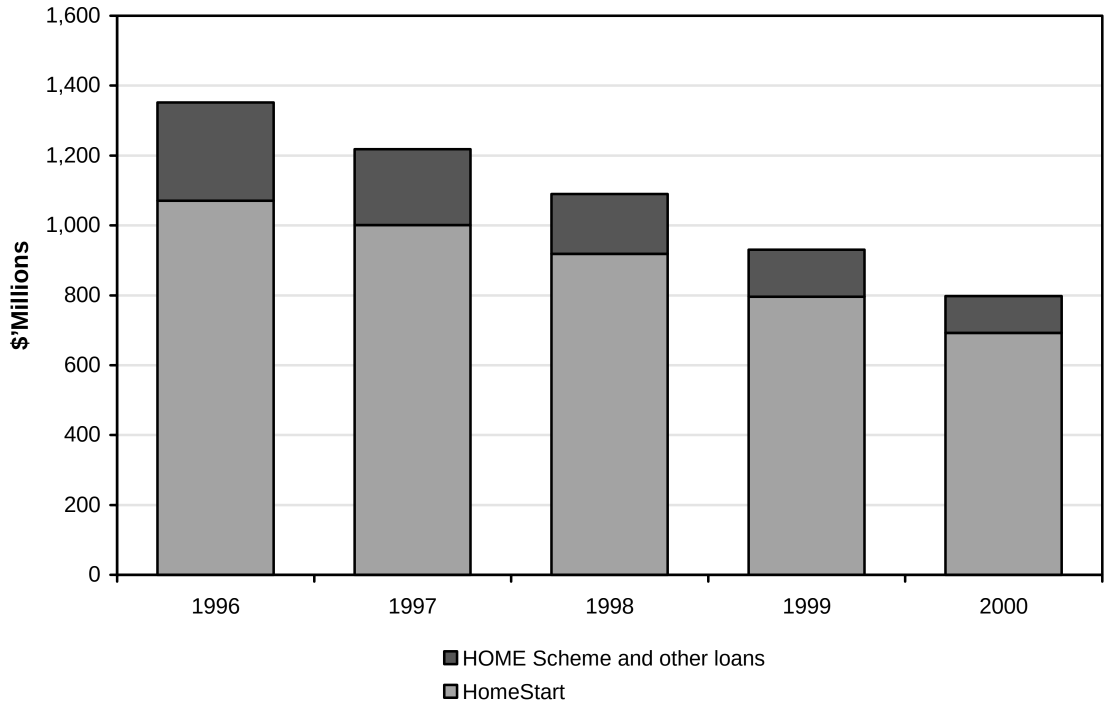
As highlighted above, a reduced level of new lending and the resultant reduction in Housing Loans and Advances corresponds with a reduction in Net Interest Income. In the absence of write backs of bad and doubtful debt expense, as occurred in 1997 and 2000, this results in a decrease in the profitability of HomeStart. This trend can be expected to continue were HomeStart's balance sheet to be further decreased.

Notwithstanding the reduction in profitability over past years, HomeStart has been required to maintain its dividend payments (and, in 1998-99 repatriate capital). The payment of dividends and the capital repatriation reduces the level of interest free capital available to HomeStart. It is, however, noted that the level of retained surplus at 30 June was $130.9 million ($130.8 million).



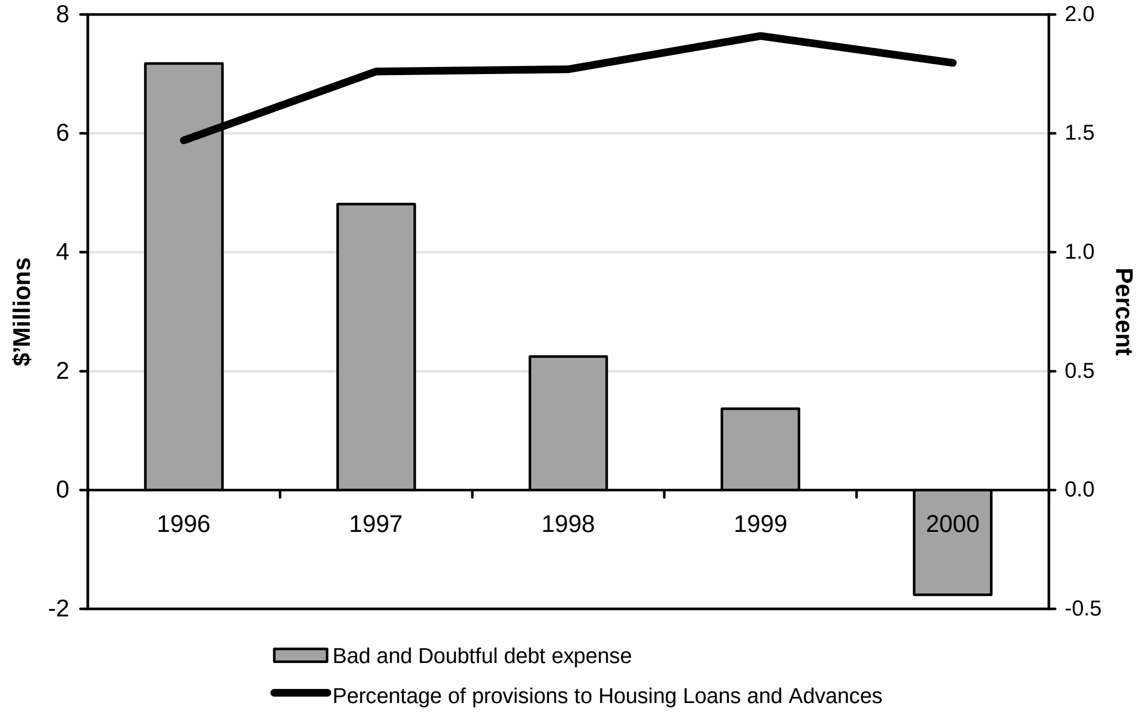
Lending

The value of Housing Loans and Advances has continued to fall in the current year. The following graph highlights this decline.



Asset Quality

A credit to the bad and doubtful debt expense of $1.8 million resulted in a reduction of $3.1 million compared to the previous year. The following graph documents the reduction in bad and doubtful debt expense over the past five years and the percentage of the Housing Loans and Advances covered by the established Specific and General Provisions. The main reason for the decrease of both items is the general increase in the value of properties securing the loans granted by HomeStart.



Operating Statement for the year ended 30 June 2000

	Note	**2000 $'000**	1999 $'000
INCOME:			
Interest income	2	**57 881**	64 905
Interest expense	2	**(37 562)**	(41 474)
Net Interest Income		**20 319**	23 431
Non-interest income	2	**427**	264
Bad and doubtful debts (expense)/credit	2	**1 764**	(1 367)
Other expenses	2	**(14 462)**	(15 317)
OPERATING SURPLUS BEFORE INCOME TAX		**8 048**	7 011
Income tax attributable to operating surplus	3	**(2 897)**	(2 524)
OPERATING SURPLUS AFTER INCOME TAX		**5 151**	4 487
Retained surplus at 1 July		**130 753**	155 877
Aggregate amount transferred from capital grants	15	**-**	389
TOTAL AVAILABLE FOR APPROPRIATION		**135 904**	160 753
Capital redemption	5	**-**	(25 000)
Dividend paid	5	**(5 000)**	(5 000)
RETAINED SURPLUS AT 30 JUNE		**130 904**	130 753

Statement of Financial Position as at 30 June 2000

	Note	**2000 $'000**	1999 $'000
ASSETS:			
Cash		**2 784**	2 962
Housing loans and advances	6	**797 747**	930 830
Office and computer equipment	9	**1 221**	1 122
Other assets	10	**605**	558
Total Assets		**802 357**	935 472
LIABILITIES:			
Short-term borrowings	11, 12	**200 500**	124 750
Long-term borrowings	11, 12	**461 622**	667 855
Provisions	13	**1 813**	1 288
Other liabilities	14	**2 600**	5 908
Total Liabilities		**666 535**	799 801
NET ASSETS		**135 822**	135 671
EQUITY:			
Capital grants	15	**4 918**	4 918
Retained surplus		**130 904**	130 753
TOTAL EQUITY		**135 822**	135 671
Commitments	17		
Contingent Liabilities	18		

Statement of Cash Flows for the year ended 30 June 2000

	Note	2000 Inflows (Outflows) $'000	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received on:			
Cash		**23**	28
Housing loans		**59 612**	67 290
Fees and commissions received		**86**	(42)
Interest paid on borrowings		**(40 781)**	(42 551)
Borrowing fee government guarantee		**(5 504)**	(6 534)
Retailer and management fees		**(2 662)**	(3 201)
Administration		**(5 932)**	(5 104)
Income tax paid		**(2 392)**	(3 036)
Net Cash provided by Operating Activities	20(b)	**2 450**	6 850
CASH FLOWS FROM INVESTING ACTIVITIES:			
Customers loans repaid		**238 181**	252 113
Customers loans granted		**(104 792)**	(96 998)
Payments for office and computer equipment		**(579)**	(95)
Dividend received		**2**	-
Other		**9**	-
Net Cash provided by Investing Activities		**132 821**	155 020
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from new borrowings		**1 655 325**	292 200
Principal repaid on borrowings		**(1 785 808)**	(424 128)
Financial instruments		**34**	-
Capital redemption		**-**	(25 000)
Dividend paid		**(5 000)**	(5 000)
Net Cash used in Financing Activities		**(135 449)**	(161 928)
NET DECREASE IN CASH HELD		**(178)**	(58)
CASH AT 1 JULY		**2 962**	3 020
CASH AT 30 JUNE	20(a)	**2 784**	2 962

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Factors which have been Significant in the Preparation of the Accounts

(a) The objective of HomeStart Finance is to provide affordable home finance to low income persons and to other needs groups in South Australia.

During the financial year ended 30 June 2000, HomeStart administered the following schemes:

- The HomeStart Loan;
- The Advantage Loan;
- Home Ownership Made Easier (HOME);
- Rental Purchase;
- The Refinance Loan;
- The Seniors Loan;
- The Rosewood Village Advantage Loan;
- Mortgage Relief.

HomeStart also provides a key role in supplying finance for the purchase of Housing Trust dwellings by tenants and has collaborated with the Trust on many joint projects through the year.

HomeStart
HomeStart provides mortgages to low income persons and other needs groups with low start indexed repayments. The HomeStart loan is the principal loan product. The outstanding value of HomeStart loans at 30 June 2000 was $710.4 million ($816.0 million)

HOME
The concessional HOME scheme is no longer open to new borrowers. The scheme was transferred to HomeStart from the then State Bank of South Australia in 1989-90. The scheme is managed by HomeStart and administered by Bank SA. The outstanding value of the Home scheme at 30 June 2000 was $87.7 million ($112.6 million). Management and administration of the HOME Rental Purchase Scheme, which was for South Australian Housing Trust (SAHT) tenants, was transferred from the SAHT to HomeStart in December 1992.

Other
HomeStart owns and administers a small group of miscellaneous loans.

Subsidies
HomeStart provides subsidised loans to low income earners up to $15 000. The Advantage Loan has an interest rebate period of five years, after which the principal is indexed to either the value of the property purchased or to the CPI. The outstanding value of the loans at 30 June 2000 was $32.4 million ($32.8 million).

In providing these loans HomeStart forgoes interest income, estimated to be $2.4 million on the funds lent ($2.3 million). HomeStart does not receive any funding with respect to this subsidy.

HomeStart also has loans at concessional interest rates under the HOME and Rental Purchase Schemes.

(a) ***(continued)***

Funding

HomeStart funds it mortgage activities from capital and by borrowing from the South Australian Government Financing Authority (SAFA).

(b) ***Basis of Preparation***

Pursuant to section 27 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart is required to keep proper accounting records in relation to its financial affairs, and must have annual statements of accounts prepared in respect of each financial year.

This general purpose financial report has been prepared on an accrual basis in accordance with Statements of Accounting Concepts, Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and requirements of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*.

These accounting policies have been consistently applied, except where there is a change in accounting policy and are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial amounts and other disclosures.

(c) ***Historical Cost***

The financial statements have been drawn up in accordance with the historical cost convention and do not take account of changes in the purchasing power of money. Unless otherwise stated the amounts presented in the Statement of Financial Position do not reflect the realisable value of liabilities or assets.

(d) ***Tax Equivalents***

Under the terms of the Statement of Policy Intent relating to the tax treatment of State Trading Enterprises, agreed at the 1994 Premiers' Conference, States and Territories are required to apply an income tax and wholesale sales tax equivalent regime to their State Trading Enterprises. The Treasurer has determined, pursuant to section 25 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, that from 1 July 1995 HomeStart shall be subject to such a regime as established and administered by the Treasurer pursuant to relevant Treasurer's Instructions.

(e) ***Depreciation***

Consistent with the historic cost convention, fixed assets are recorded at cost. Depreciation for each item of plant, equipment and software is calculated on a straight line basis in accordance with the assets' estimated useful life.

The depreciation rates used for each class of asset are as follows:

	Percent
Computer hardware	33
Computer software	33
Accounting software	20
Loan management systems	20
Office fitout	20
Furniture and equipment	20

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

(f) ***Loans and Advances (Housing Loans)***

Loans and advances are reflected in the financial statements at their face value less assessed provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

Specific Provision

The specific provision is an estimate of the potential loss exposure on identified problem loans.

The provision is determined by assessing potential losses on loans where:

- arrears are 90 days or over, or exceed $2 500;
- repayment reductions have been negotiated;
- in other cases HomeStart is taking action to manage the loan;
- action is being taken to recover debt through possession of security.

The provision is calculated as the excess of the loan balance over the expected realisable amount on the sale of the security, after allowing for selling and other costs.

General Provision

This provision is created to provide for future, but presently unidentifiable losses that may arise in the loan portfolio and for which no specific provision exists.

The general provision for HomeStart loans is determined by assessing potential losses on the entire loan portfolio. The assessment takes account of:

- the profile of past loan losses from the portfolio;
- changes to risk levels of the portfolio - for example due to changes in new business;
- the outlook for interest rates, the housing market and other key economic trends.

General Provision (continued)
The general provision for the HOME and Rental Purchase Schemes is set at a standard percentage of the portfolio balance, as these loans have seasoned and they are now low risk.

(g) Bad and Doubtful Debts
All bad and doubtful debts are written off in the period in which they are identified. The write-off of debts over $20 000 requires the approval of the Board, (prior to 22 March 2000, Board approval was required for write-offs over $10 000). If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the operating statement.

(h) Non-Accrual Loans
HomeStart ceases accruing interest income on loans when it is considered that HomeStart would be unable to recover that interest income from either the customer or from the sale of the security.

Interest on these loans is only taken to account when realised or when loans are returned to accrual status. Non-accrual loans are recognised where loans are contractually past due 90 days with security insufficient to cover principal and arrears of interest, or where there is doubt as to the full recovery of principal and interest.

(i) Employee Benefits
Liabilities for wages and annual leave are recognised and measured as the amount unpaid at the balance date at current pay rates plus employment on-costs, in respect of employees' service up to balance date.

The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by HomeStart resulting from employees' services provided up to the balance date.

During 1999-2000 HomeStart paid $150 000 ($127 000), with respect to HomeStart's superannuation obligations for employees who are not active contributors to the South Australia Superannuation Fund, in line with the requirements of the Commonwealth legislation.

During 1999-2000 HomeStart paid $70 000 ($47 000), with respect to HomeStart's superannuation obligations for contributors to the South Australian Superannuation Fund.

(j) Other Liabilities
Liabilities are recognised for amounts to be paid in the future for services received, whether or not billed to HomeStart Finance.

(k) Borrowings
Borrowings are reflected in the financial statements as their face value. Interest expense is accrued at the contracted rate and included in other liabilities.

(l) Derivative Financial Instruments
HomeStart is exposed to changes in interest rates and uses forward rate agreements and interest rate swaps agreements to hedge this risk.

The net amount receivable or payable under interest rate agreements and realised losses and gains on forward rate agreements are recognised on an accrual basis in the profit and loss statement as an adjustment to interest expense during the period.

(m) Revenue Recognition
Interest Income
Interest income is recognised as it accrues.

Non-Interest Income
Non-interest income is recognised when earned or recovered.

2. Operating Profit before Income Tax

	2000 $'000	1999 $'000
INCOME:		
Interest income:		
HomeStart and HOME	**56 466**	63 225
Deposits with Treasury and banks	**24**	26
Other	**1 391**	1 654
Total Interest Income	**57 881**	64 905
Non-interest income:		
Fees and charges	**114**	-
Bad debts recovered	**229**	235
Investment	**82**	-
Other	**2**	29
Total Non-Interest Income	**427**	264
EXPENSES:		
Interest expense:		
HomeStart and HOME	**37 562**	41 474
Total Interest Expense	**37 562**	41 474
Bad and doubtful debts expenses:		
Direct write-offs:		
HomeStart	**314**	669
HOME	**7**	17
Other	**4**	90
	325	776

2. **Operating Profit before Income Tax (continued)**	**2000**	1999
Doubtful debt provisions expenses:	**$'000**	$'000
HomeStart	**(1 974)**	819
HOME	**(50)**	(62)
Other	**(65)**	(166)
	(2 089)	591
Total Bad and Doubtful Debts Expenses	**(1 764)**	1 367
OTHER EXPENSES:		
Government guarantee fee	**5 504**	6 534
Management fees:		
HomeStart	**2 187**	2 579
HOME	**442**	553
Total Retail and Management Fees	**2 629**	3 132
Depreciation expense:		
Computer hardware	**109**	90
Computer software	**78**	55
Loan Management System	**231**	227
Office fit-out	**29**	27
Furniture and equipment	**26**	38
Total Depreciation Expense	**473**	437
Personnel expenses:		
Charges to provisions for annual leave	**(32)**	(7)
Charges to provisions for long service leave	**(9)**	(19)
Salaries and related costs	**3 122**	2 979
Total Personnel Expenses	**3 081**	2 953
General expenses:		
Office accommodation	**364**	324
Marketing, product development and advertising	**557**	370
Auditor's remuneration	**64**	72
Internal audit	**48**	64
Loan Management fees	**203**	173
Systems	**277**	202
Consultants fees	**314**	226
Other	**948**	830
Total General Expenses	**2 775**	2 261
Total Other Expenses	**14 462**	15 317

3. Income Tax

HomeStart is required to pay income tax equivalents to the State Government through the Department of Treasury and Finance, using the Accounting Profits Model. The Accounting Profits Model adopts as its basis, the application of the corporate income tax rate for *Income Tax Assessment Act 1936* purposes (36 percent for 1999-2000, unchanged from 1998-99) to the Audited Accounting Profit of HomeStart. Audited Accounting Profit is defined as operating profit after all abnormal and extraordinary items.

Audited accounting profit of $8.0 million x 36 percent is equal to Income Tax Equivalents of $2.9 million ($2.5 million).

In line with the proposed business tax reforms, which were announced by the Treasurer on 21 September 1999 and received Royal Assent in December 1999, the corporate income tax rate will be reduced from 36 percent to 34 percent in respect of 2000-01 income tax year and then to 30 percent in 2001-02 income tax year.

HomeStart's income tax equivalent regime based on Accounting Profits Model will reflect these changes in the tax rates.

4. Wholesale Sales Tax

HomeStart is required to make monthly payments of wholesale sales tax equivalents to the Department of Treasury and Finance. The objective of the tax equivalents regimes is to identify and quantify the value of the sales tax exemption derived by State Trading Enterprises by virtue of their status as Government entities. HomeStart claims the maximum exemptions possible under the Commonwealth wholesale sales tax regime. The total sales tax equivalents for 1999-2000 were $59 000 ($43 000).

5. Payment of Dividend to the Department of Human Services

Pursuant to section 26 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart must recommend to the Minister for Human Services, that the statutory corporation pay a specified dividend or not pay a dividend, for that financial year, as the statutory corporation considers appropriate. It further provides for the Minister, in consultation with the Treasurer, to approve the recommendation of the statutory corporation, or to determine that another dividend, or no dividend, should be paid.

During 1999-2000 HomeStart paid a dividend of $5 million ($5 million) to the Minister through the Department of Human Services.

During 1999-2000, no capital was paid to the Minister through the Department of Human Services ($25 million).

6. Loans and Advances (Housing Loans)

	2000	1999
	$'000	$'000
Primary loans	**784 628**	918 864
Subsidised loans	**32 414**	32 789
Control accounts	**(870)**	(237)
Gross Loans and Advances	**816 172**	951 416
Specific provisions for impairment	**(4 782)**	(7 999)
Unearned income	**(4 091)**	(2 787)
	807 299	940 630
General provisions for impairment	**(9 552)**	(9 800)
Net Loans and Advances	**797 747**	930 830

The balance of the housing loans are shown after deducting the provision for doubtful debts, ensuring that the balance reflects the expected recoverable amount of these loans. The basis of determining the provision for doubtful debts is disclosed at Note 1(f).

Maturity Profile of HomeStart's Loans and Advances at 30 June 2000:

	$'000
At call	**-**
Not longer than three months	**12**
Longer than three months and not longer than 12 months	**174**
Longer than one year and not longer than five years	**5 601**
Longer than five years	**810 385**
Total Loans and Advances	**816 172**

The maturity distribution of loans and advances is based on contractual terms and not when they are due to reprice or are likely to be repaid. HomeStart loans do not have fixed contractual terms as they vary with changes in inflation and interest rates. Based on standard assumptions, these loans would have an initial term ranging up to 28 years, but the majority are anticipated to have actual contractual terms of a much shorter maturity period.

HomeStart's loans and advances maturity distribution has been compiled for the first time. Comparative figures for 1998-99 financial year are not available.

The following table shows the breakdown of the loan portfolio for the individual schemes, with the provisions allocated.

	2000	1999
	$'000	$'000
HomeStart	**710 416**	816 039
Less: - Specific provisions for impairment	**4 659**	7 860
- General provisions for impairment	**9 235**	9 384
- Impaired loans unearned income	**4 091**	2 787
	692 431	796 008
HOME	**87 701**	112 624
Less: - General provisions for impairment	**175**	225
	87 526	112 399
Other	**18 055**	22 753
Less: - Specific provisions for impairment	**123**	139
- General provisions for impairment	**142**	191
	17 790	22 423
Total Housing Loans after provision for Doubtful Debts	**797 747**	930 830

Total loans approved but not settled at 30 June 2000 amounted to $4.3 million ($12.1 million).

7. Provisions for Doubtful Debts

SPECIFIC PROVISION		
Opening Balance:		
HomeStart	**7 860**	7 654
HOME	**-**	-
Other	**139**	213
Total Opening Balance	**7 999**	7 867
Movement:		
HomeStart doubtful debts expense	**(1 825)**	2 228
HomeStart bad debt write off	**(1 376)**	(2 022)
HOME	**-**	-
Other doubtful debts expense	**(16)**	(74)
Total Movement	**(3 217)**	132
Closing Balance:		
HomeStart	**4 659**	7 860
HOME	**-**	-
Other	**123**	139
Total Closing Balance	**4 782**	7 999

7. Provisions for Doubtful Debts (continued)

	2000	1999
GENERAL PROVISION	**$'000**	$'000
Opening Balance:		
HomeStart	**9 384**	10 793
HOME	**225**	287
Other	**191**	283
Total Opening Balance	**9 800**	11 363
Doubtful Debts Expense:		
HomeStart	**(149)**	(1 409)
HOME	**(50)**	(62)
Other	**(49)**	(92)
Total Doubtful Debts Expense	**(248)**	(1 563)
Closing Balance:		
HomeStart	**9 235**	9 384
HOME	**175**	225
Other	**142**	191
Total Closing Balance	**9 552**	9 800
Total Provision for Doubtful Debts	**14 334**	17 799

8. Asset Quality Disclosures

HomeStart provides for doubtful debts as discussed in Note 1. When management determines that a loan recovery is doubtful, the principal amount and accrued interest on the obligation are written down to estimated realisable values. Interest and charges are no longer taken to profit when their payment is considered unlikely.

	2000	1999
Non-Accrual Loans:	**$'000**	$'000
With provision	**32 350**	47 498
Without provision	**10 820**	3 828
Total	**43 170**	51 326
Specific provision	**4 488**	7 086
Interest forgone on non-accrual loans	**4 091**	2 787
Real Estate Acquired:		
Balance of loans at 30 June	**1 679**	3 110
Specific provision	**294**	913
Past Due Loans:		
Balance at 30 June	**1 860**	2 352
Total Impaired Assets	**46 709**	56 788
Total Specific Provision	**4 782**	7 999

9 Office and Computer Equipment

Computer hardware - At cost	**611**	375
Less: Accumulated depreciation	**353**	252
	258	123
Computer software - At cost	**435**	202
Less: Accumulated depreciation	**204**	126
	231	76
Loan Management Systems - At cost	**1 155**	1 156
Less: Accumulated depreciation	**649**	418
	506	738
Office fitout - At cost	**196**	178
Less: Accumulated depreciation	**108**	76
	88	102
Furniture and equipment - At cost	**262**	293
Less: Accumulated depreciation	**124**	210
	138	83
Total Fixed Assets	**1 221**	1 122

10. Other Assets

Accrued interest	**499**	537
Investment	**80**	-
Debtors	**26**	21
Total Other Assets	**605**	558

Investment

As a result of the demutualisation of the Credit Reference Association of Australia and becoming a company listed on the Australian Stock Exchange, HomeStart received 24 603 shares in return for the membership. The shares were issued only to the CRAA members and there was no consideration provided in exchange for the shares.

The non-reciprocal transaction has been accounted for in accordance with the Australian Accounting Standard AAS 15 'Revenue'. A revenue item and an asset has been recognised in the books at the value equal to $79 960 (24 603 shares times $3.25, the share opening trading price). At 30 June 2000 the investment had a market value of $112 700.

Dividends are brought to account as they are received.

11. Borrowings

	2000 $'000	1999 $'000
Short-term	**200 500**	124 750
Long-term	**461 622**	667 855
Total Borrowings	**662 122**	792 605

Maturity Profile of HomeStart's Borrowings at 30 June 2000:

	2000	1999
At call	**7 000**	29 750
Not longer than three months	**193 500**	55 000
Longer than three months and not longer than 12 months	**-**	40 000
Longer than one year and not longer than five years	**395 000**	375 724
Longer than five years	**66 622**	292 131
	662 122	792 605

12. Financing Arrangements

HomeStart was required to pay a guarantee fee of 0.75 percent of outstanding borrowings, to the Department of Treasury and Finance in 1999-2000 (0.75 percent).

HomeStart sources its borrowings from the South Australian Government Financing Authority and has no restrictions on its borrowing facilities, however, it is subject to a gross borrowing limit.

13. Provisions

	2000 $'000	1999 $'000
Provision for future claims	**-**	20
Provision for annual leave	**165**	134
Provision for income tax	**1 493**	988
Provision for long service leave	**155**	146
Total Provisions	**1 813**	1 288

14. Other Liabilities

	2000	1999
Accrued interest	**1 526**	4 748
Accrued scheme fees (HOME)	**208**	240
Creditors	**355**	316
Aboriginal loan security deposit	**250**	250
Other	**261**	354
Total Other Liabilities	**2 600**	5 908

15. Capital Grants

Grants Received with Respect to Community Service Obligations

	2000	1999
Mortgage relief	**729**	729
Special mortgage relief assistance	**1 275**	1 275
Deposit assistance	**2 914**	2 914
Total	**4 918**	4 918

Movements during the Year

	2000	1999
Better cities		
Balance at 1 July	**-**	389
Amounts transferred to retained surplus	**-**	(389)
Balance at 30 June	**-**	-

16. Additional Financial Instruments Disclosure

(a) Interest Rate Risk

Interest rate risk is managed through matching HomeStart's borrowings with its home loan assets portfolio. The resulting repricing mismatch is measured and monitored by the Asset and Liability Committee on a monthly basis.

The following tables show the average balance for each of the major categories of interest bearing assets and liabilities, the amount of interest income or expense and the average interest rate.

	2000		
	Average Balance $'000	**Interest $'000**	**Average Interest Rate(1) Percent**
Interest Income:			
Deposits at Treasury and banks	**1 548**	**24**	**1.55**
Loans and advances	**871 142**	**57 857**	**6.64**
	872 690	**57 881**	**6.63**
Interest Expense:			
Interest on borrowings	**710 133**	**37 562**	**5.29**

(1) Interest rate calculated on average balances over the year to 30 June 2000.

(a) Interest Rate Risk (continued)

1999	Average Balance $'000	Interest $'000	Average Interest Rate(1) Percent
Interest Income:			
Deposits at Treasury and banks	1 458	26	1.78
Loans and advances	1 022 601	64 879	6.34
	1 024 059	64 905	6.34
Interest Expense:			
Interest on borrowings	845 973	41 474	4.90

(1) Interest rate calculated on average balances over the year to 30 June 1999.

HomeStart's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

2000	**Weighted Average Interest Rate(1) Percent**	**Floating Interest Rate $'000**	**Fixed Interest Maturing in 1 Year or Less $'000**	**Fixed Interest Maturing in 1 Year to 5 years $'000**	**Fixed Interest Maturing in More than 5 years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
Financial Assets:							
Deposit at Treasury and Banks	**5.58**	**2 784**	**-**	**-**	**-**	**-**	**2 784**
Loans and advances	**7.73**	**805 977**	**-**	**10 195**	**-**	**-**	**816 172**
Other assets	**-**	**-**	**-**	**-**	**-**	**605**	**605**
		808 761	**-**	**10 195**	**-**	**605**	**819 561**
Financial Liabilities:							
Borrowings	**6.08**	**662 122**	**-**	**-**	**-**	**-**	**662 122**
		662 122	**-**	**-**	**-**	**-**	**662 122**
Interest Rate Swaps (Notional Principal Amounts)(2)		**(60 000)**	**50 000**	**10 000**	**-**	**-**	**-**

1999	Weighted Average Interest Rate(3) Percent	Floating Interest Rate $'000	Fixed Interest Maturing in 1 Year or Less $'000	Fixed Interest Maturing in 1 Year to 5 years $'000	Fixed Interest Maturing in More than 5 years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets:							
Deposit at Treasury and banks	4.94	2 962	-	-	-	-	2 962
Loans and advances	6.38	951 416	-	-	-	-	951 416
Other assets	-	-	-	-	-	558	558
		954 378	-	-	-	558	954 936
Financial Liabilities:							
Borrowings	4.75	792 605	-	-	-	-	792 605
		792 605	-	-	-	-	792 605
Interest Rate Swaps		-	-	-	-	-	-

(1) Weighted average interest rate at 30 June 2000 on the outstanding balances.
(2) The effect of the interest rate swaps and forward rate agreements has been incorporated into the weighted average interest rate.
(3) Weighted average interest rate at 30 June 1999 on the outstanding balances.

Off-Balance Sheet Derivative Instruments

Forward Rate Agreements
HomeStart enters into forward rate agreements with a maximum tenor/maturity of 6 x 12 months to hedge its interest exposure.

At 30 June 2000 there was one forward rate agreement outstanding settling on 3 July 2000 at 6.25 percent, hedging $25 million of floating rate borrowings.

Interest Rate Swaps
In addition to forward rate agreements HomeStart also enters into interest rate swaps to manage its interest rate exposures.

At 30 June 2000 HomeStart had floating/floating swaps, with the rates set at 30 and 90 day bank bill rates.

In addition HomeStart has also entered fixed/floating swaps, with the fixed rates varying from 6.51 percent to 6.76 percent. This assists HomeStart to eliminate the mismatch between repricing of its assets with that of its liabilities.

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

The credit risk on financial assets has been recognised in the Statement of Financial Position as the carrying amount, net of any provisions for doubtful debts.

HomeStart manages its credit risk through compliance with credit policies and procedures, and reliance on the underlying security properties.

(b) Credit Risk (continued)

HomeStart is not materially exposed to any individual borrower.

HomeStart only lends in South Australia, and is therefore exposed to the housing market in this State.

(c) Net Fair Value

On-Balance Sheet Financial Instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	2000		1999	
	Carrying Value	**Net Fair Value**	Carrying Value	Net Fair Value
Assets:	**$'000**	**$'000**	$'000	$'000
Cash	**2 784**	**2 784**	2 962	2 962
Loans and advances	**797 747**	**797 570**	930 830	930 830
Investment	**80**	**113**	-	-
Other assets	**525**	**525**	558	558
Liabilities:				
Borrowings	**662 122**	**662 705**	792 605	796 574

Cash

The carrying value of cash approximates its net fair value.

Loans and Advances

The carrying value of loans and advances is net of specific and general provisions and unearned income.

The carrying amount is a reasonable estimate of net fair value of variable rate loans. The net fair value of fixed rate loans has been calculated by discounting the future principal and interest cash flows using rates determined from the current yield curve and loan repricing dates.

Investment

The net fair value of the investment is based on quoted market price.

All Other Financial Assets

The carrying values of all other financial assets approximate their net fair values.

Borrowings

The net fair value of HomeStart's borrowings was determined based on the quoted marked prices.

Off-Balance Sheet Financial Instruments

The net fair value of off-balance sheet financial instruments held as at the reporting date are:

	2000	1999
	$'000	$'000
Forward rate agreement	**(5)**	-
Interest rate swaps	**(72)**	-

17. Commitments

Operating lease commitments:

	2000	1999
Future operating lease rentals not provided for in the financial Statements and payable:		
Not later than one year	**-**	293
Later than one year but not longer than five years	**898**	127
Total	**898**	420

18. Contingent Liabilities

HomeStart has no material contingent liabilities.

19. Segment Reporting

HomeStart operates in one geographical segment, South Australia, and its principal activities are the provision of home finance to low and moderate income groups.

20. 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 and 'at call' deposits with other financial institutions. 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:

	2000	1999
	$'000	$'000
Cash at the Department of Treasury and Finance	**1 876**	2 362
Cash at clearing banks	**179**	155
Cash in transit	**729**	445
Cash at 30 June	**2 784**	2 962

20. Notes to the Statement of Cash Flows (continued)

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

	2000 $'000	1999 $'000
Operating surplus after income tax	**5 151**	4 487
Less: Items classified as investing activities:		
Gain on sale of fixed assets	**(2)**	(4)
Dividend received	**(2)**	-
Add(Less): Non-cash items:		
Depreciation expense	**473**	437
Provision for probable credit losses/bad debts written off	**(1 764)**	1 367
Unearned income on bad debts written off	**415**	635
Investment in securities	**(80)**	-
Administration of loan accounts	**(262)**	(250)
Net Cash provided by Operating Activities before changes in Assets and Liabilities	**3 929**	6 672
Changes in assets and liabilities:		
Decrease in accrued interest expense	**(3 221)**	(1 077)
Decrease in accrued interest income	**38**	159
Increase in provisions for employee entitlements	**40**	26
Decrease in management fees payable to retailers	**(33)**	(69)
(Decrease) Increase in other liabilities	**(148)**	36
Decrease (Increase) in creditors	**36**	(4)
Increase in unearned interest income	**1 304**	1 619
Decrease (Increase) in provision for income tax	**505**	(512)
Net Cash provided by Operating Activities	**2 450**	6 850

All cash flows are presented on a gross basis.

21. Remuneration and Retirement Benefits

(a) Board Members' Remuneration

Number of HomeStart Board Members whose income from HomeStart was within the following bands:	2000 Number of Board Members	1999 Number of Board Members
$0 - $9 999	**1**	1
$10 000 - $19 999	**1**	3
$20 000 - $29 999	**3**	1

Members of the Board of HomeStart who are employed under the *Public Sector Management Act 1995* are not entitled to fees. Four members received remuneration during the financial year.

	2000 $'000	1999 $'000
Total income paid or payable or otherwise made available to all Board Members of HomeStart	**85**	73

The names of the Board Members who held office during the financial year are:

Kate Spargo
Jay Hogan
Stephen Mann
Graham Duncan
Vivienne Pring

No Board Member has entered into a material contract with HomeStart during the financial year.

(b) Executive Remuneration

HomeStart employs one officer on contract at the Executive Level, and that salary is determined by the conditions and procedures prescribed in the *Public Sector Management Act 1995* and other executive officers determined by employment contracts.

The number of executive officers whose remuneration, including non-monetary benefits, was within the specified bands are as follows:

	2000 Number of Executive	1999 Number of Executive
$100 000 - $109 999	**-**	2
$110 000 - $119 999	**1**	-
$120 000 - $129 999	**1**	1
$130 000 - $139 999	**1**	-

(c) Auditor's Remuneration

Amounts received or due and receivable by HomeStart's auditors for:	2000 $'000	1999 $'000
Auditing the accounts	**64**	72

22. Related Parties Disclosure

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Identification of Related Parties

(a) The Minister for Human Services
(b) The Department of Human Services
(c) Department of Treasury and Finance
(d) Board Members

The names of the Board Members who held office during the financial year are identified in Note 21.

23. Economic Dependency

HomeStart has an economic dependency on the following suppliers of services:

South Australian Government Financing Authority (SAFA)

SAFA is the sole provider of funds to HomeStart.

Retailing Services

HomeStart contracts out its retailing services to Bank SA, South Australian Home Loan Centre Pty Ltd, Home Loans Plus and Bernie Lewis Home Loans.

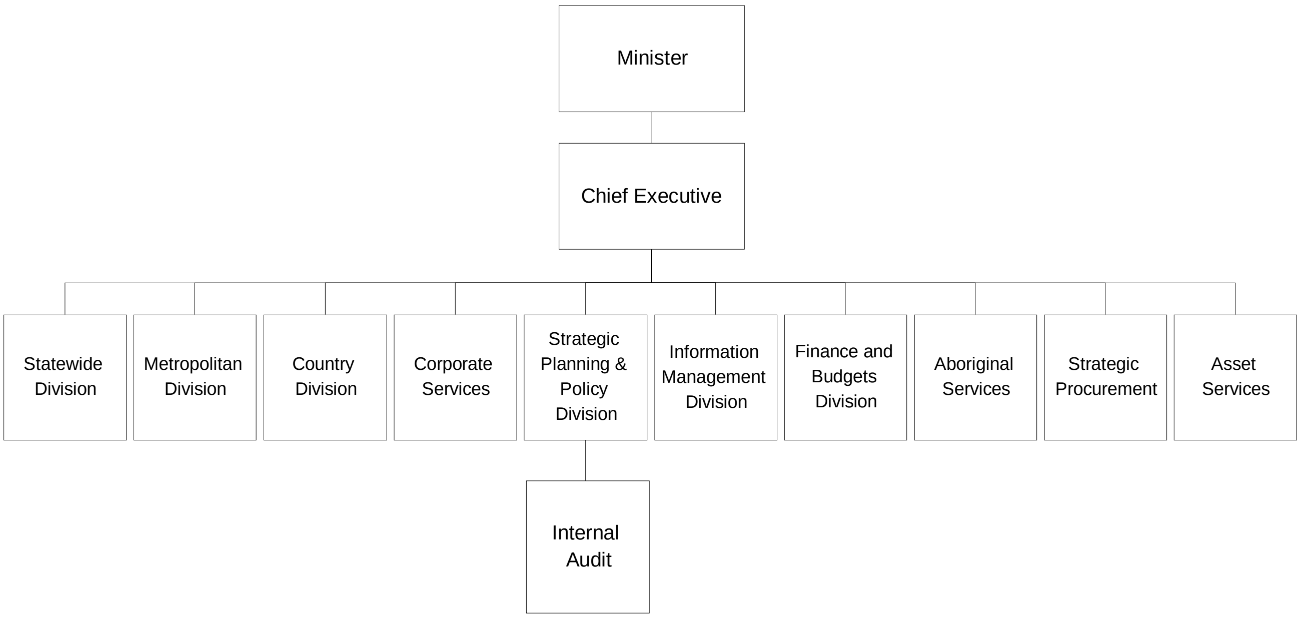
DEPARTMENT OF HUMAN SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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

The Department is charged with broad ranging policy and certain administrative responsibilities associated with health, housing and support and protection of people as members of families and communities. The Department performs a coordinating role for the Ministerial Portfolio of Human Services.

The following is a diagrammatic representation of the principal functions and responsibilities of the organisation structure.



The Department has links with a range of entities including:

- the South Australian Health Commission and Health Units established under the *South Australian Health Commission Act 1976*;
- Statutory Authorities established under specific legislation including the South Australian Housing Trust and Community Housing Authority;
- Statutory corporations established under the *Housing and Urban Development (Administrative Arrangements) Act 1995* including HomeStart Finance and the Aboriginal Housing Authority;
- other independent service providers.

The Department's role includes that as funder or service purchaser, policy setter and strategic planner and provider of services. The Department's role as service provider includes its role as the employer of staff who are assigned to statutory authorities and corporations, as provider of risk management, internal audit and insurance services and in management of portfolio information systems management services.

AUDIT MANDATE AND COVERAGE

Audit Authority

Pursuant to subsection 31(1)(b) of the *Public Finance and Audit Act 1987*, the Auditor-General is required to annually audit the accounts of the Department.

Scope of Audit

The audit program covered all 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 control.

During 1999-2000 specific areas of audit attention included:

- payroll
- accounts payable
- receipting and banking
- grants
- general ledger
- non-current assets.

Audit Communications to Management

During the year issues arising from the audit were communicated to the Department. Further details relating to these issues are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Financial Management Framework

The Department is required by the Treasurer's Instructions to implement the Financial Management Framework. The following provides an overview of key areas of the Department's control environment relevant to the Financial Management Framework.

As the Department has adopted a Portfolio approach to development of certain functions which are relevant to the Financial Management Framework the Audit comments contained herein are relevant to other Portfolio entities including the South Australian Housing Trust and the South Australian Health Commission.

Strategic Planning

The Department has prepared a Strategic Plan for the period 1999-2002 which takes a Portfolio based approach to strategic planning. In conjunction with the development of the Strategic Plan the Department has developed a Strategic Planning Framework which, amongst other matters, provides for preparation of more detailed plans at the Divisional level.

Progress in preparing, reviewing and adopting these Divisional Business plans varies between Divisions with some Plans being finalised and adopted while others are in draft.

Risk Management

The Department has implemented a significant restructure of the Risk Management function within the Department and in the Portfolio with the establishment of a Risk Management Services Unit. The Unit incorporates three broad areas:

- Risk management services-coordinating workers compensation claims, providing strategic Occupational Health and Safety services and support to the Unit.

- Insurance services-supporting administration of insurance for portfolio entities including claims management, coordination of Risk Financing and reporting.

- Risk management consultants-profile risks, developing a Strategic Risk Management Plan, assisting portfolio management in developing systematic risk management practices and conducting risk testing programs.

Progress was made in staffing the Risk Management Services Unit during the year with the appointment of a Manager, Risk Management Services, the establishment of a structure for the Unit and the filling of a number of positions in the Unit. The revised structure consolidates the functions which were originally part of portfolio entities and supports the implementation of consistent risk management systems and records, including to support management and control of insurance.

The initiatives implemented by the Department with respect to Risk Management and Insurance services build on functions which were established in the Department or Portfolio agencies and reflect improvements to effective management arrangements. These functions manage significant risks, particularly with respect to the medical malpractice claims in the public health services and public liability claims and property loss associated with the South Australian Housing Trust.

The development of the Risk Management consulting capability is a significant improvement in the Department's control environment and addresses an area of need which was commented upon in last year's Report. The establishment of the Risk Management consulting capability and the appointment of staff occurred in the second half of the year and as a result limited progress has been made towards the direction of the development of a Strategic Risk Management Plan.

Internal Audit

The Department's Internal Audit function provides services to the Department and other Portfolio agencies.

Audit noted in this Report for 1998-99 that a number of factors had limited the effectiveness of the Internal Audit function. Since that report the Department has addressed the specific matters referred to. It has finalised Charters for Internal Audit and the Audit Committee and has received a report from the review of Internal Audit services performed by a review team from the Institute of Internal Auditors Incorporated.

The Report upon the Review of Internal Audit was received by the Department in October 1999. It outlined a range of areas in which the internal audit service provided to the Department needed to improve to effectively meet the needs of the Department and the portfolio and relevant recommendations.

Audit have considered the Review's findings and recommendations and believe they are relevant and effectively match the Department's Internal Audit Charter. Implementation of the Review recommendations would enable the Department, and the broader portfolio, to address the diverse and complex activities undertaken and would provide assurance that the Department's objectives were being effectively met.

In line with the Report the Department has sought, unsuccessfully, to address a key recommendation of the Report with respect to staffing the Internal Audit Unit.

Review of work performed by Internal Audit during the year indicates that limited work has been completed with respect to the Department's operations. It is also noted that development of a whole of Department strategic audit plan, which was another recommendation of the Review of Internal Audit, has not occurred to date.

As was reflected in this Report for 1998-1999 the absence of a comprehensive Audit Universe and associated risk evaluation, which is broadly equivalent to the strategic audit plan referred to above, gives rise to concern that areas of material risk to the Department have not been adequately considered and/or appropriately reviewed.

Documentation of Policies and Procedures

The review of systems operated by the Department, including systems which support other Portfolio agencies, incorporated an evaluation of whether policies and procedures were appropriately documented. The documentation of policies and procedures is a prescribed element of the Financial Management Framework and is a control requirement which is particularly relevant to the Department in light of the diversity of Departmental and Portfolio activities supported by the systems and the range of work sites involved.

Audit concluded that appropriate documented policies and procedures have not been developed for all major activities undertaken by the Department. Audit recommended that the Department implement a program to document policies and procedures for all major activities undertaken by the Department. It was noted that this program would require a cross organisational strategy and work effort to ensure the requirements of all areas of the Department, and the wider portfolio, are appropriately reflected in the documentation.

The Department has responded to the Audit findings and recommendations by indicating additional staff had been engaged and an action plan had been prepared to address the matters raised by Audit.

Commentary on General Financial Controls

Review of Accounts Payable Processing

The Department has implemented an Accounts Payable system that processes transactions for the Department, the South Australian Housing Trust and the Health Commission. The Audit of systems controls identified the following key findings:

- Policies, procedures and control arrangements are not documented in a manual which is available to all system users.
- Utilisation of the On-Line Purchase Order function of the system, which in Audit's view incorporates strong system based controls, has not been maximised; instead use is made of manual payment vouchers.
- Processing of manual vouchers is not supported by a systematic capability to verify payment details.
- Control over the vendor masterfile was inadequate.
- Systems controls were, at times, not followed for payment processes.

The report to the Department acknowledged that the Department's Financial Services Division is reliant on staff at the work sites who initiate payments, located both within the Department and at the South Australian Housing Trust, for performance of key control procedures. It was also acknowledged that achieving improvement in controls will require effective collaboration between the Financial Services Division and the work sites.

Audit also reviewed the extent to which the Department's Accounts Payable system matched relevant prescribed elements of the Financial Management Framework and concluded there were a number of gaps between the prescribed elements and the controls implemented by the Department.

The Department has indicated the Audit findings and recommendations arising from the review of Accounts Payable will be addressed in conjunction with the response to findings with respect to documentation of policies and procedures.

Advance Payments-Capital Program

The audit of the Department included a review of large payments processed by the Department on its own behalf and that of other portfolio agencies. The review identified payments amounting to more than $20 million where payments were made in advance of the Department, the Commission or Health Units receiving relevant goods or services. The payments identified were in two broad categories:

- Payments to suppliers in advance of receipt of goods or services where the supplier provided unconditional bank guarantees in exchange for payment from the Department. The guarantee amounts corresponded with the value of the payments. Payments were with respect to contracts for the supply of medical equipment with values of up to $2.2 million and anticipated equipment delivery dates were within six months of 30 June 2000.
- Payments to Health Units with respect to Information Systems projects where costs associated with the projects were not due and payable at the time funds were advanced to the Health Units. The South Australian Health Commission's past practice has been to maintain central control of capital spending by Health Units and to advance payment to them only upon sighting supplier's invoices for goods or services received.

Audit wrote to the Chief Executive of the Department with respect to these payments and noted that measures adopted had the potential to misrepresent the outcomes achieved by the Portfolio in implementing its Capital Program. The value of the advance payments was material having regard to the Portfolio Capital Program for the year ended 30 June 2000 which reflected budgeted capital expenditure of $203 million.

The Department has addressed this concern by recognising the value of outstanding bank guarantees held by the Department as receivables in the Statement of Financial Position. The Commission has recognised the value of Capital Grants paid to Health Units in advance of good or services having been received by the Health Units as prepayments. As a consequence the potential for misrepresentation is removed.

The letter to the Chief Executive also noted concern that the Department had compromised fundamental control processes which require that payment is only made where goods or services have been received and that the processes and controls implemented by the Department and Health Units to address certain risks associated with the advanced funding involved additional and avoidable costs.

At the time of preparing this report the Department had not responded to the Audit letter with respect to this matter.

Authorisation of Remuneration for the Chairperson of the Aboriginal Housing Authority

The Department provides a range of management services to the Authority as part of its portfolio responsibilities including human resource management functions. The Chief Executive of the Department received a request from the Board of the newly created Aboriginal Housing Authority that the allowance payable to the Chairperson of the Board should be increased and that the Chairperson should be provided with use of a vehicle and other facilities to support his work as Chairperson.

The Board's request was considered by the Chief Executive who recommended to the Minister for Human Services that the allowance payable to the Chairperson be increased in line with the Board's request and that the Chairperson be provided with use of a Government vehicle while engaged on Authority business. These arrangements were to be reviewed in six months. The Chief Executive's recommendation was approved by the Minister.

The approval of the Chairperson's remuneration by the Minister for Human Services is inconsistent with relevant legislation. The remuneration of members of the Authority's Board is governed by the provisions of Section 11 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* which provides that Board members are entitled to remuneration as determined by the Governor.

This matter was raised with the Chief Executive of the Department. The Chief Executive has been advised that the payments to the Chairperson should be regularised by obtaining approval of the Governor through Executive Council and that the advice of the Crown Solicitor should be sought in preparing the instrument to obtain that approval.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department of Human Services included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Department of Human Services 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 'Audit Findings and Comments' were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Operating Expenses

Total Operating Expenses were reduced by $4.5 million reflecting a reduction in Grants and Subsidies associated with the funding of $24.2 million provided to the Housing Trust in 1998-99 from the HomeStart Finance dividend. This dividend was offset by:

- increases in employee related costs following increase to award rates and changed arrangements for assessing payroll tax on some Departmental employees;

- increases in the cost of supplies and services of $12.6 million due to a number of factors.

Operating Revenues

Total Operating Revenues was reduced by $10.1 million due to an $25 million reduction in dividends from HomeStart Finance offset by an increase in service fee income and other recoveries from other portfolio agencies.

Government Revenue

Total Revenue from Government increased by $29.2 million reflecting funding for systems changes related to the GST implementation and funding for payroll tax changes.

Operating Statement for the year ended 30 June 2000

	Note	2000 $'000	1999 $'000
OPERATING EXPENSES:			
Employee related		**144 533**	138 219
Supplies and services		**101 359**	88 722
Grants and subsidies		**288 925**	312 781
Client payments		**11 642**	10 846
Depreciation		**2 337**	2 777
Total Operating Expenses	4	**548 796**	553 345
OPERATING REVENUES:			
Rent, fees and charges	5	**160 037**	146 888
Interest		**3 028**	3 781
Dividends - HomeStart Finance		**5 000**	30 000
Other		**7 014**	4 508
Total Operating Revenue		**175 079**	185 177
NET COST OF SERVICES		**373 717**	368 168
GOVERNMENT REVENUES:			
Department appropriation	6	**235 599**	217 088
Commonwealth grants	7	**137 778**	131 263
State revenue - Contingency fund		**4 068**	-
Other grants and contributions		**3 329**	3 266
Total Revenues from Government		**380 774**	351 617
Net revenues from disposal of non-current assets		**(124)**	(1)
CHANGE IN NET ASSETS BEFORE RESTRUCTURING		**6 933**	(16 552)
Net revenues from restructuring	8	**(1 841)**	485
CHANGE IN NET ASSETS AFTER RESTRUCTURING		**5 092**	(16 067)

Statement of Financial Position as at 30 June 2000

	Note	2000 $'000	1999 $'000
CURRENT ASSETS:			
Cash on hand and deposit accounts	15(a)	**29 859**	49 571
Receivables	9	**45 072**	18 331
Other		**7 755**	2 531
Total Current Assets		**82 686**	70 433
NON-CURRENT ASSETS:			
Capital work in progress		**5 228**	747
Property, plant and equipment	10	**56 190**	54 720
Other		**389**	62
Total Non-Current Assets		**61 807**	55 529
Total Assets		**144 493**	125 962
CURRENT LIABILITIES:			
Payables	11	**41 575**	24 783
Employee entitlements and related provisions	12	**13 227**	19 066
Borrowings	13	**-**	199
Other	14	**540**	990
Total Current Liabilities		**55 342**	45 038
NON-CURRENT LIABILITIES:			
Employee entitlements and related provisions	12	**30 882**	30 509
Borrowings	13	**285**	285
Total Non-Current Liabilities		**31 167**	30 794
Total Liabilities		**86 509**	75 832
NET ASSETS		**57 984**	50 130
EQUITY:			
Asset revaluation reserve	24	**8 904**	6 142
Accumulated surplus	24	**49 080**	43 988
TOTAL EQUITY		**57 984**	50 130
Commitments	16		

Statement of Cash Flows for the year ended 30 June 2000

	Note	2000 Inflows (Outflows) $'000	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee related		**(150 123)**	(130 635)
Supplies and services		**(92 873)**	(83 625)
Grants to organisations		**(293 964)**	(311 967)
Client payments		**(12 092)**	(10 807)
RECEIPTS:			
Rent, fees and charges		**139 364**	139 991
Interest		**2 476**	3 776
Dividends - HomeStart Finance		**5 000**	30 000
Other		**6 022**	4 137
CASH FLOWS FROM GOVERNMENT:			
State Government		**238 894**	223 942
Commonwealth Government		**137 778**	130 812
Net Cash used in Operating Activities	15(b)	**(19 518)**	(4 376)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(5 663)**	(3 234)
Proceeds from sale of property, plant and equipment		**14**	129
Net Cash Flows used in Investing Activities		**(25 167)**	(7 481)
CASH FLOWS FROM RESTRUCTURE		**5 455**	-
NET DECREASE IN CASH HELD		**(19 712)**	(7 481)
CASH AT 1 JULY		**49 571**	57 052
CASH AT 30 JUNE	15(a)	**29 859**	49 571

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding of the Department

The vision of the Department is to significantly enhance the quality of life and safeguard the health and wellbeing of South Australians by leading the development of high performing integrated health, housing and community services for individuals, families and communities.

To achieve this vision, the Department will:

- provide a coordinated response to human services needs with a focus on well being, illness prevention, safety, early intervention and the provision of quality care;
- foster strong partnerships with the community and service providers to promote resilient, caring and productive communities;
- encourage individuals, families and communities to take responsibility for their own health and well being;
- take a holistic approach based on principles of justice and equality.

The Department is responsible for policy formulation and planning for the Human Services portfolio and the portfolio agencies and it controls and coordinates portfolio funding arrangements. It has responsibility for the administration and coordination of portfolio Human Resource Management and it provides Corporate and Business Service functions to portfolio agencies. The Department has responsibility for the delivery of specific programs to the public both with respect to activities assigned to the Department and to activities performed on behalf of the South Australian Health Commission (SAHC) in accordance with a memorandum of understanding.

Funding for the Department comes from three main sources:

- Appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities.
- Payment from portfolio agencies for Business Service and Human Resource Management functions performed on behalf of the agencies, with fees for these services being determined on a cost recovery basis.
- Fees from the South Australian Health Commission for the provision of certain services and functions performed by the Department on behalf of the Commission in accordance with a memorandum of understanding between the Department and the Commission. The amount paid to the Department by the Commission is determined on a fee for service basis.

In addition to the main funding sources the Department receives amounts from other sources including interest paid on cash deposits and dividends paid by portfolio agencies.

As a result of the utilisation of common systems across the portfolio, the Department processes transactions on behalf of other agencies within the portfolio resulting in timing differences between the incurring of expenditure, earning of revenue and the associated cashflows. Additional timing differences arise form the final determination of Service Fees payable between these agencies. These timing differences give rise to the recognition of receivables and payables within the portfolio. Significant receivables and payables with the South Australian Health Commission are disclosed in Note 9 and Note 11.

2. Statement of Accounting Policies

The significant Accounting Policies that have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation of the Financial Statements

The Financial Statements are a general purpose financial report and have been prepared in accordance with the requirements of the Statements of Accounting Concepts, applicable Accounting Standards, the Treasurer's Instructions and applicable Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

The accrual basis of accounting has been employed on the basis of historical cost and does not take into account changing money values or, except where stated, current valuations of non-current assets.

(b) Revenue Recognition

Service Fee Income

Service fee income comprises revenue earned from the provision of services to entities external to the Department. The revenue is recognised when the fee in respect of services provided is receivable.

Dividends

Dividends are received by the Department from HomeStart Finance in compliance with section 26(8) of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and redistributed to Portfolio entities consistent with Department strategic plans. Revenue is recognised upon agreement by the Minister to the dividend proposed by the HomeStart Board.

Government Revenues

General appropriation and Housing Assistance grants are recognised when payments are received in the Department's operating account at Treasury. Tax Equivalent Regime and other grants are recognised when they are due and receivable.

(c) Employee Entitlements and Related Provisions

Provision is made for the Department's liability for employee entitlements arising from services rendered by employees to balance date. The long service leave liability was calculated using the short hand method using the benchmark number of years recommended by the Department of Treasury and Finance at current salary rates and on-costs. Provision has been made for the unused component of annual leave as at balance date, based on current salary rates and related on-costs.

A superannuation on-cost has been provided for against provisions for annual leave and that portion of the provision for long service leave which it is estimated will be taken as leave. The on-cost has been applied based on the average of employer contribution rates. Other employee related provisions represent on-costs consisting of workers compensation premiums and payroll tax. These on-costs have been calculated by applying their corresponding levied rates to employee entitlements.

No provision is made for sick leave because entitlements do not vest in the employee and because of the material uncertainty which precludes reliable estimation of future usage of sick leave by Departmental employees.

The provision for workers compensation estimate has been determined by Taylor Fry using the Payment per Claim Incurred (PPCI) method. The assessment has been carried out in accordance with Australian Accounting Standard AAS 26 'Financial Reporting of General Insurance Activities' and the WorkCover guidelines for actuarial assessments. The liability measures the present value of expected future payments for claims incurred but not yet paid, claims incurred but not reported and the anticipated direct and indirect costs of settling those claims.

(d) Property, Plant and Equipment

Freehold land and buildings comprising a class of non-current assets are revalued on a progressive basis over a three year period. Valuations use deprival method methodology, either gross current market buying price or current replacement cost depending on the nature of the land and buildings subject to valuation.

All non-current assets with an initial cost of $5 000 having a limited useful life 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, with the following depreciation periods:

	Years
Computer equipment	3
Office equipment	5 - 10
Plant and machinery	5 - 10
Buildings	15 - 60

Items of minor equipment with an individual value of less than $5 000 are expensed at the time they are acquired.

(e) Work in Progress

The Department incurs capital works in providing care facilities. To the extent that these capital works are physically incomplete as at balance date the value of work completed is included in work in progress. Work in progress is recorded at the lower of cost or estimated final project value.

(f) Leased Assets

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. 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 to be derived from the leased property.

2. Statement of Accounting Policies (continued)

(g) Inventories

Items held for use by the Department are accounted for at cost unless it is apparent that they are obsolete or surplus to requirements in which case they are written off.

Items held for sale are accounted for at the lower of cost or net realisable value.

(h) Tax Status

The activities of the Department are exempt from Commonwealth income tax but other Commonwealth taxes such as fringe benefits tax and other State taxes including payroll tax are applicable.

(i) Comparative Figures

The memorandum of understanding between the Department and the South Australian Health Commission commenced on 1 September 1998. Thus the comparative figures for 1998-99 contain only amounts relating to the provision of certain services to the Commission for that ten month period.

3. Report by Major Activity

Operating Result	Health Services	Family and Youth Services	Housing Services	Support Services	**2000 Total**
Expenses:	$'000	$'000	$'000	$'000	**$'000**
Employee related	35 093	51 392	34 986	23 062	**144 533**
Supplies and services	50 255	13 825	-	37 279	**101 359**
Grants and subsidies	13 584	665	165 749	108 927	**288 925**
Client payments	-	11 636	-	6	**11 642**
Depreciation	-	990	-	1 347	**2 337**
Total Expenses	98 932	78 508	200 735	170 621	**548 796**
Operating Revenue:					
Rent, fees and charges	1 964	929	34 986	26 808	**64 687**
Service fee - South Australian Health Commission	95 350	-	-	-	**95 350**
Interest	-	1	-	3 027	**3 028**
Dividends - HomeStart Finance	-	-	5 000	-	**5 000**
Other	1 618	474	-	4 922	**7 014**
Total Operating Revenues	98 932	1 404	39 986	34 757	**175 079**
Net Cost of Services	-	77 104	160 749	135 864	**373 717**

Activity 1 Health Services - The Department undertakes corporate policy, planning and administration functions for the South Australian Health Commission for which it receives a service fee. The fee covers employee related costs, supplies and services, and other outgoings in accordance with the memorandum of understanding with the Commission. The fee also covers costs associated with service delivery functions of the Commission including public and environmental health and a number of unincorporated health services.

Activity 2 Family and Youth Services - Through this activity the Department provides child protection, alternative care and juvenile justice services as required by statute, as well as meeting the needs of vulnerable young people.

Activity 3 Housing Services - The Department receives all State and Commonwealth grants under the Commonwealth State Housing Agreement and allocates these to other entities for housing programs. The Department also receives fees for the staff provided to the South Australian Housing Trust and the South Australian Community Housing Authority.

Activity 4 Support Services - Corporate policy, planning and administration which have not been attributed to other specific activities.

4. Operating Expenses

Each of the following items was charged as an expense in determining the operating result for the period.	**2000 $'000**	1999 $'000
Employee related:		
Salaries and wages	**107 665**	104 135
Long service leave and annual leave	**11 400**	10 933
Superannuation and retiring allowances	**12 825**	14 149
Workers' compensation	**2 839**	4 448
Payroll tax	**8 352**	3 271
Other employee related expenses	**1 452**	1 283
Total Employee Related Expenses	**144 533**	138 219
Supplies and services:		
Accommodation and property related	**15 335**	16 709
Consultant fees	**2 821**	2 195
Contractors and agency staff	**13 745**	12 406
Communication and computing	**18 349**	16 256
Drugs and medical supplies	**11 105**	8 386
Unincorporated Health units administration costs	**9 159**	7 529
SA Mental Health Services administration costs	**-**	5 070
Equipment expenses	**791**	1 025
Vehicle expenses	**2 786**	2 342
Travel expenses	**1 994**	1 809
Client related expenses	**2 436**	981
Printing, stationery, postage and periodicals	**3 816**	2 451
Insurance	**431**	695
Interpreter/translation fees	**1 831**	1 574
Seminars, courses and training	**1 528**	1 234
Other administration expenses	**15 232**	8 060
Total Supplies and Services	**101 359**	88 722

4. Operating Expenses (continued)

	2000	1999
Grants:	**$'000**	$'000
Home and community care	**69 931**	69 700
Supported accommodation assistance	**22 043**	22 554
Family and community development grants	**6 885**	7 250
Alternative care grants	**5 622**	4 946
Funds for seniors	**413**	399
Housing Assistance grants	**112 649**	142 650
SA Housing Trust - Tax equivalent regime	**53 100**	56 076
Parks Community Centre - Community Cultural Recreation Centre	**2 655**	2 635
Patient assisted transport concessions	**2 452**	3 611
Various other grants	**13 175**	2 960
Total Grants	**288 925**	312 781

The Department has identified unexpended grant funds held by grant recipients amounting to $1.989 million. As part of the acquittal process the Department will determine which amounts will be repaid and which amounts will, with Ministerial approval, be carried forward. This process has not been completed so no amount receivable has been recognised.

	2000	1999
Client Payments:	**$'000**	$'000
Children's payments	**8 809**	8 199
Emergency financial assistance	**2 224**	2 055
Funerals	**609**	592
Total Client Payments	**11 642**	10 846
Depreciation:		
Plant and equipment	**794**	1 034
Buildings	**1 543**	1 743
Total Depreciation	**2 337**	2 777

5. Rent, Fees and Charges

Rent	**1 527**	1 541
Fees, fines and penalties	**2 043**	1 043
Business services	**18 020**	15 699
Services to SAHC(1)	**95 350**	78 182
Recoveries	**8 111**	10 830
Employee services(2)	**34 986**	39 593
	160 037	146 888

(1) Service fees charged for Health Services provided to the SAHC under the memorandum of understanding covering staff costs, supplies, services and other outgoings. Prior year comparatives reflect that the memorandum of understanding was operative for the period 1 September 1998 to 30 June 1999 only.

(2) Represents the recovery of costs for the provision of employee related services to the South Australian Housing Trust, the South Australian Community Housing Authority and the South Australian Aboriginal Housing Authority. Prior year comparatives reflect employee related services to the SAHC for the period 1 July 1998 to 31 August 1998.

6. Departmental Appropriation

	2000	1999
	$'000	$'000
Tax equivalent regime reimbursement - SA Housing Trust	**53 100**	56 076
Tax equivalent regime reimbursement - HomeStart Finance	**2 956**	2 566
State Housing Assistance Funds	**30 807**	34 707
General appropriation	**148 736**	123 739
	235 599	217 088

7. Commonwealth Grants

Home and community care	**46 170**	44 751
Supported accommodation assistance	**13 522**	12 972
Housing assistance	**75 597**	71 899
Other	**2 489**	1 641
	137 778	131 263

8. Net Revenues from Restructuring

From 1 July 1999 the Department ceased to provide funding to Health Development Inc and SA Coordinated Care Inc (Care 21). Programs under these bodies either ceased or reverted to the Department. Assets and liabilities for these entities previously recognised as Administered Items have been transferred to the Department, resulting in a net loss on restructure of $1.7m.

On 1 July 1999, Mental Health Services were realigned, resulting in a transfer of functions and staff from the Department and the SAHC to Royal Adelaide Hospital Inc and Flinders Medical Centre Inc. The realignment resulted in a net loss on restructure of $147 000.

9. Receivables

	2000	1999
	$'000	$'000
Debtors	**16 646**	17 169
Debtors - SAHC	**25 720**	-
Interest	**298**	283
Interest - South Australian Health Commission	**537**	-
Tax equivalent regime (Treasury Appropriation)	**1 871**	879
	45 072	18 331

10. Property, Plant and Equipment

	2000 $'000	1999 $'000
Land:		
Parks Community Centre at independent valuation(1)	**2 380**	2 380
Other land at independent valuation(2)	**12 515**	12 427
At cost	**2 179**	2 179
	17 074	16 986
Buildings and Improvements:		
Parks Community Centre at independent valuation(1)	**40 000**	40 000
Other buildings and improvements at independent valuation(2)	**19 863**	14 280
Accumulated depreciation	**(22 602)**	(19 346)
	37 261	34 934
Plant and Equipment:		
At cost	**4 775**	9 282
Accumulated depreciation	**(2 920)**	(6 482)
	1 855	2 800
Total Property, Plant and Equipment	**56 190**	54 720

(1) The Parks Community Centre was revalued by the Valuer-General on 14 April 1999. This valuation was based on written down replacement cost and was an update of the previous valuation dated 30 May 1996.

(2) Land and buildings, other than transportable buildings were restated at independent valuations in June 2000. These valuations were performed by Greg McCloud AAPI B.App.Sc(Val)Certified Practising Valuer of Edward Rushton Australia Pty Ltd. The valuations were determined using deprival value methodology, either gross current market buying price or current replacement cost depending on the land and buildings subject to valuation.

11. Payables

	2000 $'000	1999 $'000
Current Payables:		
Creditors	**19 945**	16 058
Creditors - SAHC	**17 944**	
Accruals (Grants to organisations)	**3 367**	8 834
Accruals (Tax equivalent regime - Grants to SA Housing Trust)	**319**	(109)
	41 575	24 783

12. Employee Entitlements and Related Provisions

	2000	1999
Current employee entitlements and related provisions:		
Accrued salaries and wages	**654**	5 651
Annual leave	**6 603**	6 314
Long service leave	**2 456**	3 003
Superannuation	**802**	1 004
Provision for workers compensation	**2 100**	2 470
Provision for payroll tax	**595**	614
Other employee provisions	**17**	10
	13 227	19 066
Non-Current employee entitlements and related provisions:		
Long service leave	**22 370**	22 955
Superannuation	**1 229**	1 260
Provision for workers compensation	**5 868**	5 573
Provision for payroll tax	**1 415**	721
	30 882	30 509

13. Borrowings

	2000	1999
Current Borrowings:		
Bank overdraft	**-**	199
Non-Current Borrowings:		
Advance - Treasury Imprest Account	**285**	285

14. Other Liabilities

	2000	1999
Current:		
Unearned revenue	**302**	7
Insurance	**-**	810
Advance - Enfield Council	**45**	45
Unclaimed monies	**193**	28
Other provisions	**-**	100
	540	990

15. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

Cash held at the end of the reporting year as shown in the Statement of Cash Flows is represented by the following balances:

	2000	1999
Special Deposit Account	**29 443**	49 178
Advance accounts	**401**	375
Other deposits	**15**	15
Cash on hand	**-**	3
	29 859	49 571

15. Notes to the Statement of Cash Flows (continued)

(b) Reconciliation of Net Cash Used In Operating Activities to Net Cost of Services

	2000 $'000	1999 $'000
Net cash used in operating activities	**19 518**	4 376
Adjustments:		
Depreciation	**2 337**	2 777
Government cash flows	**376 672**	354 754
Change in net current assets from restructure	**(7 297)**	-
Changes in assets and liabilities:		
Movement in receivables	**(22 639)**	(7 645)
Movement in other current assets	**(5 551)**	(2 101)
Movement in recurrent payables	**16 593**	9 183
Movement in employee entitlements and related provisions	**(5 466)**	6 040
Movement in lease incentive	**-**	(305)
Movement in other liabilities	**(450)**	1 136
Movement in unearned revenue	**-**	(47)
Net Cost of Service	**373 717**	368 168

16. Expenditure Commitments

Operating Lease Commitments

Non-cancellable operating lease rentals with a term of more than one year, and not provided for within the financial statements are payable as follows:

	2000	1999
Not later than one year	**9 132**	6 811
Later than one year but not later than five years	**26 843**	21 606
Later than five years	**15 800**	600
	51 775	29 017

Operating leases are for office accommodation for the Department, the South Australian Housing Trust and service delivery units including Family and Youth Services offices. A number of leases are held for various properties for lease terms between 1 and 10 years. The increased commitments reflect new leases for the Riverside complex, North Terrace, Adelaide and the transfer of lease commitments for Citi Centre complex, Hindmarsh Square, Adelaide from the South Australian Health Commission.

Capital Expenditures Commitments

The total value of outstanding capital projects as at the end of the reporting period for specific projects amounted to $0.893 million. These amounts have not been brought to account in the financial statements. The commitments are for works at some Family and Youth Services district centres and equipment items.

	2000 $'000	1999 $'000
Not later than one year	**893**	150
Later than one year and not later than two years	**-**	100
	893	250

Other Commitments

The Department has commitments of $7.1 million representing the balance of grants held for the Crisis Accommodation Program.

17. Targeted Voluntary Separation Packages (TVSPs)

During the year a total of 7 (18) employees of the Department accepted packages in line with the State Government's policy.

The TVSP component of termination payments totalled $568 000 ($1.2 million). These costs were met from a central fund administered by the Department of the Premier and Cabinet. A total of $309 000 ($984 000) has been recovered including $14 000 related to 1998-99. A further amount of $683 000 ($424 000) is to be recovered.

In addition, accrued annual leave, leave loading and long service leave entitlements amounting to $155 000 ($273 000) were paid to employees who received a TVSP.

18. Administered Items

The following revenues, expenditures, assets and liabilities were administered but not controlled by the Department. In accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments' the items have been classified as 'Administered' and have not been included in the Financial Statements.

Schedule of Administered Revenue and Expenditure

	2000 $'000	1999 $'000
Administered Expenditure:		
Funding allocation to health units	**-**	1 295 027
Aboriginal Health Council	**2 533**	2 117
Health and Community Services Ministerial Secretariat Trust Account	**4 284**	3 967
Aboriginal Housing Authority	**-**	418
Health development	**-**	1 162
Care 21	**-**	3 342
Concessions:		
Water and sewage rates	**22 766**	22 505
Local Government rates	**22 552**	22 236
Emergency Services Levy	**6 346**	-
Transport	**12 972**	12 990
Electricity	**13 293**	12 577
Gamblers' Rehabilitation Fund	**1 896**	1 528
Charitable and Social Welfare Fund	**1 855**	2 947
Duke of Edinburgh Award Scheme	**228**	270
Family Maintenance Orders	**979**	1 006
Minister's salary	**196**	178
Enfield Council salary and wages	**928**	864
	90 828	1 383 134

Schedule of Administered Revenue and Expenditure (continued)	**2000**	1999
Administered Revenues:	**$'000**	$'000
Funding received for health units	**-**	1 330 291
Aboriginal Health Council	**1 587**	2 842
Health and Community Services Ministerial Secretariat Trust Account	**3 413**	4 341
Aboriginal Housing Authority	**-**	422
Health Development	**-**	1 074
Care 21	**-**	2 671
Concessions	**53 636**	47 077
Local Government Reform Fund	**22 316**	22 328
Gamblers' Rehabilitation Fund	**1 299**	1 797
Charitable and Social Welfare Fund	**3 000**	3 000
Duke of Edinburgh Award Scheme	**305**	208
Family Maintenance Orders	**969**	1 008
Minister's salary	**196**	178
Enfield Council salary and wage recovery	**928**	864
	87 649	1 418 101
(Decrease) Increase in Net Administered Assets Resulting from Operations	**(3 179)**	34 967

Health unit funding allocations were shown as administered items in 1998-99. Payments are made directly by SAHC in accordance with funding agreements between SAHC and individual Health Services and have not been reported as administered items for Department of Human Services in 1999-2000.

Schedule of Administered Assets and Liabilities	**2000**	1999
Administered Assets:	**$'000**	$'000
Cash:		
South Australian Health Commission	**-**	35 264
Aboriginal Health Council	**(370)**	733
Health and Community Services Ministerial Secretariat Trust Account	**1 898**	1 734
Aboriginal Housing Authority	**-**	8
Care 21	**-**	207
Health Development	**-**	(88)
Concessions	**(1 187)**	(576)
Gamblers' Rehabilitation Fund	**1 296**	1 890
Charitable and Social Welfare Fund	**1 465**	319
Duke of Edinburgh Award Scheme	**117**	40
Minister's Salary	**(196)**	-
Family maintenance orders	**(599)**	46
Total Cash	**2 424**	39 577
Receivables:		
Health and Community Services Ministerial Secretariat Trust Account	**10**	-
Local Government Reform Fund	**50**	97
Concessions	**15**	-
Family Maintenance Orders	**635**	-
Gamblers' Rehabilitation Fund	**-**	5
Aboriginal Health Council	**-**	2
Care 21	**-**	175
Total Receivables	**710**	279
Accruals:		
Concessions	**-**	250
Care 21	**-**	4
	-	254
Plant, Property and Equipment:		
Health and Community Services Ministerial Secretariat Trust Account	**4**	-
Aboriginal Housing Authority	**150**	12
Total Plant, Property and Equipment	**154**	12
Total Administered Assets	**3 288**	40 122
Administered Liabilities:		
Payables:		
Concessions	**1 304**	220
Gamblers' Rehabilitation Fund	**-**	1
Aboriginal Health Council	**-**	1
Health and Community Services Ministerial Secretariat Trust Account	**1 249**	7
Aboriginal Housing Authority	**-**	16
Care 21	**-**	992
Total Payables	**2 553**	1 237
Accruals:		
Aboriginal Health Council	**-**	8
Care 21	**-**	65
Total Accruals	**-**	73
Employee Entitlements:		
Health and Community Services Ministerial Secretariat Trust Account	**49**	-
Total Administered Liabilities	**2 602**	1 310
ADMINISTERED NET ASSETS	**686**	38 812

19. Employee Remuneration

The number of employees whose remuneration was over $100 000 was:

	2000 Number of Employees	1999 Number of Employees
$100 000 - $109 999	**11**	11
$110 000 - $119 999	**10**	8
$120 000 - $129 999	**7**	8
$130 000 - $139 999	**3**	5
$140 000 - $149 999	**4**	4
$150 000 - $159 999	**1**	3
$160 000 - $169 999	**1**	-
$170 000 - $179 999	**2**	2
$180 000 - $189 999	**2**	1
$190 000 - $199 999	**1**	-
$200 000 - $209 999	**1**	-
$230 000 - $239 999	**-**	2
$240 000 - $249 999	**1**	-
	44	44

	2000 $'000	1999 $'000
Total remuneration received or due and receivable by employees whose remuneration exceeds $100 000	**5 846**	5 791

The table above discloses the number of employees of the Department as at 30 June 2000 whose remuneration received exceeded $100 000. This includes Departmental employees assigned to the South Australian Health Commission, the South Australian Housing Trust and the South Australian Community Housing Authority.

The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated fringe benefits tax, but does not include any amounts payable due to retirement under the Targeted Voluntary Separation Package (TVSP).

20. Auditor's Remuneration

Services provided by the Auditor-General's Department with respect to the audit of the Department and projects administered by the Department totalled $210 000 for the reporting period.

21. Additional Financial Instruments Disclosure

(a) Accounting Policies and Terms and Conditions Affecting Future Cash Flows

Financial Assets

Cash deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues. The Department invests surplus funds with the Treasurer at call. Interest is earned on the average monthly balance at rates based on the Department of Treasury and Finance 90 day bank bill rate. Interest is paid at the end of each quarter.

Trade accounts receivables are generally settled within 30 days and are carried at amounts due. Credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

Financial Liabilities

Trade accounts payable, including accruals not yet billed, are recognised when the Department becomes obliged to make future payments as a result of a purchase of assets or services at their nominal amounts. Trade accounts payable are generally settled within 30 days.

Borrowings are recognised when issued at the amount of the net proceeds due and carried at cost until settled.

All financial assets and liabilities are unsecured.

(b) Interest Rate Risk Exposure

The Department's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

	Floating Interest Rate $'000	Non-Interest Bearing $'000	2000 Total $'000	1999 Total $'000
Financial Assets:				
Cash and deposits	**29 859**	**-**	**29 859**	49 571
Receivables	**-**	**45 072**	**45 072**	18 331
	29 859	**45 072**	**74 931**	67 902
Weighted average interest rate	**5.58%**	**-**	**-**	5.0%
Financial Liabilities:				
Creditors and accruals	**-**	**41 575**	**41 575**	24 783
Borrowings	**-**	**285**	**285**	484
	-	**41 860**	**41 860**	25 267
Weighted average interest rate	**-**	**-**	**-**	-

21. Additional Financial Instruments Disclosure (continued)

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

	2000 Carrying Amount $'000	2000 Net Fair Value $'000	1999 Carrying Amount $'000	1999 Net Fair Value $'000
On-Balance Sheet:				
Financial Assets:				
Cash and deposits	**29 859**	**29 859**	49 571	49 571
Receivables	**45 072**	**45 072**	18 331	18 331
	74 931	**74 931**	67 902	67 902
Financial Liabilities:				
Creditors and accruals	**41 575**	**41 575**	24 783	24 783
Borrowings	**285**	**285**	484	484
	41 860	**41 860**	25 267	25 267

22. A New Tax System (including Goods and Services Tax (GST))

The Department established a program to ensure that it is prepared for the implementation of A New Tax System (including GST) on 1 July 2000. The key objectives of the program were to ensure that there will be compliance with all relevant legislative requirements, that the administration of the tax will be efficient and that opportunities for favourable financial outcomes will be identified and maximised.

The implementation program involved the preparation of a comprehensive inventory of financial transactions and data capture systems, an analysis of risk, development of an action plan and modification of policies, procedures and systems affected. A regular progress report of project status and issues was provided to Executive and will continue through the transition phase of implementation.

Expenditure of $4.173 million was incurred by the Department on the program in 1999-2000. This expenditure related to systems used by the Department, South Australian Health Commission and Incorporated Health Services, South Australian Housing Trust and the Aboriginal Housing Authority.

While the Department has made every effort to mitigate all risks, there may be a need for further expenditures to ensure the success of the program.

23. Events Subsequent to Balance Date

On 6 July 2000, changes were made to the *South Australian Health Commission Act (1976).* Many functions of the Commission were vested in the Minister rather than the Commission. The Minister has delegated substantially all of these functions to the Chief Executive of the Department. The financial reporting arrangements will be resolved during 2000-01.

24. Equity and Changes in Equity

Equity represents the residual interest in the net assets of the Department. The Government holds the equity interest in the Department on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non current assets.

2000	Accumulated Surplus $'000	Asset Revaluation Reserve $'000	Total $'000
Balance at 1 July	**43 988**	**6 142**	**50 130**
Revaluations of land and buildings	**-**	**2 762**	**2 762**
Change in net assets after restructuring	**5 092**	**-**	**5 092**
Balance at 30 June	**49 080**	**8 904**	**57 984**

1999	Accumulated Surplus $'000	Asset Revaluation Reserve $'000	Total $'000
Balance at 1 July	60 055	192	60 247
Revaluations of land and buildings	-	5 950	5 950
Change in net assets after restructuring	(16 067)	-	(16 067)
Balance at 30 June	43 988	6 142	50 130

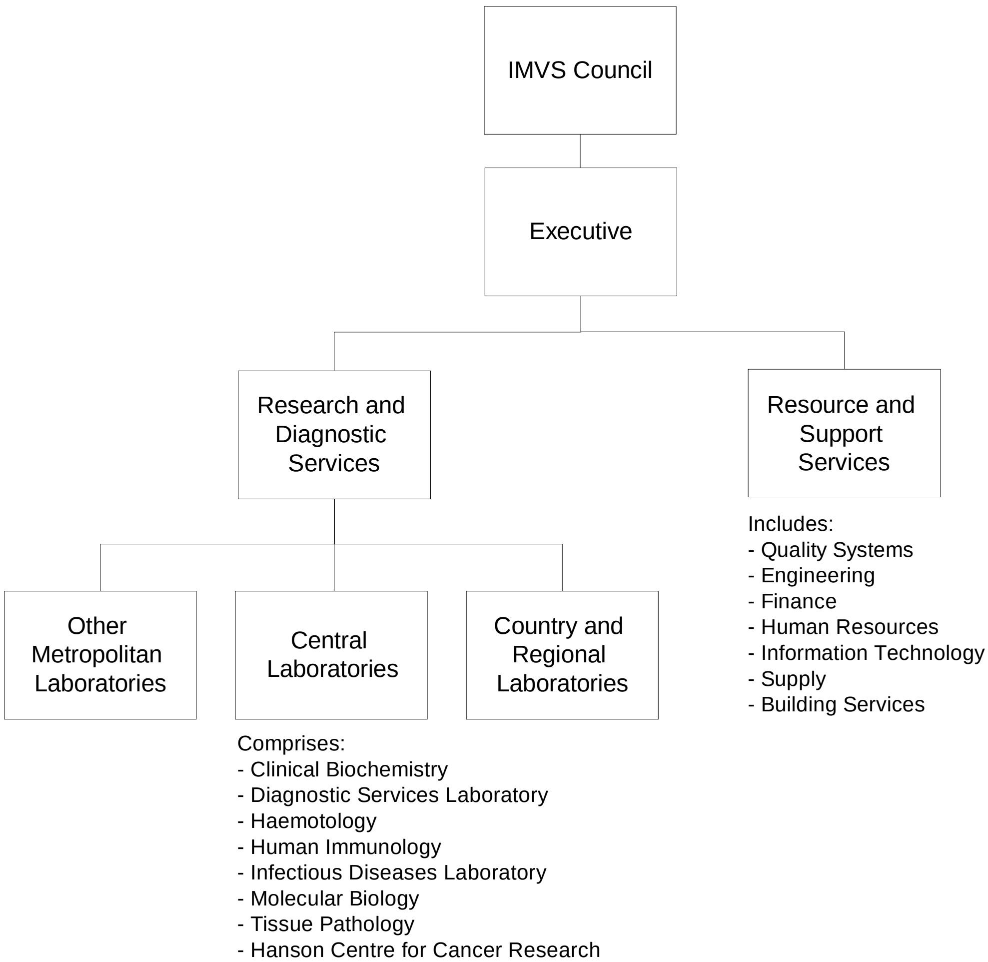
INSTITUTE OF MEDICAL AND VETERINARY SCIENCE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Institute, a body corporate, was established under the Institute of *Medical and Veterinary Science Act 1982*. It is administered by a Council and is subject to the control and direction of the Minister for Human Services.

The Institute conducts its operations through 15 metropolitan, country and regional locations, including an animal research centre at Gilles Plains.

As at 30 June 2000 the Institute had one controlled entity being Medvet Science Pty Ltd.



Medvet Science Pty Ltd

Medvet Science Pty Ltd is a proprietary company incorporated under the provisions of the Corporations Law.

The principal activities of the Company are:

- production and sale of products for use in the provision of medical diagnostic services and scientific research;
- commercial exploitation of knowledge acquired by the IMVS in the course of conducting research;
- provision of consulting and other related services.

SIGNIFICANT FEATURES

Available revenue for provision of general health services increased by $14.3 million to $61.2 million.

Recurrent revenue increased by $10.5 million.

- The IMVS receives funding from the Commonwealth Government through the Health Program Grant in relation to Pathology Services provided. The grant provided in 1999-2000 was adjusted for movements in the Medical Benefits Schedule fee level over classifications for both prior and current financial years. This, in addition to increased services provision, resulted in increased payments from the Commonwealth to the States.

- A further increase in funding relates to enterprise bargaining agreement payments and an additional payroll fortnight in 1999-2000.

Capital revenue from government increased by $3.8 million.

The increase in capital revenue is mainly as a result of the new IMVS building which is currently under construction.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 21(2) of the *Institute of Medical and Veterinary Science Act 1982* provides for the Auditor-General to audit the accounts of the Institute in respect of each financial year.

Scope of Audit

The audit program covered all 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 control.

During 1999-2000 specific areas of audit attention included:

- salaries and wages
- property, plant and equipment
- accounts payable
- liabilities
- revenue
- general ledger
- inventory.

Audit Communications to Management

The scope of audit review and issues arising were conveyed to the Director of the Institute in an audit management letter. The response from the Institute indicated action taken or proposed to address the issues raised by Audit.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Although the Institute's general control environment was considered satisfactory, a number of areas were identified where internal control practices could be strengthened and others where established controls had not been applied consistently throughout the year. Issues raised included:

- certain control reconciliations were not performed on a regular basis;
- lack of independent check of bankings to ascertain their completeness;
- purchasing system would allow purchases to be made without appropriate authorisation.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Institute of Medical and Veterinary Science included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Institute of Medical and Veterinary Science in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

Operating Statement for the year ended 30 June 2000

	Note	Consolidated 2000 $'000	Consolidated 1999 $'000	Health Service 2000 $'000	Health Service 1999 $'000
OPERATING EXPENSES:					
Salaries, wages and other employee entitlements	3	**56 107**	51 993	**54 230**	50 086
Goods and services	4	**28 973**	27 656	**27 545**	25 812
Depreciation and amortisation	5	**4 695**	3 691	**4 612**	3 588
Total Cost of Services		**89 775**	83 340	**86 387**	79 486
OPERATING REVENUES:					
User charges and fees	6	**23 322**	23 482	**23 322**	23 482
Other revenues	7	**15 862**	14 638	**11 290**	9 508
Total Operating Revenue		**39 184**	38 120	**34 612**	32 990
NET COST OF SERVICES		**(50 591)**	(45 220)	**(51 775)**	(46 496)
Government revenues for provision of general health services	8	**61 186**	46 920	**61 186**	46 920
Net loss on sale of property, plant and equipment	7(b)	**(17)**	(68)	**(17)**	(68)
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS		**10 578**	1 632	**9 394**	356
Abnormal items	10	**-**	(94)	**-**	-
CHANGE IN NET ASSETS AFTER ABNORMAL ITEMS		**10 578**	1 538	**9 394**	356

Statement of Financial Position as at 30 June 2000

	Note	Consolidated 2000 $'000	Consolidated 1999 $'000	Health Service 2000 $'000	Health Service 1999 $'000
CURRENT ASSETS:					
Cash	9	**20 441**	17 267	**14 950**	11 512
Receivables	11	**4 100**	3 127	**3 608**	2 668
Investments	12	**266**	252	**266**	252
Inventories	13	**872**	886	**318**	318
Other	14	**3 208**	3 175	**3 124**	3 122
Total Current Assets		**28 887**	24 707	**22 266**	17 872
NON-CURRENT ASSETS:					
Investments	12	**500**	500	**1 150**	1 000
Land and improvements	15	**41 220**	37 357	**39 801**	37 340
Plant and equipment	16	**9 145**	9 291	**8 902**	9 084
Other	14	**192**	99	**192**	99
Total Non-Current Assets		**51 057**	47 247	**50 045**	47 523
Total Assets		**79 944**	71 954	**72 311**	65 395
CURRENT LIABILITIES:					
Payables	17	**7 192**	9 591	**2 840**	5 739
Employee entitlements	19	**3 064**	2 845	**2 905**	2 714
Other	18	**160**	98	**1 560**	1 498
Total Current Liabilities		**10 416**	12 534	**7 305**	9 951
NON-CURRENT LIABILITIES:					
Payables	17	**962**	1 061	**962**	1 061
Employee entitlements	19	**9 737**	9 565	**9 681**	9 534
Other	18	**315**	204	**315**	204
Total Non-Current Liabilities		**11 014**	10 830	**10 958**	10 799
Total Liabilities		**21 430**	23 364	**18 263**	20 750
NET ASSETS		**58 514**	48 590	**54 048**	44 645
EQUITY:					
Issued capital	20	**-**	150	**-**	-
Reserves	20	**8 217**	6 396	**6 799**	5 465
Accumulated surplus	20	**50 297**	42 044	**47 249**	39 180
TOTAL EQUITY		**58 514**	48 590	**54 048**	44 645

Statement of Cash Flows for the year ended 30 June 2000

	Note	Consolidated 2000 Inflows (Outflows) $'000	Consolidated 1999 Inflows (Outflows) $'000	Health Service 2000 Inflows (Outflows) $'000	Health Service 1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
PAYMENTS:					
Salaries, wages and other employee entitlements		**(57 361)**	(50 501)	**(55 752)**	(48 876)
Goods and services		**(28 213)**	(27 426)	**(27 201)**	(25 266)
RECEIPTS:					
User charges		**23 235**	24 537	**23 235**	24 537
Other		**14 765**	14 697	**10 721**	9 237
Interest		**922**	664	**582**	411
CASH FLOWS FROM GOVERNMENT:					
Government revenues for provision of general health services		**56 058**	44 534	**56 058**	44 534
Net Cash provided by Operating Activities	21	**9 406**	6 505	**7 643**	4 577
CASH FLOWS FROM INVESTING ACTIVITIES:					
Receipts from sale of non-current assets	7(b)	**-**	-	**-**	-
Payments for purchase of non-current assets	22	**(5 574)**	(2 107)	**(4 055)**	(2 080)
Payments for loans to other entities		**73**	(73)	**-**	-
Payments for purchase of term deposits		**-**	(1 000)	**-**	-
Payments for purchase of shares		**(150)**	(500)	**(150)**	-
Net Cash used in Investing Activities		**(5 651)**	(3 680)	**(4 205)**	(2 080)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments for research support		**(581)**	(227)	**-**	-
Net Cash used in Financing Activities		**(581)**	(227)	**-**	-
NET INCREASE IN CASH HELD		**3 174**	2 598	**3 438**	2 497
CASH AT 1 JULY		**16 267**	13 669	**11 512**	9 015
CASH AT 30 JUNE	9	**19 441**	16 267	**14 950**	11 512

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Institute of Medical and Veterinary Science Objectives

The principle function of the Institute is the provision of a comprehensive diagnostic medical service in Adelaide and Regional and Branch laboratories throughout the State. The Institute is also intrinsically involved in research and teaching and fulfils many public health functions.

Funding is obtained from the Commonwealth Government, the Department of Human Services, public donations, private funds, foundations and other sources.

Users of these financial statements should note that the Commonwealth Government funds the major part but not the entire operations of the Institute. This grant is included in the operating grant from the Department of Human Services.

2. Significant Accounting Policies

The financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards and the requirements of the *South Australian Health Commission Act 1976*, Department of Human Services Accounting Policies, the *Public Finance and Audit Act 1987* and Treasurer's Instructions.

The financial report has been prepared on the going concern basis. The Institute of Medical and Veterinary Science (the Institute) is dependent on continued funding from both the Commonwealth Government and the Department of Human Services for this basis to be appropriate.

In the unlikely event the Institute was not to be a going concern and ceased operations, assets would revert to a charitable trust to be used for health purposes by the local community.

The accruals basis of accounting is adopted by the Institute together with the historic cost convention except that when accrual accounting was first adopted on 1 July 1996 land and buildings were recorded at their current value.

(a) Principle of Consolidation

The consolidated accounts of the economic entity include the assets, liabilities, revenues and expenses of the Institute and Medvet Science Pty Ltd (Medvet). The Health Service has effective control over, and 100 percent interest in, the net assets and results of Medvet.

When preparing the consolidated accounts the effects of all transactions between the Institute and Medvet have been eliminated in full.

(b) Property, Plant and Equipment

The Statement of Financial Position includes all property, plant and equipment controlled by the Institute. This includes assets owned by the Department of Human Services or the Crown which are controlled by the Institute.

The current Accounting Policies issued by the Department of Treasury and Finance on the valuation of assets of government departments require that assets be reported using the deprival value methodology. In the case of the land and buildings current values as 30 June 2000 were based on valuations by Asset Valuation and Consulting Pty Ltd.

(b) Property, Plant and Equipment (continued)

In the case of property plant and equipment other than land and buildings, current value at 30 June 2000 was calculated on the basis of historic cost, less a deduction to reflect the portion of service potential which has been consumed since the asset was acquired ie depreciated historic cost.

Property, plant and equipment donated, gifted or bequeathed is recorded as an asset at its fair value at the time control passes to the Institute. Assets received in this way are disclosed as income in the Operating Statement and Note 7.

(c) Depreciation

All items of property, plant and equipment, except land are depreciated in accordance with Department of Human Services guidelines on a straight line basis at the following rates:

	Years
Buildings	10-60
Plant and equipment	3-20
Motor vehicles	3

Finance leases are amortised over the life of the asset or the lease term.

(d) Income Recognition

All revenue, including Department of Human Services capital funding is recorded as income in the Operating Statement.

(e) Employee Entitlements

The charge for salaries, wages and other employee entitlements includes amounts expected to be paid to employees for their pro rata entitlements to long service leave and annual leave. Pro rata long service leave is accrued for all Institute employees with seven or more years service.

The South Australian Health Commission in conjunction with the Department of Treasury and Finance undertook an actuarial assessment of the long service leave entitlements of employees across a sample of Health Services. The results of this limited scope analysis indicated that a benchmark period of seven or more years of service could be used by Health Services for a short hand calculation of long service leave liability.

The benchmark analysis has taken into consideration the compliance requirements of Australian Accounting Standard AAS 30 'Accounting for Employee entitlements'.

In accordance with AAS 30 and Department of Treasury and Finance Accounting Policy Statements, employment on-costs have been determined on annual leave/long service leave liabilities using the following rates:

- a weighted average superannuation contribution rate of ten percent calculated on the average proportion of long service leave not taken as lump sums (55 percent) - (Department of Treasury and Finance rates);
- workers compensation levy rate for 1999-2000 of 0.021 percent (rate advised by WorkCover for hospitals).

(f) Assets, Goods and Services Provided Free of Charge

The financial report does not reflect any amount for employee entitlements provided on a voluntary basis. Assets, goods and services provided free of charge or for a nominal value are included as revenue in the financial statements.

(g) Leased Assets

Assets acquired under finance leases are included as property, plant and equipment in the Statement of Financial Position. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property. Where assets are acquired by means of finance leases, the present value of the minimum lease payments is recognised as an asset at the beginning of the lease term and amortised on a straight line basis over the expected useful life of the leased asset. A corresponding liability is also established and each lease payment is allocated between the liability and finance charge.

Lease liabilities are classified into current and non-current categories. The principal component of lease payments due on or before the end of the succeeding year is disclosed as a current liability, and the remainder of the lease liability is disclosed as a non-current liability.

Other 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.

(h) Inventories

Items held for use by the Health Service are accounted for at weighted average costs unless it becomes apparent they are obsolete or surplus to requirements in which case they are written off.

Items held for sale are accounted for at weighted average cost.

Items held for use and sale by Medvet are accounted for at standard cost.

(i) Special Purpose Funds

The Health Service receives special purpose funds for research purposes. The amounts are controlled by the Health Service and used to help achieve the Health Service's objectives, notwithstanding that specific uses can be determined by the grantor or donor. Accordingly the amounts are treated as revenue at the time they are earned or at the time control passes to the Health Service.

(j) Trust Funds

The Institute does not act as a trustee.

2. Significant Accounting Policies (continued)

(k) Superannuation

The Institute and Medvet contributed $2.8 million ($2.4 million) towards the accruing employee superannuation retirement benefits under a number of employer sponsored superannuation schemes. These schemes include the SA Superannuation Fund and a number of non-government superannuation schemes. The Institute pays the accruing employer component.

The funds' trustees are responsible for the managing of the employee retirement liability.

In addition, the Institute contributed $1 million ($1.9 million) in relation to employees that are not active contributors of employer schemes as required under the Commonwealth *Superannuation Guarantee (Administration) Act 1992.*

(l) Workers Compensation

The South Australian Health Commission is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986.* Under a scheme arrangement the Commission and participating exempt Health Units are responsible for the management of workers rehabilitation and compensation.

The Institute is directly responsible for meeting the cost of workers compensation claims and the implementation and funding of preventative programs. Although the Commission has responsibility for the settlement of lump sum and journey claims, the cost of these claims, together with other claim costs met directly by the Institute, are reflected as an operating expense in the Institute's financial reports.

The workers compensation liability amounts as at 30 June 2000 have been determined by an actuarial assessment conducted by Taylor Fry Consulting Actuaries. The valuation method used was the Payment per Claim Incurred (PPCI) method. The assessment has been carried out in accordance with Australian Accounting Standard AAS 26 'Financial Reporting of General Insurance Activities' and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported claims and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future.

With respect to workers compensation liability amount, the Institute also includes an account receivable for the lump sum portion of the workers compensation claims which is specifically funded by the Health Commission.

The Institute's liability is $475 000 ($302 000) of which $160 000 is current and $315 000 non-current. Of this amount $253 000 ($118 000) is to cover lump sum payments which are funded by the Health Commission. This amount has been taken up as a receivable leaving a net liability of $222 000 ($184 000).

(m) Rounding

All amounts are rounded to the nearest thousand dollars.

3. Salaries, Wages and Other Employee Entitlements

Salaries, wages and other employee entitlements recorded in the Operating Statement comprised:	Consolidated		Health Service	
	2000	1999	**2000**	1999
	$'000	$'000	**$'000**	$'000
Salaries and wages	**47 020**	43 273	**45 413**	41 600
Annual leave expenses	**3 508**	2 623	**3 406**	2 535
Long service leave expenses	**1 181**	716	**1 181**	716
Targeted separation expenses	**511**	139	**511**	139
Superannuation	**3 684**	5 073	**3 516**	4 927
Other	**203**	169	**203**	169
	56 107	51 993	**54 230**	50 086

Targeted Voluntary Separation Packages (TVSPs)

In accordance with government policy to reduce the public sector workforce, 8 (4) employees of the Institute were paid TVSPs during 1999-2000. These payments were met by the Institute and have been or will be recovered from the Department of the Premier and Cabinet.

To 30 June 2000 amounts paid or payable totalled $511 000 ($139 000) and $322 000 ($177 000) has been recovered.

In addition, accrued annual leave and long service entitlements amounting to $204 000 ($21 000) were paid or payable to those employees who received a TVSP. These payments are included in salaries, wages and other employee entitlements.

4. Goods and Services

Goods and services expenditure recorded in the Operating Statement comprised:	Consolidated		Health Service	
	2000	1999	**2000**	1999
	$'000	$'000	**$'000**	$'000
Medical and laboratory supplies	**12 979**	12 970	**13 685**	12 970
Housekeeping	**601**	445	**601**	445
Electricity, gas and fuel	**669**	540	**669**	540
Minor equipment	**811**	819	**811**	819
Repairs and maintenance	**1 761**	1 319	**1 761**	1 319
Administration	**8 333**	9 492	**8 333**	9 492
Other*	**3 819**	2 071	**1 685**	227
	28 973	27 656	**27 545**	25 812

* Other (Consolidated) includes all goods and services relating to Medvet.

4. Goods and Services (continued)

(a) Administration Expenditure

	Consolidated 2000 $'000	Consolidated 1999 $'000	Health Service 2000 $'000	Health Service 1999 $'000
Administration expenditure recorded in the Operating Statement comprised:				
Consultancies	**5**	73	**5**	73
External auditors remuneration:				
Auditing accounts	**72**	59	**72**	59
Staff travel expenses	**377**	382	**377**	382
Finance lease expenses	**37**	60	**37**	60
Operating lease expenses	**933**	627	**933**	627
Staff training and development	**577**	721	**577**	721
Occupancy rent and rates	**1 110**	1 220	**1 110**	1 220
Bad and doubtful debts	**10**	2	**10**	2
Telecommunications	**512**	550	**512**	550
Computing expenditure	**1 440**	2 330	**1 440**	2 330
Other	**3 260**	3 468	**3 260**	3 468
	8 333	9 492	**8 333**	9 492

(b) Breakdown of Consultancies:

	Consolidated 2000	Consolidated 1999	Health Service 2000	Health Service 1999
Below $10 000	**5**	8	**5**	8
$10 000 - $50 000	**-**	13	**-**	13
Above $50 000	**-**	52	**-**	52
Total	**5**	73	**5**	73

	2000 Number of Consultancies	1999 Number of Consultancies
Number of consultancies in the below $10 000 range	**4**	5

5. Depreciation and Amortisation

Depreciation expenditure recorded within the Operating Statement comprised:	Consolidated 2000 $'000	Consolidated 1999 $'000	Health Service 2000 $'000	Health Service 1999 $'000
Buildings	**1 855**	1 945	**1 850**	1 939
Plant and equipment	**2 330**	1 383	**2 252**	1 301
Motor vehicles	**1**	-	**1**	-
Amortisation in respect of plan and equipment under finance lease	**509**	348	**509**	348
Other amortisation	**-**	15	**-**	-
	4 695	3 691	**4 612**	3 588

6. User Charges and Fees

User charges revenue recorded within the Outstanding Statement comprised:	Consolidated 2000	Consolidated 1999	Health Service 2000	Health Service 1999
Patient and client fees	**23 322**	23 482	**23 322**	23 482

7. Other Revenue

	Consolidated 2000	Consolidated 1999	Health Service 2000	Health Service 1999
Interest revenue	**971**	696	**603**	430
Contributions for research, training or special purposes	**8 257**	7 066	**9 427**	8 046
Sundry revenue	**6 634**	6 876	**1 260**	1 032
	15 862	14 638	**11 290**	9 508

(a) Contributions Received

Contributions were received by the Institute for:	Consolidated 2000	Consolidated 1999	Health Service 2000	Health Service 1999
General purposes	**6 939**	6 073	**6 939**	6 073
Education	**36**	37	**36**	37
Other	**1 282**	956	**2 452**	1 936
	8 257	7 066	**9 427**	8 046

The above contributions were received from the following sources:	Consolidated 2000	Consolidated 1999	Health Service 2000	Health Service 1999
Commonwealth Government	**3 208**	2 729	**3 208**	2 729
Private industry and commerce	**1 413**	1 140	**1 413**	1 140
Other	**3 636**	3 197	**4 806**	4 177
	8 257	7 066	**9 427**	8 046

(b) Net Revenues from Sale of Non-Current Assets

During the reporting period the Institute of Medical and Veterinary Science sold various assets:	Consolidated 2000	Consolidated 1999	Health Service 2000	Health Service 1999
Proceeds from sale	**-**	-	**-**	-
Less: Written down value of assets sold	**17**	68	**17**	68
	(17)	(68)	**(17)**	(68)

(c) Restrictions on Contributions Received

The Institute received contributions of $8.5 million ($7.5 million) from many different granting bodies expressly for the purpose of research. As at 30 June 2000 $2.7 million ($1.9 million) of those contributions, which have been recognised as revenues in the Operating Statement, are yet to be spent in the manner specified by the contributor.

8. Government Revenues for Provision of General Health Services

Government revenues received for the provision of general health service comprise:

	Consolidated		Health Service	
	2000	1999	**2000**	1999
	$'000	$'000	**$'000**	$'000
Recurrent	**54 999**	44 535	**54 999**	44 535
Capital	**6 187**	2 385	**6 187**	2 385
Total Government Revenues	**61 186**	46 920	**61 186**	46 920

Capital Revenue

Most of the major equipment purchases and building works conducted at Health services costing greater than $100 000 are currently funded through the Capital Works Program. The budget and payment of accounts for projects funded from the Capital Works Program are managed by the Central Office of the Department of Human Services.

During the financial year journals were processed to transfer assets purchased under the Capital Works Program on behalf of the Institute. The transfer amounted to $5.1 million ($1.4 million) at 30 June 2000. In addition, $1.1 million was reimbursed by the Department of Human services for asset purchases paid by the Institute.

9. Cash

	Consolidated		Health Service	
	2000	1999	**2000**	1999
	$'000	$'000	**$'000**	$'000
Cash on hand	**7**	5	**3**	3
At call deposits	**15 429**	12 106	**14 947**	11 509
Short term deposits with less than three months to maturity	**4 005**	4 156	**-**	-
	19 441	16 267	**14 950**	11 512
Short term deposits with greater than 3 months to maturity but less than 12 months	**1 000**	1 000	**-**	-
	20 441	17 267	**14 950**	11 512
Included within the above cash amounts are the following: Special Purpose Funds controlled by the Health Serviced and used to achieve the Health Service objectives. Specific uses can be determined by the grantor or donor.	**2 682**	1 855	**2 682**	1 855

10. Abnormal Items

Medvet recognised an abnormal expense of $nil ($94 000) arising upon revaluation of investments to recoverable amounts.

Revaluation of investments	**-**	94	**-**	-

11. Receivables

Patient/client fees:				
Other	**1 699**	647	**1 699**	647
Sundry receivables	**2 496**	2 525	**1 944**	2 046
Less: Provision of doubtful debts	**95**	45	**35**	25
	4 100	3 127	**3 608**	2 688

12. Investments

(a) Current

Other investments	**266**	252	**266**	252

(b) Non-Current

Other investments	**500**	500	**1 150**	1 000

13. Inventories

Medical and laboratory supplies	**872**	886	**318**	318
The above inventories are held for the following purpose:				
Consumption by Health Service	**872**	886	**318**	318

14. Other Assets

Current Assets:				
Prepayments	**430**	553	**408**	535
Other	**2 778**	2 622	**2 716**	2 587
	3 208	3 175	**3 124**	3 122
Non-Current Assets:				
Prepayments	**14**	17	**14**	17
Other	**178**	82	**178**	82
	192	99	**192**	99

15. Land and Improvements

	Consolidated		Health Service	
	2000	1999	**2000**	1999
	$'000	$'000	**$'000**	$'000
Buildings and improvements*	**30 617**	47 091	**30 617**	47 091
Less: Accumulated depreciation	**-**	16 993	**-**	16 993
	30 617	30 098	**30 617**	30 098
Building improvements#	**107**	2 655	**13**	2 560
Less: Accumulated depreciation	**87**	121	**1**	43
	20	2 534	**12**	2 517
Site land*	**3 869**	4 563	**3 868**	4 563
Other land*	**13**	8	**13**	8
Capital work in progress	**6 701**	154	**5 291**	154
	41 220	37 357	**39 801**	37 340

* At revalued amount - Valuations undertaken by Asset Valuation & Consulting Pty Ltd as at 30 June 2000.
\# At historic cost.

16. Plant and Equipment

Plant and equipment at cost*	**22 316**	20 320	**21 399**	19 473
Less: Accumulated depreciation	**14 063**	11 898	**13 389**	11 258
	8 253	8 422	**8 010**	8 215
Plant and equipment under finance lease	**1 823**	1 312	**1 823**	1 312
Less: Accumulated depreciation	**952**	443	**952**	443
	871	869	**871**	869
Motor vehicles at cost	**62**	40	**62**	40
Less: Accumulated depreciation	**41**	40	**41**	40
	21	-	**21**	-
	9 145	9 291	**8 902**	9 084

* At historic cost

17. Payables

Current:				
Payables	**600**	810	**2**	309
Accruals	**5 784**	7 901	**2 030**	4 550
Lease liability	**532**	418	**532**	418
Employee on-cost provision	**273**	460	**273**	460
Other	**3**	2	**3**	2
	7 192	9 591	**2 840**	5 739
Non-Current:				
Lease liability	**371**	471	**371**	471
Employee on-cost provision	**549**	526	**549**	526
Other	**42**	64	**42**	64
	962	1 061	**962**	1 061

(a) Finance Leases

At the reporting date, the Health Service had the following commitments under finance lease (the total commitment net of future leases finance charges has been recognised as a liability in the Statement of Financial Position).

	Consolidated		Health Service	
	2000	1999	**2000**	1999
	$'000	$'000	**$'000**	$'000
Not later than one year	**558**	448	**558**	448
Later than one year and not later than two years	**292**	379	**292**	379
Later than two years and not later than five years	**88**	108	**88**	108
Later than five years	**-**	-	**-**	-
	938	935	**938**	935
Less: Future finance charges on finance leases	**35**	46	**35**	46
Total provided for as a Lease Liability	**903**	889	**903**	889
Representing Lease Liabilities:				
Current	**532**	418	**532**	418
Non-current	**371**	471	**371**	471
	903	889	**903**	889

The amount for finance leases does not include payments for one piece of leased equipment due to the nature of its lease payments. The payments are a surcharge on consumables used by the machine and therefore are not able to be separately identified.

(b) Operating Leases

	Consolidated		Health Service	
At the reporting date, the Health Service had the following commitments under operating leases:	**2000**	1999	**2000**	1999
	$'000	$'000	**$'000**	$'000
Not later than one year	**278**	253	**278**	253
Later than one year and not later than five years	**215**	242	**215**	242
Later than five years	**-**	-	**-**	-
	493	495	**493**	495

Operating lease commitments are not recorded as a liability in the financial statements.

18. Other Liabilities

	Consolidated 2000 $'000	Consolidated 1999 $'000	Health Service 2000 $'000	Health Service 1999 $'000
Current:				
Medvet Fund	**-**	-	**1 400**	1 400
Workers compensation liability provision	**160**	98	**160**	98
	160	98	**1 560**	1 498
Non-Current:				
Workers compensation liability provision	**315**	204	**315**	204

19. Employee Entitlement Provisions

	Consolidated 2000 $'000	Consolidated 1999 $'000	Health Service 2000 $'000	Health Service 1999 $'000
Current:				
Long service leave	**518**	509	**509**	502
Annual leave	**2 546**	2 336	**2 396**	2 212
	3 064	2 845	**2 905**	2 714
Non-Current:				
Long service leave	**9 737**	9 565	**9 681**	9 534

20. Equity

The purpose of this Note is firstly to explain the nature of individual reserves and secondly to explain movements in these amounts during the period.

	Accumulated Surplus $'000	2000 Share Capital $'000	Other Reserves $'000	Total 2000 $'000	Total 1999 $'000
Consolidated:					
Balance at 1 July	**42 044**	**150**	**6 396**	**48 590**	47 073
Surplus of the reporting period	**10 578**	**-**	**-**	**10 578**	1 538
Transfers to reserves	**(10 379)**	**-**	**10 379**	**-**	-
Transfer from reserves	**8 097**	**(150)**	**(8 610)**	**(663)**	-
Prior period adjustments	**(43)**	**-**	**52**	**9**	(21)
Balance at 30 June	**50 297**	**-**	**8 217**	**58 514**	48 590
Health Service:					
Balance at 1 July	**39 180**	**-**	**5 465**	**44 645**	44 309
Surplus of the reporting period	**9 394**	**-**	**-**	**9 394**	356
Transfers to reserves	**(9 379)**	**-**	**9 379**	**-**	-
Transfer from reserves	**8 097**	**-**	**(8 097)**	**-**	-
Prior period adjustments	**(43)**	**-**	**52**	**9**	(20)
Balance at 30 June	**47 249**	**-**	**6 799**	**54 048**	44 645

21. Reconciliation of Net Cash from Operating Activities to Net Cost of Services

For the purposes of the Statement of Cash Flows, cash includes cash on hand and deposit accounts:

	Consolidated 2000 $'000	Consolidated 1999 $'000	Health Service 2000 $'000	Health Service 1999 $'000
Net cash from operating activities	**9 406**	6 505	**7 643**	4 577
Cash flows from Government	**(56 058)**	(44 534)	**(56 058)**	(44 534)
Depreciation and amortisation	**(4 695)**	(3 691)	**(4 612)**	(3 588)
Loss on valuation of land and buildings	**(1 255)**	-	**(1 255)**	-
Provision for doubtful debts	**(50)**	(3)	**(10)**	(3)
Increase (Decrease) in receivables	**1 023**	(1 505)	**950**	(1 548)
Decrease in prepayments	**(126)**	(507)	**(130)**	(505)
(Decrease) Increase in accrued revenue	**(861)**	353	**(890)**	344
(Decrease) Increase in inventories	**(14)**	174	**-**	78
Increase in other assets	**100**	7	**100**	7
Decrease in payables	**210**	435	**307**	375
Decrease (Increase) in accrued expenditure	**2 122**	(1 846)	**2 520**	(1 132)
Decrease (Increase) in employee on-costs	**164**	(104)	**164**	(104)
Increase in employee entitlements	**(391)**	(144)	**(338)**	(103)
Increase in other liabilities	**(166)**	(360)	**(166)**	(360)
Net Cost of Services	**(50 591)**	(45 220)	**(51 775)**	(46 496)

22. Purchase of Non-Current Assets

	Consolidated 2000 $'000	Consolidated 1999 $'000	Health Service 2000 $'000	Health Service 1999 $'000
Payments for building improvements	**422**	905	**422**	905
Payments for acquisition of plant and equipment	**2 683**	1 202	**2 574**	1 175
Building work in progress	**2 469**	-	**1 059**	-
	5 574	2 107	**4 055**	2 080

23. Related Party Information

The following are members of the Board of Directors who have served during the course of the reporting period.

IMVS Council

Mr KF Kelly (Chairman)
Ms KN Thomas (Deputy Chair)
Professor B Vernon-Roberts
Dr IH Carmichael
Mr GE Coles AM
Professor PJ Barter
Dr LE Long
Professor JL Gollan
Associate Professor MD Barton
Ms V Deegan

23. Related Party Information (continued)

Medvet Board of Directors

Mr K Kelly (Chairman)
Ms K N Thomas (Deputy Chair)
Professor B J Kearney
Professor B Vernon-Roberts
Mr G Coles
Mr P Flavel
Assoc. Prof. K Challinger

	Consolidated		Health Service	
	2000	1999	**2000**	1999
Aggregate remuneration received or receivable by members of Board of Directors amounted to:	**$'000**	$'000	**$'000**	$'000
	219	113	**94**	-

The number of Directors whose total remuneration fell within the following bands was:	**Number of Directors**	Number of Directors	**Number of Directors**	Number of Directors
$0 - $9 999	**2**	-	**2**	-
$10 000 - $19 999	**9**	4	**4**	-
$20 000 - $29 999	**3**	2	**1**	-

Members of the Board of Directors use the services of the Health Service under terms and conditions no more favourable than members of the public.

(a) The only transactions entered into between some Council members and the Institute during 1999-2000 were either:
   (i) under normal salary paid conditions.
   (ii) private practice payments for services.

(b) None of the Directors have declared interests in organisations in which Medvet/Institute has had dealings during normal trading operations during the financial year.

24. Administered Funds

During the course of the year the Institute administered funds on behalf of Forensic Science. The Health Service manages these funds in the capacity of agent and passes the amounts to the Medical Specialist Staff Fund (MSSF) in their entirety. The administered funds are not controlled and therefore not recognised in the Health Service's financial statements.

Details of the administered fund are:	Consolidated		Health Service	
	2000	1999	**2000**	1999
	$'000	$'000	**$'000**	$'000
Balance held at 1 July	**136**	140	**136**	140
Add: Receipts during the year	**22**	16	**22**	16
Less: Expenses during the year	**12**	20	**12**	20
Balance held at 30 June	**146**	136	**146**	136

25. Employees whose Remuneration is greater than $100 000

For the purposes of this note remuneration means any money, consideration or benefit but does not include amounts in payment or reimbursement of out of pocket expenses incurred for the benefit of the entity or the controlled entity. Remuneration includes all salaries, wages, employee entitlements, termination payments and other benefits that form the total remuneration package.

Note: Fee-for-service arrangements are excluded as they do not form part of employee remuneration.
TVSPs have been excluded.

There are two employees included whose remuneration is greater than $100 000 due to resignations where there was significant employee entitlement due.

	Consolidated		Health Service	
	Number of Employees	Number of Employees	**Number of Employees**	Number of Employees
Income bands:	**2000**	1999	**2000**	1999
$100 000 - $109 999	**1**	4	**1**	4
$110 000 - $119 999	**2**	4	**2**	4
$120 000 - $129 999	**1**	2	**1**	2
$130 000 - $139 999	**1**	1	**1**	1
$140 000 - $149 999	**2**	3	**1**	2
$150 000 - $159 999	**2**	2	**2**	2
$160 000 - $169 999	**1**	4	**1**	4
$170 000 - $179 999	**3**	4	**3**	4
$180 000 - $189 999	**6**	9	**6**	9
$190 000 - $199 999	**8**	7	**8**	7
$200 000 - $209 999	**12**	3	**12**	3
$210 000 - $219 999	**5**	-	**5**	-
$220 000 - $229 999	**4**	-	**4**	-
$230 000 - $239 999	**-**	2	**-**	2
	48	45	**47**	44

The total remuneration received by these employees was $8.8 million ($7.4 million).

26. Financial Instruments

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

- Cash and bank deposits (Note 9) are available at call and are recorded at cost.
- Investments (Note 12) include funds deposited with the Commissioners of Charitable Funds and listed investments held by Medvet. The funds deposited with the Commissioners of Charitable Funds are valued at cost and interest revenues are recognised as they accrue. The listed investments are valued at quoted market bid price at balance date.

(ii) Financial Liabilities

- Creditors are raised for amounts billed but unpaid and are normally settled within 30 days.
- Finance lease liabilities are capitalised by bringing to account the minimum lease payments discounted at the interest rate implicit in the lease.

(b) Interest Rate Risk Exposure

The Institute's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

2000

Consolidated	**Floating Interest Rate $'000**	**Non-Interest Bearing $'000**	**Total carrying Amount as per the Statement of Financial Position $'000**	**Weighted Average Effective Interest rate Percent**
(i) Financial Assets:				
Cash	**20 441**	**-**	**20 441**	**4.7**
Receivables	**-**	**4 100**	**4 100**	**-**
Investments – Current	**266**	**-**	**266**	**5.26**
Investments – Non-current	**-**	**500**	**500**	**-**
	20 707	**4 600**	**25 307**	
(ii) Financial Liabilities:				
Creditors and accruals	**-**	**7 251**	**7 251**	**-**
Lease liability – Current	**-**	**532**	**532**	**-**
Lease liability – Non-current	**-**	**371**	**371**	**-**
	-	**8 154**	**8 154**	

1999

Consolidated	Floating Interest Rate $'000	Non-Interest Bearing $'000	Total carrying amount as per the Statement of Financial Position $'000	Weighted Average Effective Interest rate Percent
(i) Financial Assets:				
Cash	17 267	-	17 267	4.7
Receivables	-	3 127	3 127	-
Investments – Current	252	-	252	4.67
Investments – Non-current	-	500	500	-
	17 519	3 627	21 146	
(ii) Financial Liabilities:				
Creditors and accruals	-	9 763	9 763	-
Lease liability – Current	-	418	418	-
Lease liability – Non-current	-	471	471	-
	-	10 652	10 652	

2000

Health Service	**Floating Interest Rate $'000**	**Non-Interest Bearing $'000**	**Total carrying amount as per the Statement of Financial Position $'000**	**Weighted Average Effective Interest rate Percent**
(i) Financial Assets:				
Cash	**14 950**	**-**	**14 950**	**4.63**
Receivables	**-**	**3 608**	**3 608**	**-**
Investments – Current	**266**	**-**	**266**	**5.26**
Investments – Non-current	**-**	**1 150**	**1 150**	**-**
	15 216	**4 758**	**19 974**	
(ii) Financial Liabilities:				
Creditors and accruals	**-**	**2 899**	**2 899**	**-**
Lease liability – Current	**-**	**532**	**532**	**-**
Lease liability – Non-current	**-**	**371**	**371**	**-**
	-	**3 802**	**3 802**	

(b) Interest Rate Risk Exposure (continued)

1999				
Health Service	Floating Interest Rate	Non-Interest Bearing	Total carrying amount as per the Statement of Financial Position	Weighted Average Effective Interest rate
(i) Financial Assets:	$'000	$'000	$'000	Percent
Cash	11 512	-	11 512	4.63
Receivables	-	2 668	2 668	-
Investments – Current	252	-	252	4.67
Investments – Non-current	-	1 000	1 000	-
	11 764	3 668	15 432	
(ii) Financial Liabilities:				
Creditors and accruals	-	5 911	5 911	-
Lease liability – Current	-	418	418	-
Lease liability – Non-current	-	471	471	-
	-	6 800	6 800	

(c) Net Fair Values

The net fair value of listed investments have been valued at the quoted market bid price at balance date. For other assets and other liabilities the carrying amount is considered to be a reasonable estimate of net fair value.

27. Goods and Services Tax

IMVS established a program to ensure that it is prepared for the implementation of A New Tax System (including Goods and Services Tax) on 1 July 2000. The key objectives of the program were to ensure that there will be compliance with all relevant legislative requirements, that the administration of the tax will be efficient, and that opportunities for favourable financial outcomes will be identified and maximised.

The implementation program involved the preparation of a comprehensive inventory of financial transactions and data capture systems, an analysis of risk, development of an action plan and modification of policies, procedures and systems affected. A regular progress report of project status and issues was provided to Executive and will continue through the transition phase of implementation.

While the IMVS has made every effort to mitigate all risks, there may be a need for further expenditures to ensure the success of the program.

SOUTH AUSTRALIAN ABORIGINAL HOUSING AUTHORITY

FUNCTIONAL RESPONSIBILITY

The Authority was established in October 1998 as a statutory corporation under the *Housing and Urban Development (Administrative Arrangements) Act 1995*.

The functions of the Authority, as provided by the establishing regulations include:

- developing strategies, policies and guidelines for the provision, management and maintenance of appropriate housing for Aboriginal people;
- liasing with other agencies providing assistance to Aboriginal people to achieve a coordinated response;
- to receive and allocate resources for Aboriginal housing programs.

The Authority is established with a Board of Management comprising members and deputy members. All members and their deputies must be Aboriginal people and are appointed by the Governor with five members, including the presiding member, nominated by the Minister and four nominated by the Aboriginal and Torres Strait Islander Commission.

The staff of the Authority are employees of the Department of Human Services assigned to work for the Authority. The Department and the South Australian Housing Trust (the Trust) provide management, accounting and systems services to the Authority. The Authority uses the Trust's systems to record and account for assets, raise and follow up rents and other charges, to manage the maintenance of properties and to control costs associated with properties.

CHANGES TO OPERATIONS

Transfer of Aboriginal Housing programs from the South Australian Housing Trust to the Aboriginal Housing Authority

In February 2000 control of Aboriginal rental housing and other housing programs for Aboriginal people housing was transferred to the Authority. The transfer involved reassignment of staff from the Trust to the Authority and the transfer of rental housing and other properties, along with associated assets, rights, liabilities and obligations from the Trust to the Authority.

The transfer of Trust rental housing was effected pursuant to a regulation issued under subsection 23(1)(b)(ii) of the *South Australian Housing Trust Act 1995.*

Note 17 to the Authority's financial statements provides further details of the transfer.

SIGNIFICANT FEATURE

The Operating Surplus of $136.4 million comprised $5.3 million attributable to the Operations of the Authority and $131.1 million Net Revenue on restructure due to the transfer of Aboriginal Housing Programs from the Trust to the Authority.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* requires statutory corporations established pursuant to the Act to keep proper accounting records and to prepare annual statements of accounts for each financial year. The Act also empowers the Auditor-General to audit the accounts of the Authority and its annual statement of accounts.

Scope of Audit

The audit of the Authority encompassed all significant areas of its operations including:

- accounting for the transfer of assets, rights, liabilities and obligations of the Trust to the Authority
- raising and recovery of rent and other tenant charges
- control and management of maintenance of Authority properties and of other property related expenses
- capital expenditure by the Authority
- sale of Authority properties
- administrative expenses.

The audit of transactions and balances which are processed and controlled through the Trust's systems placed appropriate reliance on the audit procedures performed as part of the audit of the Trust.

Audit Communications to Management

A management letter was provided to the General Manager of the Authority in August 2000 which detailed audit findings and recommendations for improvement to the Authority's procedures and controls. The matters incorporated in the letter included:

- Recommendation that the Service Level Agreements with the Trust and the Department of Human Services be finalised and authorised on a timely basis.

- Recommendations for improvement in processing the transfer of houses from the Trust to the Authority.

- Noting that the Authority was required to implement an internal audit function by the *Housing and Urban Development (Administrative Arrangements) Act 1995* and that this had not occurred to date.

As the management letter was only forwarded to the Authority in the latter part of August, Audit was awaiting a response at the time of completion of this Report.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The audit review of the Authority's control environment has recognised the short time between the establishment of the Authority in 1998 and the impact of the changes associated with the transfer of staff and housing assets to it in February 2000. Responding to these events has placed several demands upon the members of the Authority, its senior management and other staff.

A number of factors have reduced the impact of these demands on the development of the Authority's control environment. While the Authority is newly established the transferred functions were previously undertaken by the South Australian Housing Trust's Aboriginal Housing Unit and there was continuity of staffing, work practices and systems. Further, the Authority's continued use of information management systems and records developed and operated by the South Australian Housing Trust has not only provided operating and systems support efficiencies but also relevant control assurance.

The Authority has still to develop and implement important control arrangements including an internal audit function, an audit committee and documented policies and procedures specifically relevant to its operations. These matters have been raised by Audit with Authority management and it is understood these will be pursued in the 2000-01 financial year.

Approval of Remuneration for the Authority Chairperson

Section 11 of the *Housing and Urban Development (Administrative Arrangement) Act 1995* provides that members of the Authority are entitled to remuneration and benefits as determined by the Governor. Review of the Chairperson's remuneration established that while the remuneration arrangements were approved by the Minister for Human Services they had not been determined by the Governor. This matter has been communicated to the Chief Executive of the Department of Human Services recommending that approval be obtained by the Governor through Executive Council. It has been further suggested that the Crown Solicitor's advice be sought in drafting the instrument to obtain that approval.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Aboriginal Housing Authority included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Aboriginal Housing Authority 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 'Audit Findings and Comments', were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

Operating Statement for the year ended 30 June 2000

	Note	2000 $'000	1999 $'000
OPERATING REVENUE:			
Rent payable by tenants	4	**2 878**	-
Interest	4	**16**	-
Recoveries	4	**655**	-
Sundry		**118**	-
Total Operating Revenue		**3 667**	-
REVENUES FROM GOVERNMENT:			
Grant programs		**7 655**	-
Rebate subsidy grant		**468**	-
Other grants		**1 487**	483
Appropriation		**686**	-
Total Revenues from Government		**10 296**	483
Total Revenues		**13 963**	483
OPERATING EXPENSES:			
Staffing costs	4	**1 632**	220
Maintenance		**1 407**	-
Council and water rates		**907**	-
Depreciation	4	**713**	-
Business Services fees		**552**	10
Rent	4	**109**	64
Insurance		**49**	-
Bad and doubtful debts	4	**287**	-
Grants		**2 419**	-
Other	4	**549**	97
Total Operating Expenses		**8 624**	391
Operating Surplus before restructuring and asset disposal		**5 339**	92
Net Expense from disposal of Non-Current Assets	5	**(41)**	-
Net Revenue from Restructuring	17	**131 074**	-
OPERATING SURPLUS		**136 372**	92
RETAINED SURPLUS AT 1 JULY		**92**	-
RETAINED SURPLUS AT 30 JUNE		**136 464**	92

Statement of Financial Position as at 30 June 2000

	Note	2000 $'000	1999 $'000
CURRENT ASSETS:			
Cash		**2 601**	100
Receivables	6	**3 889**	-
Inventories	7	**46**	-
Other		**-**	8
Total Current Assets		**6 536**	108
NON-CURRENT ASSETS:			
Property, plant and equipment	8	**133 189**	-
Total Non-Current Assets		**133 189**	-
Total Assets		**139 725**	108
CURRENT LIABILITIES:			
Payables	9	**2 655**	16
Other	10	**262**	-
Total Current Liabilities		**2 917**	16
NON-CURRENT LIABILITIES:			
Payables	9	**344**	-
Total Non-Current Liabilities		**344**	-
Total Liabilities		**3 261**	16
NET ASSETS		**136 464**	92
EQUITY:			
Retained surplus		**136 464**	92
TOTAL EQUITY		**136 464**	92
Commitments	11		
Contingent Liabilities	12		

Statement of Cash Flows for the year ended 30 June 2000

	Note	2000 Inflows (Outflows) $'000	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**2 092**	-
Payments to suppliers and employees		**(5 916)**	(383)
Cash flows from Government		**9 938**	483
Net Cash provided by Operating Activities	13(b)	**6 114**	100
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		**(4 032)**	-
Proceeds from sale of property, plant and equipment		**419**	-
Net Cash used in Investing Activities		**(3 613)**	-
NET INCREASE IN CASH HELD		**2 501**	100
CASH AT 1 JULY		**100**	-
CASH AT 30 JUNE	13(a)	**2 601**	100

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The South Australian Aboriginal Housing Authority (AHA) is the State's Aboriginal public housing authority. The AHA's strategic goals are to significantly enhance the quality of life and safeguard the health and well being of South Australian Aborigines through the provision of housing and housing related services to customers in need. The AHA sources of funds include grants from the Commonwealth and State Governments, rents and other payments by tenants, and the proceeds from the sale of houses and other assets.

The AHA objectives are to:

- promote self determination and self management;
- expand the level of housing provision;
- analyse and develop a program that is responsive to Aboriginal housing needs;
- expand training and employment opportunities for Aboriginal people in the housing sector;
- improve housing management in the rural and remote areas;
- integrate the provision of Aboriginal housing;
- improve access to home ownership for Aboriginal people;
- maintain and improve efficiency of Aboriginal housing administration.

On 5 February 2000 the Board of Management assumed responsibility for, and ownership of, the State Aboriginal housing assets. Additionally the Board also assumed all responsibility of managing the major Aboriginal programs previously administered by the South Australian Housing Trust. Refer to Note 17.

2. Summary of Significant Accounting Policies

The significant policies which have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation of the Financial Statements

The financial statements are a general purpose financial report which has been drawn up in accordance with the requirements of the Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views, the Treasurer's Instructions, applicable Accounting Policy Statements and the *Public Finance and Audit Act 1987*. They have been prepared on the basis of historical cost and, except where stated, do not take into account changing money values or current valuations of non-current assets. The AHA has fully employed the accrual basis of accounting in the preparation of the financial statements. The financial statements have been prepared on a going concern basis.

(b) Revenue Recognition

Rental Income

Residential rents are recognised as revenue and charged to tenants weekly, in advance.

Market rents are set for each property, however assistance by way of a rental rebate to provide a reduced rent is offered to low income tenants by means of an income based reduced rent formula.

Disposal of Non-Current Assets

The proceeds of real property asset sales are included as revenue of the AHA when settlements are completed. Refer to Note 5 for further details.

Recoveries

Recoveries for costs on-charged by the AHA are included in revenue.

Grants

Grants received for all purposes have been included as revenue.

2. Summary of Significant Accounting Policies (continued)

(c) Property, Plant and Equipment

Interest is capitalised into capital work in progress costs where borrowings are specifically tied to the funding of that project. As at 30 June 2000 the AHA has no borrowings tied to such projects.

The Capital Work in Progress reflects developments that will be utilised in the AHA's operations. The carrying amounts for capital work in progress have been projected to completion and compared with an independent valuation. Any over capitalisation identified has been provided for as a loss on capital work in progress and expensed in the current year. The carrying amount for capital work in progress includes a revaluation increment or decrement where the property has previously been revalued.

The AHA has set a policy that all land and buildings are to be revalued annually at each respective 31 October. This policy complies with the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'.

The assets transferred from the South Australian Housing Trust as at 5 February 2000 were revalued by the Trust at 30 June 1999 and are recognised in the AHA's accounts at the revalued amount. The following summarises the valuation procedures used by the Trust in the revaluation:

(i) Rental Properties

All land and buildings within the sub category Houses and Flats have been revalued to reflect the Valuer-General's values (for rating purposes) as at 30 June 1998.

(ii) Vacant Land

All Vacant Land, which is held for future development and AHA use, has been revalued to reflect the Valuer-General's values (for rating purposes) as at 30 June 1998.

(d) Inventories

The AHA has set a policy that annually at 31 October 2000 the carrying amount of real property inventories other than those subject to development as capital work in progress will be compared with an independent valuation and where the carrying amount exceeds the independent valuation, the carrying amount will be adjusted to reflect the independent valuation.

Inventories of Stores are carried at cost.

(e) Depreciation and Amortisation

Property, plant and equipment are depreciated or amortised from the date of acquisition or in respect of internally developed assets, from the time an asset is completed and held ready for use.

The AHA's property, plant and equipment other than rental properties are depreciated over their estimated useful life using the straight line basis.

Rental dwellings are depreciated using a basis and rate of depreciation which is consistent with the national accounting policy framework for State Housing Authorities to ensure consistency and comparability between these Authorities. An estimated useful life of fifty years is assumed for the rental dwelling buildings and depreciation expense is calculated at a rate of two percent per annum on the opening revalued amount for each property.

The method of calculating depreciation expense is considered appropriate because estimating the useful life, and the realisable value at the end of the useful life, involves high inherent uncertainty. This reflects the long lives of rental housing assets and the impact of demographic and socio-economic factors on both the useful lives and residual values of assets.

The estimated useful life for leasehold improvements for Administrative properties is based on the lease term, currently 10 years, and plant and equipment ranged from three to 10 years.

(f) Leased Plant and Equipment

Leases of plant and equipment under which the AHA assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Payments made under operating leases are expensed over the lease term.

(g) Employee entitlements, as Staffing Costs

The staff of the AHA are employees of the Department of Human Services who are assigned to the AHA. The accruing entitlement of Departmental of Human Services employees assigned to the AHA has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department.

In determining the outstanding payable to the Department, the AHA provides for long service leave in accordance with the short hand method of determination using the benchmark number of years (eight) recommended by the Department of Treasury and Finance. The amounts expected to be paid to employees for their pro rata entitlement to long service and annual leave are accrued at current pay rates.

Accruing employee entitlements to long service and annual leave were charged to the Operating Statement as they were incurred.

2. Summary of Significant Accounting Policies (continued)

(h) Superannuation

(i) Since 5 February 2000 the AHA has paid to the State Superannuation Fund the incremental cost of its superannuation obligations as they were incurred.

(ii) The accruing of on costs relating to employee entitlements of Departmental employees assigned to the AHA has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Treasury and Finance.

During the year the AHA has provided for employer superannuation contributions, at the rate of 10 percent, on accruing employee entitlements to annual leave and on part of the provision for long service leave. Superannuation on costs are included for part only of the long service leave provision in recognition that it is estimated that 45 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions.

(i) Insurance

The AHA has an agency agreement with South Australian Government Captive Insurance Corporation (SAICORP) in which the Treasurer indemnifies the AHA against damage suffered to the AHA's property or claims made against the AHA. The AHA pays a contribution to SAICORP for this cover which, in the case of rental properties, is without limit. The AHA assumes part of the risk through accepting deductibles in each category of cover.

The Operating Statement expense item 'Insurance' reflects the cost of the contribution to SAICORP and the cost to the AHA of losses or charges which are subject of the SAICORP cover.

The AHA, by virtue of the Department of Human Services exemption, is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. The AHA has insurance cover which limits the exposure for losses.

The AHA provides for losses or other charges which are not covered by the Treasurer's indemnity with respect to each category of potential loss or claim reflected below.

Insurance provisions

The provision for Rental Properties represent payments due to contractors for incurred claims where the works have not been finalised at balance date or where properties have not been repaired and may be sold in a damaged condition.

The provision for Public Liability Claims includes estimates for future claims payments for reported claims with an allowance for claims incurred but not reported at balance date.

The provision for Workers Compensation includes estimates for future claims payments for reported claims with an allowance made for estimated recoveries. The provision also includes an allowance for claims incurred but not reported at balance date. The provision relating to Departmental employees assigned to the AHA has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department.

The provision for Professional Indemnity Claims includes estimates for future claim payments for claims incurred but not reported at balance date.

(j) Provisions

Doubtful debts

Specific provision has been made for any doubtful debts identified. In addition, a general provision based on the profile of the AHA's debt and its debt write off history has also been raised.

Payroll tax on employee entitlements

The AHA has accrued the cost of payroll tax on accrued employee entitlements for annual leave, long service leave and the employers superannuation contributions thereon. This provision, relating to employee entitlements of Departmental employees assigned to the AHA, has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Treasury and Finance.

Audit fees

The AHA provides for the fees payable to the Auditor-General's Department for the current financial year's audit.

(k) Tax Status

The activities of the AHA are exempt from Commonwealth Income Tax and Sales Tax but subject to other Commonwealth taxes such as Fringe Benefits Tax. The activities of the AHA are also exempt from State Land Tax but other State taxes such as payroll tax are applicable.

(l) Comparative figures

In the current period the AHA has made changes to the presentation of its financial statements. Comparative figures for 30 June 1999 have been amended for consistency.

3. Report by Major Activities

OPERATING REVENUES:	Tenant/Client Service Public Rental $'000	Rural and Remote Program $'000	AHA Board $'000	Housing Mngmt Comm-ittees $'000	Other $'000	2000 Total $'000	1999 Total $'000
Rent	**2 878**	**-**	**-**	**-**	**-**	**2 878**	-
Interest	**8**	**3**	**-**	**-**	**5**	**16**	-
Recoveries	**601**	**36**	**-**	**-**	**18**	**655**	-
Sundry	**28**	**36**	**-**	**-**	**54**	**118**	-
Total Operating Revenues	**3 515**	**75**	**-**	**-**	**77**	**3 667**	-
REVENUES FROM GOVERNMENT:							
Grant programs	**2 823**	**4 832**	**-**	**-**	**-**	**7 655**	-
Rebate subsidy grant	**468**	**-**	**-**	**-**	**-**	**468**	-
Other	**487**	**1 000**	**-**	**-**	**-**	**1 487**	483
Appropriation	**-**	**-**	**-**	**-**	**686**	**686**	-
Total Revenues from Government	**3 778**	**5 832**	**-**	**-**	**686**	**10 296**	483
Total Revenues	**7 293**	**5 907**	**-**	**-**	**763**	**13 963**	483
OPERATING EXPENSES:							
Staffing costs	**763**	**296**	**64**	**61**	**448**	**1 632**	220
Maintenance	**1 393**	**8**	**-**	**-**	**6**	**1 407**	-
Council and water rates	**907**	**-**	**-**	**-**	**-**	**907**	-
Depreciation	**625**	**-**	**-**	**-**	**88**	**713**	-
Business services fees	**347**	**80**	**-**	**-**	**125**	**552**	10
Rent	**55**	**21**	**-**	**-**	**33**	**109**	64
Insurance	**49**	**-**	**-**	**-**	**-**	**49**	-
Bad and doubtful debts	**287**	**-**	**-**	**-**	**-**	**287**	-
Grants	**-**	**2 419**	**-**	**-**	**-**	**2 419**	-
Other	**254**	**112**	**8**	**10**	**165**	**549**	97
Total Operating Expenses	**4 680**	**2 936**	**72**	**71**	**865**	**8 624**	391
OPERATING SURPLUS (DEFICIT) BEFORE RESTRUCTURING AND ASSET DISPOSAL	**2 613**	**2 971**	**(72)**	**(71)**	**(102)**	**5 339**	92
NET REVENUE FROM DISPOSAL OF NON-CURRENT ASSETS	**(41)**	**-**	**-**	**-**	**-**	**(41)**	-
NET REVENUE FROM RESTRUCTURING	**-**	**-**	**-**	**-**	**131 074**	**131 074**	-
OPERATING SURPLUS (DEFICIT)	**2 572**	**2 971**	**(72)**	**(71)**	**130 972**	**136 372**	92
Retained surplus 1 July	**-**	**-**	**-**	**-**	**92**	**92**	-
RETAINED SURPLUS 30 JUNE	**2 572**	**2 971**	**(72)**	**(71)**	**131 064**	**136 464**	92

4. Operating Result

Operating Expenses

Each of the following items was charged as an expense in determining the operating result for the period:

	2000 $'000	1999 $'000
Staffing costs:		
Salaries and wages	**1 044**	125
Long service leave	**(4)**	23
Superannuation	**134**	11
Other salary related expenses	**458**	61
	1 632	220
Finance charges paid or due and payable:		
Bank fees	**2**	-
	2	-
Depreciation:		
Rental houses and flats	**625**	-
Administrative properties - Leasehold improvements	**19**	-
Plant and equipment	**69**	-
	713	-
Rent:		
Lease rental expense - Administrative properties	**109**	64
	109	64
Bad and doubtful debts:		
Bad debts written off	**212**	-
Provision for doubtful debts	**75**	-
	287	-
Other:		
Consultant services	**11**	3
Other expenses	**538**	10
Auditor-General's audit fees	**-**	-
	549	13

Operating Revenues

Each of the following items was credited as revenue in determining the operating result for the period:

	2000 $'000	1999 $'000
Rent:		
Gross rent receivable	**4 905**	-
Rental rebates	**(1 633)**	-
Market rebates	**(161)**	-
Loss on vacancy	**(233)**	-
	2 878	-
Interest received or due and receivable:		
Treasury deposit account	**16**	-
	16	-

Operating Revenues (continued)	**2000**	1999
Recoveries:	**$'000**	$'000
Bad debts	**193**	-
Maintenance	**198**	-
Water charges	**175**	-
Salary and wages	**84**	-
Other	**5**	-
	655	-

5. Disposal of Non-Current Assets

	2000 Sale Proceeds $'000	1999 Sale Proceeds $'000	**2000 Cost of Sales $'000**	1999 Cost of Sales $'000	**2000 Surplus (Deficit) $'000**	1999 Surplus (Deficit) $'000
Rental properties*	**414**	-	**454**	-	**(40)**	-
Inventory vacant land	**5**	-	**6**	-	**(1)**	-
	419	-	**460**	-	**(41)**	-

* The cost of sales comprise the Valuer-General's property valuations, marketing and agents fees. In establishing the property value the Valuer-General includes the impact of capital improvements effected by tenants. Tenants purchasing properties are allowed discounts consistent with their personal investment in the property.

6. Receivables

	2000	1999
Current Assets:	**$'000**	$'000
Debtors	**4 217**	-
Provision for doubtful debts	**(328)**	-
	3 889	-

7. Inventories

Current Assets:		
Stores	**5**	-
Vacant land	**41**	-
	46	-

8. Property, Plant and Equipment

Rental properties, Houses and Flats:		
Freehold land and buildings:		
At independent valuation	**131 917**	-
Accumulated depreciation	**(1 485)**	-
Total Rental Properties, Houses and Flats	**130 432**	-
Administrative Properties:		
Leasehold improvements:		
At cost	**453**	-
Accumulated amortisation	**(196)**	-
Total Administrative Properties	**257**	-
Vacant Land:		
Freehold land	**181**	-
Total Vacant Land*	**181**	-

* Vacant land held by the AHA is subject to a management agreement with the South Australian Housing Trust.

Plant and Equipment:		
Office equipment - At cost	**81**	-
Accumulated depreciation	**(45)**	-
	36	-
Computer equipment - At cost	**634**	-
Accumulated depreciation	**(96)**	-
	538	-
Total Plant and Equipment	**574**	-
Capital Work in Progress:		
Capital work in progress	**1 745**	-
Total Capital Work in Progress	**1 745**	-
Total Property, Plant and Equipment	**133 189**	-

9. Payables

Current Liability:		
Accounts payable	**2 655**	16
	2 655	16
Non-Current Liability:		
Accounts payable	**344**	-
	344	-

10. Provisions

Provisions:		
Insurance on rental properties	**64**	-
Professional indemnity	**30**	-
Public liability	**51**	
Total Provisions	**145**	-
Unearned revenue	**98**	-

10. Provisions (continued)

	2000 $'000	1999 $'000
Deposits held	**19**	-
Total other current liabilities	**262**	-

11. Commitments

Capital Expenditure

	2000 $'000	1999 $'000
Contracted but not provided for and payable:		
Not later than one year	**307**	-
Later than one year	**-**	-
	307	-

Recurrent Expenditure

	2000 $'000	1999 $'000
Recurrent expenditure on operations, maintenance and grant funded programs contracted but not provided for and payable:		
Not later than one year	**3 635**	-

During the year the AHA incurred expenditure on a number of grant funded programs as detailed in Note 3. The AHA's financial commitment at 30 June 2000 is dependent upon the existing recipients continuing to meet the programs eligibility criteria and the relevant legislation remaining in force. In all programs grant funds from the State Government and or Commonwealth Government are received which offset the full cost of the expenditure. For financial details of the programs relating to the year ended 30 June 2000 refer to Note 3.

Operating Leases

	2000 $'000	1999 $'000
Non-cancellable operating lease rentals with a term of more than one year, and not provided for within the financial statements are payable as follows:		
Not later than one year	**303**	-
Later than one year but not later than five years	**1 287**	-
Later than five years	**218**	-
	1 808	-

The operating lease is for the AHA administrative building. It is for a term of 10 years of which six years remains.

12. Contingent Liabilities

As at 30 June 2000 the AHA has no material contingent liabilities either quantifiable or non quantifiable.

13. 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 and cash at bank.

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

	2000 $'000	1999 $'000
Petty cash floats	**5**	-
Cash on hand	**23**	-
Cash held in deposit account	**2 573**	100
	2 601	100

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

	2000 $'000	1999 $'000
Net Cash provided by Operating Activities	**6 114**	100
Adjustments:		
Depreciation and amortisation	**(713)**	-
Change in Assets and Liabilities:		
Increase in receivables	**1 933**	-
(Decrease) Increase in other current assets	**(346)**	8
Increase in payables	**(1 754)**	(16)
Decrease in other liabilities	**105**	-
Operating Surplus	**5 339**	92

14. Remuneration of Board Members and Employees

Board Members Remuneration

The AHA Board of Management comprises nine members and eight deputy members. Board members nominated by the Aboriginal and Torres Strait Islander Commission (ATSIC), or their deputies when acting for the Board members, are paid attendance fees by ATSIC and remuneration from ATSIC is not reflected in the following table. The fees paid to Board Members are set by Executive Council in accordance with approved procedures. The Chairperson of the AHA Board received a package consisting of an allowance, government vehicle and mobile phone as approved by the Minister for Human Services.

The number of Board Members whose remuneration from the Authority falls within the following bands:	2000 Number of Members	1999 Number of Members
$1 - $10 000	**6**	8
$40 001 - $50 000	**1**	-
	7	8

Board Members Remuneration (continued)	**2000**	1999
	$'000	$'000
Total remuneration received, or due and receivable by the Board Members and deputies from the AHA	**82**	46

Board members of the AHA have declared interest in the following community organisations which have received funding from the AHA. The Board members have no other pecuniary interest direct or indirect in any Firm, Trust or Company with which the AHA has entered into transactions during the year.

Vic Wilson — declared his interest as Manager of Kalparrin Community
Approved funding: $320 000

Jeff Scott — declared his interest as Chairperson of Scotdesco Community
Approved funding: $270 000

Wayne Miller — declared his interest as a member of Yarilena Community
Approved funding: $280 000

Alwyn McKenzie — declared his interest as a member of Davenport Community
Approved funding: $472 000

Charles Jackson — declared his interest as a member of Yadlhiada Aboriginal Community
Approved funding: $75 000

Employees' Remuneration
No employee assigned by the Department of Human Services to the AHA received remuneration which exceeded $100 000. The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated fringe benefits tax, but does not include any amounts payable due to retirement under the Targeted Voluntary Separation Package (TVSP).

The TVSP impact on employee numbers and amounts is disclosed in Note 15.

15. Targeted Voluntary Separation Packages

During the year one employee was offered a package in line with the State Government's policy.

The TVSP component of the costs for the period amounted to $133 826. These costs are to be met from a central fund administered by the Department of the Premier and Cabinet, and are recognised as a creditor of the AHA.

In addition, accrued annual leave, leave loading and long service leave entitlements amounting to $47 476 were paid to the employee who received the package. These payments were met from staffing costs with a corresponding adjustment effected to the respective provision accounts.

16. Additional Financial Instrument Disclosures

Credit Risk
The AHA is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges.

The AHA manages credit risk associated with its tenants by establishment of a Credit Policy which is communicated to AHA staff and tenants. The performance of individual tenants and of components of the total population of tenants are monitored and reported upon to AHA management and the Board.

Net fair value of financial instruments
Analysis of the net fair value of financial instruments is detailed below.

For the financial assets and liabilities which are subject to normal trade credit terms, the fair value is considered to be face value.

Summary of Fair Values	**30 June 2000**		30 June 1999	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities:	**$'000**	**$'000**	$'000	$'000
Payables	**2 999**	**2 999**	16	16
Total Financial Liabilities	**2 999**	**2 999**	16	16
Financial Assets:				
Cash	**2 601**	**2 601**	100	100
Receivables	**3 889**	**3 889**	-	-
Total Financial Assets	**6 490**	**6 490**	100	100

17. Vesting of Assets, Rights and Liabilities

The South Australian Aboriginal Housing Authority (AHA) was established by proclamation in October 1998, and is now the body responsible for the management of Aboriginal housing in South Australia. During the current year arrangements were implemented to transfer staff and the assets, rights and obligations associated with the Aboriginal Housing program from the Trust to the AHA. The effective date of transfer was 5 February 2000.

The assets, rights and obligations associated with Rental Houses sited on land owned by the Trust were transferred to the AHA pursuant to section 23 of the *South Australian Housing Trust Act 1995*. Relevant notices of transfer, as required by the Act, were provided in the Government Gazette including details of assets, rights and liabilities transferred.

The rights resulting from the transfer of the housing assets include all assets and revenues that relate to the properties including customer debt, prepayments of council and water rates, all warranties, fixtures and fittings as well as the tenancies. Revenues include proceeds from sale of houses and rental income from the tenancies. However, along with the rights the AHA also has the obligation to meet the liabilities and expenses of maintaining the assets including current and future maintenance, and the expenses of council and water rates.

17. Vesting of Assets, Rights and Liabilities (continued)

The Chief Executive Officer for the Department of Human Services authorised the assignment of Department of Human Service staff from the Aboriginal Housing Unit of the South Australian Housing Trust to the AHA effective on 5 February 2000.

As a consequence the AHA assumes responsibility for liabilities and expenses of the staff after the transfer including accruing entitlements to annual leave, long service leave and superannuation.

In addition to the assets, rights and liabilities transferred from the Trust the AHA pursuant to section 23 of the *South Australian Housing Trust Act 1995* control of certain Rental houses sited on leased Land and the Aboriginal Vacant Land holdings were transferred to the AHA by agreement between the Trust and AHA.

A summary of the carrying amounts of the assets, rights and liabilities subject to the 5 February 2000 vesting, assignment and transfer is as follows:

	Total
Current Assets:	$'000
Receivables	1 956
Inventories	47
Other	337
Non-Current Asset:	
Property, plant and equipment	130 330
Total Assets	132 670
Current Liabilities:	
Payables	1 229
Other	353
Non-Current Liability:	
Other	14
Total Liabilities	1 596
Net Assets	131 074
1999-2000 Operating Statement	
Net Revenue from Restructuring	**131 074**

Operating revenue and expenses for the period 1 July 1999 to 4 February 2000 with respect to activities controlled by the South Australian Housing Trust in that period and subsequently transferred and assigned are not included in the Operating Statement for the year ended 30 June 2000. These revenues and expenses are disclosed below along with AHA reported revenues and expenses for the period 1 July 1999 to 30 June 2000. The combined figures provide a summary of the revenues and expenses that would have been reported for the AHA if the activities controlled by the South Australian Housing Trust until 4 February 2000 had been controlled by the AHA for the whole year:

	AHA Included in SAHT	AHA 1/7/99-30/6/00	AHA Total
Operating Revenues:	$'000	$'000	$'000
Rent	3 950	2 878	6 828
Interest	-	16	16
Recoveries	390	655	1 045
Sundry	195	118	313
Total Operating Revenues	4 535	3 667	8 202
Revenues from Government:			
Grant programs	4 456	7 655	12 111
Rebate subsidy grant	248	468	716
Other grants	1 052	1 487	2 539
Appropriation	-	686	686
Total Revenues from Government	5 756	10 296	16 052
Total Revenues	10 291	13 963	24 254
Operating Expenses:			
Staffing costs	1 205	1 632	2 837
Maintenance	2 079	1 407	3 486
Council and water rates	821	907	1 728
Depreciation	865	713	1 578
Business services fees	109	552	661
Rent	150	109	259
Insurance	375	49	424
Bad and doubtful debts	330	287	617
Grants	3 838	2 419	6 257
Other	2 114	549	2 663
Total Operating Expenses	11 886	8 624	20 510
Operating surplus (deficit) before restructuring and asset disposal	(1 595)	5 339	3 744
Net revenue (expense) from disposal of non-current assets	42	(41)	1
Net revenue from restructuring	(131 074)	131 074	-
Operating (Deficit) Surplus	(132 627)	136 372	3 745

SOUTH AUSTRALIAN COMMUNITY HOUSING AUTHORITY

FUNCTIONAL RESPONSIBILITY

The South Australian Community Housing Authority (the 'Authority' or 'SACHA') is established pursuant to the *South Australian Co-operative and Community Housing Act 1991*.

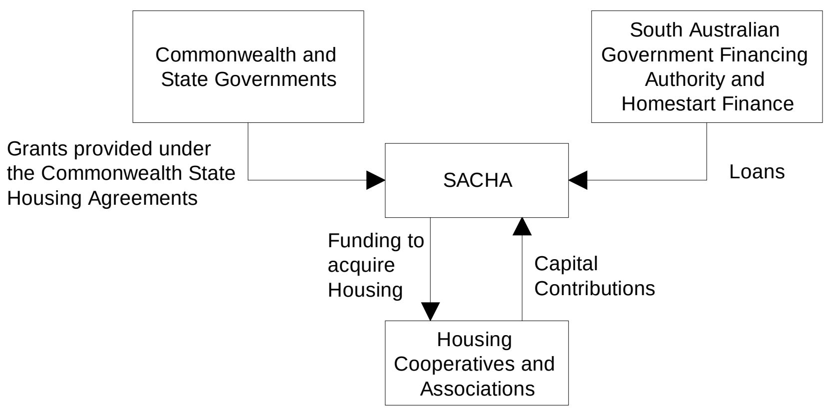
The Authority has a broad range of functions associated with the development, promotion and administration of community housing in South Australia. In performing these functions the Authority has the following main roles:

- The provision of advice to the Minister for Human Services.
- The registration of housing co-operatives and associations as provided for under the Act.
- Ensuring the full and proper accountability of community housing organisations which receive funds or other support from the Authority or other public sector agencies.
- The provision of administrative and other support services to community housing organisations.
- The provision of funding, through either loans or grants, to community housing organisations.

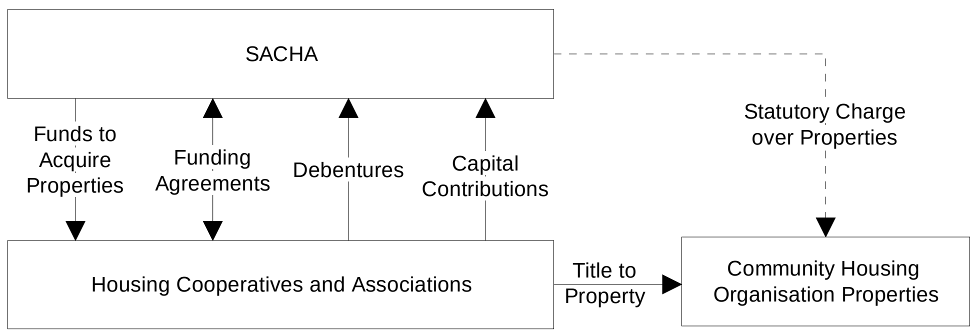
The Authority comprises three representatives appointed by the Minister, including a representative nominated by the Community Housing Associations Forum Incorporated, members with expertise in finance, the housing industry or community housing, and two members elected by members of registered housing co-operatives.

The following charts illustrate the relationship between SACHA and the agencies which provide funding to it on one hand and the community housing organisations which receive funds from it on the other.

The first chart documents the overview of the relationships.



The second chart documents in more detail the relationship between the Authority and community housing organisations.



SIGNIFICANT FEATURES

- Funding to housing organisations increased by $25.5 million from an accumulated balance of $219.4 million.

- The debenture indexation reserve reflected a net increase of $7.2 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 19(2) of the *South Australian Co-operative and Community Housing Act 1991* requires the Auditor-General to audit the financial statements of the Authority.

Scope of Audit

The audit program covered all 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 control.

During 1999-00 specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- staffing and related costs
- receivables (including contributions from co-operatives and associations)
- revenue, receipting and banking
- loans (including program financing charges)
- debenture and asset revaluation reserves.

Consideration was also given to the work of Internal Audit in framing the audit coverage.

Audit Communications to Management

Matters arising during the course of the Audit were detailed in a management letter to the Acting General Manager. SACHA's audit committee of the Board noted the management letter and accepted management's response. The satisfactory response was subsequently received by Audit. The comments provided to the Authority and the related responses include those summarised in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Delegations of Authority

Audit noted that, although a full review of delegations had been undertaken with the assistance of the Crown Solicitor's Office some twelve months ago, the relationship between delegations from the Minister pursuant to the *South Australian Co-operative and Community Housing Act 1991* and the Authority's internal delegations had not been clearly documented in relation to a number of matters.

The Authority indicated that this issue was being pursued with the Crown Solicitor's Office and that in future, the Authority would seek annual approval of sub-delegations from the Minister where the Minister's approval was specified under the Act.

Property Database

Audit noted that the property database which contains information relevant to the monitoring of budgets for individual projects did not reconcile to the general ledger. As a result, all expenditure relating to a project may not be captured.

The Authority advised that it had intended to integrate the property database and general ledger during the current year but until the general ledger had been upgraded to be Goods and Service Tax compliant, it was not appropriate for the integration to proceed. The integration would now occur during 2000-01.

Community Housing Organisation (CHO) Audited Financial Statements

Pursuant to funding agreements between the Authority and CHOs, audited financial statements of CHOs must be provided to the Authority by 30 September succeeding the relevant financial year. The audited financial statements provide the Authority with reasonable assurance that the appropriate amount of capital is returned. The audited financial statements also provide the Authority with insight to the financial performance and viability of CHOs.

Audit noted that approximately 50 percent of CHOs audited financial statements for the 1998-99 financial year had not been received by 30 September 1999. Indeed, approximately 7 percent had not been received by 31 March 2000.

The Authority indicated that it had previously noted this matter and that actions to accelerate the provision of audited financial statements by CHOs had been initiated.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Community Housing Authority included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the South Australian Community Housing Authority in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Operating Statement

Net Cost of Services

The net cost of services for the Authority increased slightly to $7.4 million ($7.3 million). Although contributions receivable from Community Housing Organisations rose by $0.5 million and interest rose by $0.6 million, this was offset due to the fact there were no donated assets during the year and there was an overall increase in operating expenses.

Grant Income

Grant income received by the Authority for the year was $30.2 million ($40.1 million) reflecting funding for both recurrent and capital purposes. The difference of $9.9 million compared to the previous year reflects the recognition of a receipt relating to the 1997-98 year in 1998-99.

Grant income for 1999-2000 exceeded the Authority's net cost of services by $22.9 million ($32.8 million) and the surplus was applied to the provision of funding to housing organisations or held as cash.

Capital Contributions

During 1999-2000 CHOs made capital contributions of $5.2 million ($4.6 million) towards the cost incurred by the Authority in borrowing funds from the South Australian Government Financing Authority and HomeStart Finance. The level of capital contributions is determined as part of the process of assessing the rents payable by CHOs tenants and is subject to income tests. As a result of these rental subsidies, the capital contributions were insufficient to meet the Authority's program financing costs which totalled $8.8 million.

Statement of Financial Position

Funding to Community Housing Organisations

The number of CHOs receiving funding from the Authority to acquire houses was 127. At 30 June 2000 there were 2971 (2832) properties that had been debentured and occupied and an additional 603 (422) properties that were being constructed, upgraded or in preparation for occupation. A further 19 (32) properties were held by the Authority which were surplus to the requirements of CHOs.

Funding to CHOs at 30 June 2000 was $244.9 million, an increase of $25.5 million reflecting, in the main, net additions to debentures of $11.6 million and a revaluation of the underlying properties by $10.0 million.

Capital Commitments

As at 30 June 2000, obligations under loan approvals for advances to individual CHOs totalled $29.1 million. Cash at Treasury and on hand, however, totalled $25.1 million. The higher level of commitments reflects the approval by the Authority, with the consent of the Department of Human Services, to commit in advance, some of the funding anticipated for the 2000-01 year.

Operating Statement for the year ended 30 June 2000

	Note	2000 $'000	1999 $'000
OPERATING EXPENSES:			
PROGRAM ADMINISTRATION COSTS:			
Staffing and related costs	2, 4	**1 273**	1 133
Projects	5	**373**	200
Operating lease rental expense	2	**284**	241
Management overhead		**170**	177
Office expenses		**203**	189
Unallocated upgrade expenses	6	**76**	148
Grants to community housing organisations	7	**1 167**	1 328
Community housing organisation costs	8	**497**	-
Lease payments to SA Housing Trust		**440**	377
Other administration costs	3	**209**	338
		4 692	4 131
Program financing costs	10	**8 842**	8 781
Decrement on revaluation	14	**52**	12
Total Program Costs		**13 586**	12 924
OPERATING REVENUES:			
Contributions received and receivable from community housing organisations		**5 185**	4 650
Interest and sundry income	11	**1 049**	491
Donated assets	13	**-**	459
Profit on sale of properties	9	**2**	24
Total Operating Revenues		**6 236**	5 624
NET COST OF SERVICES		**7 350**	7 300
GOVERNMENT REVENUES:			
Grant income	2, 12	**30 235**	40 129
		30 235	40 129
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS		**22 885**	32 829
Transfers to revaluation and indexation reserves		**(12)**	(40)
ACCUMULATED SURPLUS 1 JULY		**133 389**	100 600
ACCUMULATED SURPLUS 30 JUNE		**156 262**	133 389

Statement of Financial Position as at 30 June 2000

	Note	2000 $'000	1999 $'000
ASSETS:			
CURRENT ASSETS:			
Cash at Treasury and on hand	22	**25 104**	25 755
Receivables	17	**645**	528
		25 749	26 283
NON-CURRENT ASSETS:			
Funding to housing organisations	2, 18	**244 900**	219 400
Property and equipment	2, 20	**12 408**	5 225
		257 308	224 625
Total Assets		**283 057**	250 908
LIABILITIES:			
CURRENT LIABILITIES:			
Trade creditors and accrued expenses	19	**2 150**	1 838
Self insurance	2	**24**	21
		2 174	1 859
NON-CURRENT LIABILITIES:			
Loans	2, 21	**116 594**	115 081
Capital Indexed Bond	2	**146**	141
Hot Water Service Warranty Provision	2,15	**290**	55
		117 030	115 277
Total Liabilities		**119 204**	117 136
NET ASSETS		**163 853**	133 772
EQUITY:			
Accumulated surplus		**156 262**	133 389
Asset revaluation reserve	2, 14	**-**	-
Debenture indexation reserve	2, 16	**7 591**	383
TOTAL EQUITY		**163 853**	133 772
Capital and Leasing Commitments	24		

Statement of Cash Flows for the year ended 30 June 2000

	Note	2000 Inflows (Outflows) $'000	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**5 159**	4 575
Payments to suppliers and employees		**(3 973)**	(4 024)
Program financing costs		**(8 559)**	(8 547)
Interest		**930**	455
Receipts from other debtors		**28**	55
Cash flows from government		**22 054**	33 055
Net Cash provided by Operating Activities	23	**15 639**	25 569
CASH FLOWS FROM INVESTING ACTIVITIES:			
Funding to housing organisations		**(18 397)**	(16 042)
Proceeds from sale of property		**2 107**	912
Net Cash used in Investing Activities		**(16 290)**	(15 130)
NET (DECREASE) INCREASE IN CASH HELD		**(651)**	10 439
CASH AT 1 JULY		**25 755**	15 316
CASH AT 30 JUNE	22	**25 104**	25 755

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The South Australian Community Housing Authority (SACHA) co-ordinates and provides administrative support and funding to Community Housing Organisations to enable them to acquire housing. Funding for SACHA comes from Commonwealth and State Government grants and rents and other payments from tenant members. The Authority has borrowed funds from the South Australian Government Financing Authority (SAFA) and HomeStart Finance to fund non-current assets.

2. Statement of Accounting Policies

Basis of Accounting

The Authority has fully employed the accrual basis of accounting in the preparation of the accounts and has consistently applied its accounting policies. The financial statements are a general purpose financial report drawn up in accordance with Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views, the Accounting Policy Statements issued by the Department of Treasury and Finance and the requirements of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*. The financial statements have been drawn up in accordance with the historical cost convention and do not take account of changes in the purchasing power of money. Unless otherwise stated the amounts presented in the Statement of Financial Position do not reflect the realisable value of liabilities or assets.

Revenue Recognition

Government Grants

The Authority recognises grant funds as income when monies are received and controlled or, in the case of funding which is received in arrears, when all conditions under which funding is provided have been fulfilled by the Authority.

Other Revenue

Other revenue is recognised by the Authority when there is a legal entitlement, the amount is reliably measured and it is collectible.

Operating Lease Rental Expense

The Authority under arrangements with the Department of Human Services meets the cost of building occupancy and vehicle use. These costs have been accounted for as an operating lease by the Authority in accordance with the requirements of Australian Accounting Standard AAS 17 'Leases' (refer Note 24).

Capitalisation of Costs

Technical services are provided to assist community housing organisations with capital projects. Salaries and related costs for this service are recouped as a fixed fee of $1 000 per house, which is added to the loans provided to individual community housing organisations.

Insurance

SACHA has implemented master insurance policies that cover the dwellings and commercial public liability of community housing organisations. Community Housing Organisations pay premiums to SACHA for the cover provided. Under these arrangements the Authority has obtained insurance cover from an external insurer for any claims. All claims are administered by the external insurer.

Accounting for Equity Shares

The *South Australian Co-operative and Community Housing Act 1991* provides for members of Housing Co-operatives to acquire equity in the properties they occupy by the Co-operative issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific Co-operative property. Holders of equity shares obtain a proportional reduction in the capital contributions they are required to pay as tenants. The Authority is obliged to repurchase the equity shares from holders who leave relevant Co-operatives at a value reflecting their proportion of the current value of the property at the time the equity shares are redeemed.

The value of debentures for properties with associated equity shares reflects the value of the property less the proportionate interest in the property associated with the equity share.

2. Statement of Accounting Policies (continued)

Accounting for Capital Indexed Debt

On 1 November 1995, SAFA Capital Indexed Debt was transferred to the Authority from HomeStart Finance in connection with the transfer of the mortgages over Housing Association properties to the Authority. The debt transferred to the Authority was valued at a market value which exceeded the indexed face value of the debt. The difference between the market value of the debt at the date of transfer and the indexed face value (the premium) is being written off to the Authority's Operating Statement using a straight line method over the life of the debt. At the same time, it has been necessary to revalue the face value of the liability to reflect the change in the Consumer Price Index. The adjustment to the face value of the debt has been reflected in a charge to the Operating Statement, which ensures the face value of the debt as shown on the Authority's Statement of Financial Position reflects the value at maturity and brings to account the indexation expense over the life of the debt. The loan balance for this debt reflected on the Statement of Financial Position is the sum of the indexed debt and the unamortised premium.

Debentures

The value of debentures issued by community housing organisations with respect to tenantable housing and reflecting the value of funds provided to community housing organisations to acquire and upgrade or to construct new buildings are revalued to reflect the current value of the property. Current values are determined using the Valuer-General's capital values for rating purposes.

Revaluation increments have been reflected in a Debenture Indexation Reserve. Revaluation decrements have been charged against any credit balance in the Debenture Indexation Reserve with any decrement in excess of the credit balance of the Debenture Indexation Reserve being charged to the Operating Statement as Decrement on Revaluation.

Property

Property owned by the Authority has been revalued at balance date to reflect the Valuer-General's capital value for rating purposes. Revaluation increments for the class of assets have been accounted for by crediting the Asset Revaluation Reserve. Revaluation decrements have been charged against any credit balance in the Asset Revaluation Reserve with any decrement in excess of the credit balance of the Asset Revaluation Reserve being charged to the Operating Statement as decrement on revaluation.

Staffing Costs

The staff of the Authority are employees of the Department of Human Services who have been assigned by the Department's Chief Executive to work at the Authority. The Authority meets the full cost of employment for the Department's employees assigned to work at the Authority including salary payments, accruing leave entitlements, superannuation contributions and related on costs.

The balance of the employees' entitlement to accrued leave as at the date the employees were transferred to the Department is recognised in the accounts of the Department. The accrued liability which has arisen from employment since that date is recognised by the Authority as a liability by the Authority to the Department.

Provision for Doubtful Debts

An assessment has been made of the extent to which outstanding debts are recoverable. Specific provision has been made for any doubtful debts identified.

Capitalisation and Depreciation of Office and Computer Equipment

Office and computer equipment is depreciated from the date of acquisition over the estimated useful life of the asset using the straight line basis.

Office and computer equipment acquired at a cost of $1 000 and above was capitalised during 1999-2000.

Hot Water Service Warranty Provision

SACHA introduced a new Hot Water Service Replacement Policy during 1997-98, resulting in the establishment of a liability to cover future expenditure. Properties acquired by community housing organisations which have hot water services older than five years are issued with a reducing scale warranty certificate by SACHA to cover the unit from the date of key handover.

The reducing scale warranty applies to the replacement cost of a new hot water service should any of these units fail during the subsequent five year period of operation on a sliding scale from 100 to 20 percent of replacement cost.

During 1999-2000 SACHA extended the Hot Water Service Warranty Scheme whereby community housing organisations joining Comhouse Cooperative Ltd (a co-operative facilitating the management of major maintenance on behalf of other Community Housing Organisations) and subject to a five year no-draw down period can claim under this provision the cost of replacing hot water service units that have failed.

Capital Indexed Bond

SACHA has issued a Capital Indexed Bond as part of the settlement of a land purchase. This bond is redeemable on the fifth anniversary of the completion date of the project in March 2003.

The indexed bond makes provision for payment of an adjusted principal amount based on movements in the capital value of the completed project.

3. Other Administration Costs

	2000	1999
	$'000	$'000
Auditors remuneration	**41**	31
Board fees(i)	**57**	44
Board expense(ii)	**7**	7
Legal fees	**30**	43
Consultant fees	**-**	24
Brokerage and valuation fees	**14**	8
Computing costs	**6**	6
Sundry expenses	**4**	19
Product development	**7**	49
Training	**43**	52
Bad debts	**-**	55
	209	338

(i) During 1999-2000 there was a full complement of Board members for the whole of the financial year. In 1998-99, two Board members were appointed at the end of the first quarter.

(ii) Includes travel and accommodation costs for a Board country member.

4. Staffing and Related Costs

	2000 $'000	1999 $'000
Gross salaries and related costs	**1 627**	1 454
Less: Amounts included in loans to community housing organisations(i)	**354**	321
Amount included as net salaries and related costs	**1 273**	1 133

(i) Recoveries of staff costs where the Authority provides a range of technical services, in support of loans to community housing organisations for capital projects.

5. Projects

	2000	1999
Rent, Finance and Tenancy system for the community housing sector (e-CHO)(i)	**104**	88
Tenant Access Register system (CHER)(i)	**83**	-
Private financing model for community housing(i)	**28**	-
Funding model for large community housing organisations(i)	**21**	-
SACHA strategic plan development(i)	**19**	-
Goods and services tax implementation costs	**47**	-
Upgrading financial system to SYBIZ Vision	**14**	-
Funding of project management course developed by Swinburne University	**11**	-
Regulatory plan	**6**	-
Property database modification	**9**	21
Annual Report	**6**	12
CHOs from non-English speaking backgrounds	**3**	16
Others	**22**	17
Promotional strategy	**-**	18
Renegotiation Funding Agreement	**-**	16
Community Housing Expo	**-**	12
	373	200

(i) Includes payments to consultants for these projects totalling $221 576.

6. Unallocated Upgrade Expenses

	2000	1999
Inspections and holding costs	**53**	68
Upgrade expenses	**23**	80
	76	148

During 1999-2000 SACHA entered into lease agreements with the South Australian Housing Trust for a number of properties which were sub-let to community housing organisations. SACHA bore the cost of upgrading these properties to program standard along with the inspections and holding costs (eg council and water rates) associated with this process.

7. Grants to Community Housing Organisations

	2000 $'000	1999 $'000
Community Housing Council of South Australia (CHCSA)	**617**	659
Large Community Housing Organisations:		
Northern Suburbs Housing Co-operative	**48**	60
Womens Housing Association	**177**	105
Multi Agency Community Housing Association	**28**	35
Red Shield Housing Association	**5**	15
Housing Spectrum Housing Association	**25**	25
Portway Housing Association	**41**	45
DASH Housing Association	**40**	50
Lutherans Housing Association	**12**	25
National Community Housing Forum	**5**	-
Comhouse Co-operative Ltd	**162**	302
Country Community Housing Organisations travel reimbursements	**7**	7
	1 167	1 328

The Authority is responsible for allocating funding to the Community Housing Council of South Australia Inc (CHCSA).

During the year the Authority undertook negotiations with the Large Community Housing Organisations to determine the level of future funding on the basis of services provided. Funding is provided to assist these organisations with the administrative costs associated with increases in housing stock managed and is conditional on performance measures outlined in their funding agreements.

SACHA also committed $161 694 in funding during 1999-2000 to Comhouse Co-operative Ltd to assist with major maintenance management for the community housing sector. These funds were specifically targeted towards properties held by housing associations and are secured by a fixed and floating charge and funding agreement with Comhouse.

8. Community Housing Organisation Costs

	2000 $'000	1999 $'000
Emergency Services Levy payments(i)	**179**	-
Smoke detector rebates(ii)	**54**	-
Provision adjustments Hot Water Service Warranty(iii)	**264**	-
	497	-

(i) SACHA agreed to meet the costs of the Emergency Services Levy on behalf of community housing organisations for both the 1999-2000 and 2000-01 financial years, pending a review of the adequacy of the current level of operating levies.

(ii) Legislation was introduced during the year making it compulsory for householders to install smoke detectors in their properties. SACHA contributed 50 percent towards the costs of CHOs installing these devices in their houses.

(iii) In September 1999, SACHA established a Hot Water Service Warranty Provision scheme in conjunction with Comhouse Co-operative Ltd, whereby CHOs joining Comhouse and subject to a 5 year no-draw down period can claim the cost of replacing hot water service units that have failed under this provision.

9. Profit on Sale of Properties

	2000 $'000	1999 $'000
Sale proceeds	**2 107**	912
Less: Debenture/Mortgage Value and Settlement Costs	**2 105**	888
	2	24

10. Program Financing Costs

	2000	1999
Gross program financing costs on debt	**8 226**	8 268
Loan indexation expense[(i)]	**611**	512
Capital Indexed Bond expense[(ii)]	**5**	1
Amount included as net program financing costs	**8 842**	8 781

(i) These loans are indexed in line with movements in the Consumer Price Index.

(ii) This bond is indexed in line with movements in the capital value of the completed joint venture project with the Adelaide Central Mission.

The principal role of SACHA is to provide funding to registered community housing organisations for the acquisition of housing. The Authority uses funds provided by the South Australian Government Financing Authority (SAFA), with the Treasurer's approval, to finance community housing organisations completed housing stock and to finance the acquisition and upgrade of purchased housing and the construction of new houses by these housing groups. Individual Community Housing Organisations make a contribution (from rents collected) to SACHA which is applied to SACHA's financing costs comprising interest and principal repayments. The balance of these financing costs are met by government subsidies. Under current arrangements SACHA is able to make interest payments to SAFA when they fall due.

The Authority has also assumed responsibility for paying interest and principal on loans from HomeStart Finance which arise from the transfer to community housing organisations of the properties of former HomeStart borrowers who have defaulted on their loans.

The Department of Treasury and Finance levied a Treasury Guarantee Fee on outstanding borrowings for government agencies at the rate of 0.75 percent of total SAFA borrowings held by SACHA during 1999-2000, payable in quarterly instalments.

11. Interest and Sundry Income

	2000 $'000	1999 $'000
Interest	**1 021**	444
Managed short term leases[(i)]	**28**	44
Other	**-**	3
	1 049	491

(i) A small number of properties have been returned to SACHA from community housing organisations which considered them surplus to their requirements. These properties have been leased on the private rental market in the short term, pending assessment of their future suitability for the program.

12. Government Revenues (Grants)

	2000 $'000	1999 $'000
CSHA - Commonwealth[(i)]	**9 174**	11 040
CSHA - State matching[(i)]	**4 626**	6 801
CSHA grants - Purchase of SAHT properties[(ii)]	**8 181**	7 074
CHP grants[(iii)]	**5 054**	5 094
Other State grants	**3 200**	10 120
Total	**30 235**	40 129

(i) Refers to the Commonwealth/State Housing Agreement.

(ii) Refers to Commonwealth/State Housing Agreement grants specifically provided to SACHA for the purpose of acquiring South Australian Housing Trust properties at market value.

(iii) Refers to a tied program under the Commonwealth/State Housing Agreement entitled the Community Housing Program.

13. Donated Assets

	2000 $'000	1999 $'000
Donated assets[(i)]	**-**	459

(i) In the past, grants have been provided to some community housing organisations under arrangements which did not require CHOs to issue debentures to the Authority. These grants have been expensed as advanced.

During 1998-99 some CHOs voluntarily issued debentures to the Authority with respect to properties funded by these grants. The Authority has recognised its right under these debentures as Donated Assets.

14. Asset Revaluation Reserve

	2000 $'000	1999 $'000
Opening Asset Revaluation Reserve	**-**	6
Movements during the year:		
Decrements arising from the transfer of properties (held at Valuer-General's capital values) from SACHA to community housing organisations	**(95)**	(34)
Increments arising from revaluation of properties based upon the Valuer-General's capital values as at 30 June 2000	**33**	23
Transfer from (to) Operating Statement on sale of properties	**10**	(7)
Balance expensed through Operating Statement	**52**	12
	-	-

15. Hot Water Service Warranty Provision

	2000 $'000	1999 $'000
Opening Hot Water Service Warranty Provision	**55**	19
Movements during the year:		
Increments arising from transfers to the provision	**264**	40
Decrements resulting from the reducing scale warranty	**-**	(4)
Decrements arising from actual claims against the provision	**(29)**	-
	290	55

16. Debenture Indexation Reserve

Opening Debenture Indexation Reserve	**383**	1 199
Movements during the year:		
Decrements arising from the debenture substituted at Valuer-General's capital values for the historical cost of loans to individual community housing Organisations	**(2 806)**	(2 748)
Increments arising from revaluation of debentures based upon the Valuer-General's capital values as at 30 June 2000	**10 012**	1 885
Transfer to Operating Statement on sale of properties	**2**	47
	7 591	383

17. Receivables

Receivables	**760**	643
Less: Provision for doubtful debts	**115**	115
	645	528

Receivables include capital contributions from community housing organisations relating to June and payable in July, arrears in capital contributions and accrued bank interest.

18. Funding to Housing Organisations

Debentures with community housing organisations (at Valuer-General's capital values)[(i)]	**229 186**	207 497
Less: Equity shares[(ii)]	**411**	364
Net debentures	**228 775**	207 133
Loans to community housing organisations (at cost)[(iii)]	**13 598**	7 801
Joint Venture loans[(iv)]	**2 468**	4 407
Housing Association mortgages[(v)]	**59**	59
	244 900	219 400

Assets of the Authority are not held to generate income but to provide housing for community housing organisation members and as such their value does not reflect the yield to the Authority from those assets.

(i) *Debentures*

On completion and tenanting of their properties, individual community housing organisations are required to issue a debenture to the Authority reflecting where available the Valuer-General's capital value for rating purposes.

In accordance with Australian Accounting Standard AAS 10 'Accounting for the Revaluation of Non-Current Assets', the Authority recognises that the debentures issued by community housing organisations in conjunction with the Authority's funding of community housing are not held by the Authority to generate income, but rather, to facilitate the provision of housing by the community housing sector. Consequently the value of the Authority's assets do not reflect the market yield on those securities.

The Authority recognises that non-current assets are required to be carried at no greater than their recoverable amount. Further the Authority is aware that debentures are unlikely to be repaid except in cases of default by individual community housing organisations or upon the sale of a property. Nevertheless the Authority has adopted the view for accounting purposes that should a case of default arise it would be entitled to sell and recover its investments from the net proceeds of sale of individual community housing properties. The Authority is of the view that the Valuer-General's property values provide a reasonable expectation of recoverable amounts to discharge community housing organisations' debentures.

(a) Existing Debentures

As detailed above community housing organisations are required to issue indexed debentures for each property at Valuer-General's capital values for rating purposes. Debentures are revalued annually in accordance with updated values. The Authority has adopted a policy of recording debentures at 30 June in each year based on the values becoming available on 1 July for the ensuing year. The Authority transfers to the Debenture Indexation Reserve net increments/decrements arising from changes between current and prior year capital values.

(b) New Debentures

When the acquisition and/or construction of new properties is complete the Authority transfers to the Debenture Indexation Reserve net increments/decrements arising from differences between historical loan amounts and the value of the debentures issued in substitution for those loans. The value of new debentures is determined using the Valuer-General's rateable capital value, and where this is not available, the lower of the Valuer-General's market valuation or total project cost is used.

(c) Discharge of Debentures

When properties are sold the debentures are cancelled and the balance of the Debenture Indexation Reserve for the property concerned is appropriated to the Accumulated Surplus. The difference between the sale value (less selling costs) and the debenture value is recognised as profit or loss on sale of properties.

18. Funding to Housing Organisations (continued)

(ii) Equity Shares

Equity shares are issued by Co-operatives to tenants against a specific property and reflect a proportional interest in the value of that property.

(iii) Loans to Community Housing Organisations

The Authority advances monies to finance the purchase and upgrade of dwellings or construction of new dwellings by community housing organisations. These amounts are carried at historical costs until properties are complete and let. The Authority and community housing organisations enter funding agreements which document respective responsibilities and the Authority places a charge on the title of community housing organisations' properties to secure the Authority's interest in the property.

(iv) Joint Venture Loans

Joint venture loans reflect funding provided to community organisations who have submitted proposals for development of community housing. To date some of these projects have not been completed and funding provided is reflected as loans to the organisations.

(v) Housing Association Mortgages

The Authority currently holds a mortgage over one Housing Association property which was funded through the Housing Association program. Negotiations are underway with this group to replace the mortgage with a debenture and funding agreement between the parties.

19. Trade Creditors and Accrued Expenses

	2000	1999
	$'000	$'000
Trade creditors	**1 206**	427
Amount payable to the Department of Human Services relating to staff leave provisions and on costs(i)	**73**	172
Accrued interest payable to SA Government Financing Authority	**729**	850
Accrued funding to Comhouse Co-operative Ltd	**-**	300
Other expenses accrued	**142**	89
	2 150	1 838

(i) This amount represents accrued salaries and staff leave provisions for the period from 25 April 1998 when staff of the Authority were transferred to the Department of Human Services.

20. Property and Equipment

	2000	1999
(a) Property	**$'000**	$'000
Houses formerly belonging to community housing organisations (at Valuer-General's capital values) but surplus to their requirements(i)	**1 282**	2 107
Community housing work in progress projects (at cost)(ii)	**11 006**	3 064
	12 288	5 171
(b) Office and Computer Equipment		
Office and computer equipment (at cost)	**201**	113
Accumulated depreciation	**(81)**	(59)
	120	54
Total Property and Equipment	**12 408**	5 225

(i) The Authority holds properties which were acquired by community housing organisations but which are no longer required by the original owner. The properties will be offered to other community housing organisations or, if not required, will be sold.

(ii) This balance recognises the value of work in progress with respect to projects where title is held by SACHA until completion. On completion properties are allocated to community housing organisations.

21. Loans

(a) Loans from the South Australian Government Financing Authority (SAFA)

		30 June 2000	
	Interest Rates	**Book Value**	**Fair Value**
Maturity Date	**Percent**	**$'000**	**$'000**
Bank Bill Related Debt			
20 December 2000	**8.13**	**10 000**	**10 113**
15 January 2003	**5.615**	**15 100**	**15 040**
15 September 2006	**7.545**	**10 000**	**10 575**
15 October 2007	**6.205**	**7 000**	**6 937**
28 October 2007	**6.535**	**10 000**	**10 113**
15 September 2009	**7.025**	**14 217**	**14 690**
15 March 2010	**7.295**	**10 000**	**10 532**
Average Weighted Cost	**6.85**	**76 317**	**78 000**
Capital Indexed Debt			
20 August 2002	**6.00**	**34 722**	**36 717**
Total	**6.59**	**111 039**	**114 717**
Plus Treasury Guarantee Fee	**0.75**		
Total Weighted Cost	**7.34**		

21. Loans (continued)

(b) Loans from HomeStart Finance

Maturity Date	Interest Rates Percent	30 June 2000 Book Value $'000	Fair Value $'000
30 November 2005	**6.369**	**873**	**873**
31 May 2006	**6.369**	**1 125**	**1 125**
18 February 2007	**6.369**	**542**	**542**
6 February 2008	**6.369**	**538**	**538**
13 February 2008	**6.369**	**421**	**421**
30 June 2008	**6.369**	**181**	**181**
30 June 2009	**6.369**	**770**	**770**
30 June 2010	**6.369**	**1 105**	**1 105**
Total	**6.369**	**5 555**	**5 555**
GRAND TOTAL	**7.29**	**116 594**	**120 272**

Fair Value

The fair value of loans to the Authority from SAFA reflect the present value of cash flows associated with the Authority's loans discounted at market yield for loans of the equivalent maturity. Loans to the Authority from HomeStart Finance are at floating rates which are equivalent to market rates. Consequently the fair value of the HomeStart loans is considered to be the face value.

22. Reconciliation of Cash

During the reporting year cash transactions for the Authority were transacted through the Authority's Co-operative Housing Development Fund account. A lump sum of $10 million was deposited with SAFA in a Cash Management Fund, to maximise interest received on committed but temporarily unused funds.

For the purpose of the Statement of Cash Flows, cash is represented by cash at bank, being monies held in the Authority's bank accounts and cash on hand and is represented in the Statement of Financial Position as follows:

	2000 $'000	1999 $'000
Cash held in Co-operative Housing Development Fund	**15 103**	25 754
Cash held in SAFA Cash Management Fund	**10 000**	-
Cash on hand	**1**	1
	25 104	25 755

23. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services

Net cash provided by operating activities	**15 639**	25 569
Adjustments:		
Government revenues	**(22 054)**	(33 055)
Premium on indexed loan	**212**	212
Depreciation	**(22)**	(21)
Decrement on revaluation	**(52)**	(12)
Provision adjustment Hot Water Service Warranty	**(264)**	-
Profit on sale of assets	**2**	24
Donated assets	**-**	459
Bond indexation	**(5)**	(1)
Loan indexation	**(611)**	(512)
Changes in assets and liabilities:		
Increase in receivables - Trade and other debtors	**117**	56
Increase in trade creditors and accruals	**(312)**	(19)
Net Cost of Services	**7 350**	7 300

24. Capital and Leasing Commitments

Operating Lease Commitments

Obligations under non-cancellable leases for which no provision has been made.		
Payable not later than one year	**234**	211

Loans for Capital Expenditure Projects

Obligations under loan approvals for advances to individual community housing organisations for approved new-build and spot purchase projects.		
Payable not later than one year	**29 102**	17 683
Total Capital and Leasing Commitments	**29 336**	17 894

25. Executive Remuneration

No officers of the Authority received remuneration of over $100 000 in the current financial year.

26. Remuneration of Board Members and Related Party Transactions

The Board of the Authority comprises seven members, who all occupied their positions for the entire 1999-2000 financial year. These members are:

B J Burgan, Chairman
E M Melhuish
R J McDonald
G Folland
N Cockram
A E Moore
P J Martin

26. Remuneration of Board Members and Related Party Transactions (continued)

The number of Board members whose remuneration from the Authority falls within the following bands were:	**Number of Members 2000**	Number of Members 1999
Nil	**1**	1
$1 - $9 999	**5**	5
$10 000 - $19 999	**1**	1
	7	7

	2000 $'000	1999 $'000
Total remuneration received, due or receivable, by the Board members from the Authority	**57**	44

No member of the Authority had a pecuniary interest in any party which had any transaction with the Authority in the current year with the following exception. The Board member, Mr N Cockram was an employee of an organisation (Comhouse Co-operative Ltd) which received grant funding from the Authority.

SOUTH AUSTRALIAN HEALTH COMMISSION AND ASSOCIATED ACTIVITIES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

South Australian Health Commission

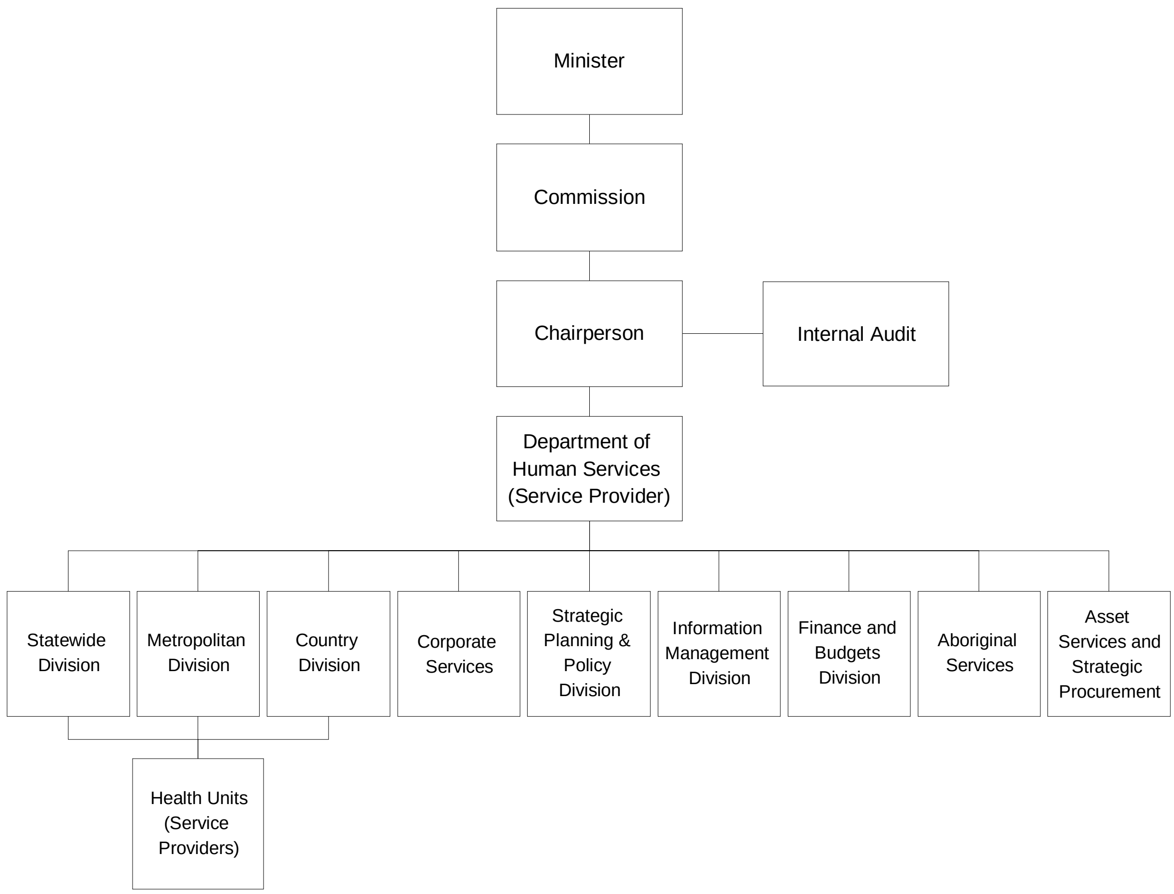
Section 7 of the *South Australian Health Commission Act 1976* (the Act) establishes the South Australian Health Commission (the Commission) as a body corporate. Amendments to the Act which significantly change the functions and powers of the Commission were enacted in May and July 2000. The changes are discussed more fully below.

The primary role of the Commission in the year to 30 June 2000 was to provide for the administration of hospitals and health services. In particular, it was responsible for ensuring health service delivery units were operated in an efficient and economical manner and that there was a proper allocation of resources between these units.

In exercising its functions, the Commission is subject to the control and direction of the Minister for Human Services.

The Act provides for the Commission to have five members. The Commission has entered into Memoranda of Understanding (MOU) with the Department of Human Services. The MOU require the Department to provide such financial, administrative, management and other services as are required to enable the Commission to perform its statutory duties and functions and associated activities. In return, the Commission pays a Service Fee to the Department inclusive of all outgoings incurred by the Department in the provision of services in respect of that agreement. Note 1 to the Commission's financial statements refers.

The following chart depicts the Commission structure and relationship with the Department of Human Services:



Changes to the *South Australian Health Commission Act 1976*

The Act was subject to significant amendment in May and July 2000.

In May 2000 the Act was amended to explicitly provide that hospitals and health centres incorporated under the Act are subject to the direction of the Minister of Human Services. The Minister's capacity to direct is limited by the Act which also requires any directions to be in writing and particulars of any directions to be included in relevant hospital or health centre's annual report.

The Minister previously had a capacity to direct some hospitals and health centres based on provisions of their respective constitutions.

In July the Act was further amended to transfer many of the functions and powers which were previously exercised by the Commission to the Minister of Human Services. The Commission's functions and powers following the amendments to the Act are essentially to advise and assist the Minister in the performance of functions assigned to the Minister. It also retains responsibility for functions relevant to public and environmental health.

The July amendments also provided for the repeal of subsection 19A(2) of the Act which provided that the Chairperson of the Commission will not be a Public Service employee. This amendment is in response to matters raised by Audit in previous Reports concerning the appointment of the Chairperson of the Department of Human Services as Chairperson of the Health Commission.

The amendments to the Act which transfer the functions and powers previously performed by the Commission to the Minister were effected to ensure the allocation of functions and powers under the Act are consistent with current administrative arrangements. They were also intended to remove the necessity for the preparation of separate financial statements for the Commission and the Department of Human Services.

To achieve this objective the Minister, in accordance with section 17 of the Act, has delegated powers and functions pursuant to the Act to the Chief Executive of the Department of Human Services. Audit in conjunction with the Department will review the effect of the amendments to the Act upon financial accounting and reporting arrangements in the coming financial year.

Health Units

Health Units, responsible for the provision of direct health care services, are either established as incorporated units under the Act or as administrative (unincorporated) units of the Commission.

Health Units consist of hospitals and health centres based in metropolitan and country regions. The Act stipulates that an incorporated hospital and incorporated health centre is to be established as a body corporate and to be administered by a Board of Directors. The powers, responsibilities and functions of all Health Units are embedded within the Commission approved constitutions of the Health Units. In addition, the Commission provides financial assistance to health bodies incorporated under the Acts.

Funding, Accounting and Reporting

The Commission's financial operations were accounted for through a Deposit Account at the Department of Treasury and Finance. The account records receipts of monies (mainly comprising appropriation of funds from the Consolidated Account and receipt of Commonwealth Specific Purpose Funds), and disbursements of funds associated with the costs of the activities of the Commission and Health Units.

Funding

The funds allocated from the Commission to Health Units represent net fund allocations. Net funding represents the difference between the gross operating costs of the Health Units and their revenue collections. Net funding provides Health Unit managers with greater autonomy to manager their finances by allowing them to retain all revenues generated from their operations (largely from patient and other service charges).

Since 1994-95, casemix funding has formed the basis for determining fund allocations to hospitals.

Health Units maintain separate accounts to record and control their respective financial operations.

Financial Reporting

The Commission and Health Units prepare their financial statements on an accrual basis of reporting. The financial statements of the Commission included in this section of the Report reflect the financial operation of the Commission (excluding Incorporated Health Units) and certain Unincorporated Health Services. Whole-of-Health Sector financial statements reflecting the consolidation of the financial statements of the Commission (ie Chief Entity) and Incorporated Health Units are submitted to the Auditor-General subsequent to the preparation and conduct of the audit process in relation to the Chief Entity's financial statements.

SIGNIFICANT FEATURES

The Commission recorded a reduction in Net Assets resulting from Operations of $80.7 million for the year ended 30 June 2000. This loss on Operations is attributable to:

- a net loss resulting from changes to the Commission's insurance arrangements of $27.1 million. This matter is further discussed below;

- Bad and Doubtful Debts expense of $34.6 million associated with a provision against amounts receivable from Health Services for Budget Over-runs.

Recurrent funding to Health Units increased by $92.8 million with the increased funding being provided to Incorporated Health Units.

Capital funding to Health Units increased by $24.8 million.

AUDIT MANDATE AND COVERAGE - SOUTH AUSTRALIAN HEALTH COMMISSION

Audit Authority

Section 25 of the Act requires the Commission to maintain proper accounts of its financial affairs and that the Auditor-General audit the accounts.

Scope of Audit

During 1999-2000 the following areas were the subject of audit attention:

- receipts
- payroll
- trade accounts
- general ledger
- assets
- information technology developments
- capital works
- grants and loans to Health Units
- Internal Audit.

As mentioned earlier, the Commission has entered into MOU with the Department of Human Services. The MOU, among other things, required the Department to provide administrative and financial management services to the Commission to enable the Commission to discharge its statutory functions and duties.

Systems operations and processes and activities undertaken by the Department of Human Services on behalf of the Commission pursuant to the MOU have been audited as part of portfolio wide reviews.

Audit Communications to Management

Audit findings and relevant recommendations arising from the review and testing of Commission activities and financial systems and records have been communicated in letters to the Department of Human Services.

AUDIT FINDINGS AND COMMENTS

Financial Management Framework

The arrangements implemented for performance of Commission functions by the Department of Human Services under the MOU has a significant impact upon the control environment relevant to the Commission's discharge of its statutory responsibilities. The administrative and financial accounting functions of the Commission have increasingly been integrated into the Department's organisational, administrative and accounting arrangements.

As a consequence the features of the Department's control environment and particularly its effectiveness in implementing the prescribed elements of the Financial Management Framework are relevant to the Commission. Audit comments regarding the Department's control environment are included in the section of this Report relevant to the Department of Human Services.

Commentary on General Financial Controls

The reviews of the specific auditable areas of coverage, involved where relevant, an assessment of the adequacy of accounting, record keeping and control, and the test verification of financial transactions processed and recorded during the year. The reviews undertaken identified some instances where internal control procedures either required improvement or were not applied consistently over the year.

As indicated above audit reviews of systems and records and of matters which effect the general control environment relevant to the Commission were undertaken in conjunction with the audit of Department of Human Services. Specific matters arising from these reviews which are more fully discussed in the section of this Report relevant to the Department include:

- control evaluation with respect to the arrangements for processing Accounts Payable transactions for the portfolio;
- processing of advance payments relevant to acquisition of equipment and other capital projects for Health Units. This matter is commented on in the section of this Report relating to the Department of Human Services;
- the documentation of policies and procedures;
- arrangements for provision of risk management and internal audit services.

Insurance Arrangements

The Commission's liability with respect to a range of risks has been addressed by obtaining insurance cover through SAICORP, the Government's captive insurer. Arrangements for provision of insurance were revised during the year as the level of deductibles, which is the amount of any claim which must be met by the Commission before the insurer meets the cost of claims, was increased from $50 000 to $1 million.

The change to the deductibles was negotiated between the SAICORP and the Department of Human Services, on behalf of the Commission, in late 1999 and the final arrangements were approved by the Treasurer in February 2000. The revised deductible was applied to medical malpractice claims, which involve the largest liability, with effect from 1 July 1994 and with effect from 1 July 1999 for other claim types.

The submission to the Treasurer in support of the proposed changes identified the following reasons for the changes:

- To provide greater administrative and financial responsibility to the Commission for claims received.
- To reduce the administrative input of SAICORP in reviewing claims which have already been investigated by the Commission and SAICORP's insurance broker.
- The annual insurance premium payable by the Commission to SAICORP will reduce although this benefit is offset by the future cost of meeting the increased deductibles.
- Financial benefits would accrue to SAICORP through reduced liability for claims.

A link was also identified between the greater responsibility to be taken by the Commission and the need to implement improved clinical risk management practices and procedures throughout the South Australian public health system.

As part of the changes to the deductible amount SAICORP paid to the Commission an amount of $12.6 million. This represented a part refund of medical malpractice premiums paid for the period 1 July 1994 to 30 June 1999 and a refund of overpaid premiums for the 1999-2000 year following adjustment to the premiums for the revised deductibles.

The Commission's provision for insurance claims as at 1 July 1999, reflecting its estimated liability for claims incurred to that date, was increased to reflect the impact of the changed deductible and to reflect the impact of a change to the method of determining the provision. The increase in the provision was $38.2 million and the net loss arising from the changes to insurance arrangements was $27.1 million which is a component of Insurance expense in Note 3 to the Commission's financial statements. Note 2(k) to the financial statements provides further discussion of this matter.

Provision for Bad and Doubtful debts

As part of the Casemix funding arrangements between the Commission and Health Units budget over-runs by Health Units have been funded by the Commission but recognised as amounts owed to the Commission by the Health Units in accordance with relevant funding agreements. The value of the receivables at 30 June 2000, before provisioning, was $39.6 million. The Commission has provided an amount of $34.6 million against receivables due to the Commission from incorporated Health Units.

The recognition of the provision reflects an acknowledgement that while the Commission is entitled to receive the monies they are unlikely to be repaid in full by Health Units. The provision was approved by the Chairperson of the Commission.

Cash Management in the Health Sector

In 1998-1999 Audit undertook a review of Health Unit financial statements. One outcome of the review was an understanding that different Health Units were achieving different rates of return on funds invested. Audit wrote to the Commission in February 1999 recommending that the Commission and the major metropolitan and regional health units review their arrangements for investing surplus funds. The objective of the review would be to ensure arrangements were risk return effective.

Audit have received a response to this recommendation which indicated that it was not proposed to undertake the review recommended by Audit. The response noted that the Health Units are separately incorporated statutory authorities, that there was sensitivity surrounding the identification and ownership of the funds and that the funds invested included amounts which were not part of recurrent appropriations. On this basis it was considered unlikely that the consensus agreement required to effect the Audit proposal could be achieved.

Foreign Exchange Management

The Commission's management of foreign exchange risk associated with the purchase of equipment for hospitals was commented upon in last year's Report. This matter was followed up with the Department of Human Services who have responsibility for the Commission's financial management.

The Department has advised that all Commission expenditure is subject to portfolio control mechanisms which includes review of all acquisitions of goods or services valued at over $100 000 by the Department's Accredited Purchasing Panel. Further, each agency in the Human Services portfolio is required to prepare an acquisition plan which draws the agency's attention to the requirements of Treasurer's Instruction 23 and the management of Foreign Exchange Currency Exposures. The acquisition plans are required to be reviewed by the Accredited Purchasing Panel.

Valuation of Health Unit Infrastructure Assets

Previous Reports have commented upon the development by the Commission of a Condition Based Asset Information System (CABS) which, amongst other features, was proposed to incorporate a capacity to provide updated valuation information for financial statement reporting of Health Unit Infrastructure Assets. The development of CABS has not resulted in the development of this valuation capability for implementation by Health Units as at 30 June 2000. To enable compliance with requirements that fixed assets are revalued on a timely basis the Health Units have been advised to engage independent valuers to prepare updated valuations and to enable revaluation of Health Unit assets as at 30 June 2000.

Administration of the Food Act

Last year's Report included comment on the scheme of administration and enforcement associated with the *Food Act 1985.* The comments were drawn from Audit enquiry made during 1997-98 of the statutory obligations of the Commission and local government authorities under that Act.

Last year's Report indicated that:

- Reform to the State's food legislation had yet to be effected in consideration of developments still in progress at the national level, directed to achieving national uniformity and enhancement in food legislation and safety standards across Australian states and territories.

- The Commission had initiated action to improve information collected of inspection activity of food businesses undertaken in local government council jurisdictions. Further, the Commission had written to councils in June 1999 advising appropriate levels of frequency of inspections for food businesses.

Regarding the first matter, Cabinet approved in early July 2000, the release for consultation of a draft Food Act and draft Food Safety Standards. The Cabinet submission proposed a further submission to Cabinet for approval to introduce legislation later in the year following the consultation and assessment period.

In reference to the second matter, the Commission forwarded in early August 2000, it's annual request to local government councils to obtain various information that would enable it to submit a report to Parliament on the activities of the Commission and local councils under the Food Act. Part of that information request, enquires of councils particulars concerning the type and scope of inspection activity and the process used by councils to determine an appropriate frequency of inspection. Audit is to follow up on the analysis of information received from local government councils to the Commission's August 2000 request.

Accountability for Commission, Non-Commission and Trust Funds in Health Units

Recent years have seen the implementation of certain administrative and financial management reforms by government directed to improving the prudential and accountability standards applying to public resources (eg funds) under the management of public sector agencies. Some of these have included the introduction of accrual-based accounting and financial reporting and the more recent introduction of the new Treasurer's Instructions and the Financial Management Framework. In addition, taxation changes have occurred (Fringe Benefits Tax and Goods and Services Tax).

The nature of these types of changes are such that they effect the governance and accountability regimes being applied to the various funds operations undertaken within the confines of the Health Units, whether they be controlled or not controlled by the respective Health Units.

Both the Commission and Audit consider it an opportune time for Health Units to revisit the financial management and accountability principles and processes being applied to the various funds operations within Health Units.

To assist in the Health Unit review process Audit, in conjunction with the Commission, updated a financial accounting policy issued on this matter in the 1980's. The updated policy was forwarded to the Chairpersons and Chief Executives of all Health Units under covering letter of the Chairperson of the Commission. The letter and policy reflect on the importance of Health Unit management considering the high level accountability and auditability principles and processes to apply to the various funds operations within Health Units.

Modbury Hospital Contracting Arrangements

The Modbury Hospital Contract was first signed on 3 February 1995. It was substantially amended and re-executed on 19 August 1997. Under the Contract the private health care operator is required to build Torrens Valley Private Hospital.

On 28 August 2000 Cabinet approved deferral of the private health care provider obligations regarding the construction of the private hospital on the basis of a number of conditions. The Cabinet submission was requested and received by Audit at the time of finalising this Report. It will be the subject of review by Audit.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Health Commission included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the South Australian Health Commission 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 'Audit Findings and Comments', were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

AUDIT MANDATE AND COVERAGE - HEALTH UNITS

Sections 34 and 55 of the Act require incorporated hospitals and health centres to maintain proper accounts of their respective financial affairs and require those accounts to be audited in respect of each financial year. The accounts of the major metropolitan hospitals and some health centres are subject to audit by the Auditor-General. Other hospitals and health centres are audited by auditors approved by the Auditor-General.

In general, audit of Health Units would include review coverage of the following auditable areas:

- patient billing and receipts
- cash holdings
- salaries and wages
- trade accounts
- general ledger
- inventory
- pharmacy
- asset register
- building services
- non-Commission funds
- specific purpose funds
- financial statements.

Issues arising form the reviews of the auditable areas are referred to Health Unit management for consideration and comment regarding action proposed or taken.

In respect of the audit verification of financial statements of Health Units, audits are generally in progress, at the time of presentation of this Report to Parliament. In recognition, however, of the general importance of providing at the time of publication of this Report some useful financial information concerning health services' operations, albeit unaudited and on a cash basis, tabular data on Health Unit financial activity is presented at the end of this section of the Report.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

South Australian Health Commission

The financial statements and notes thereto, reflect a summary of all transactions on an accrual basis of accounting.

Specifically, in relation to the accrual financial statements of the Commission, the statements reflect the following:

- Expenditure of the Commission was $1.9 billion ($1.7 billion) which was met by contributions from the State and Commonwealth Governments of $1.8 billion ($1.7 billion).
- Funding to Incorporated Health Services was $1.6 billion ($1.5 billion).
- A decrease in Net Assets Resulting from Operations of $80.6 million compared with an increase of $9.8 million in the previous year.
- An increase in the provision for insurance claims for the Commission which was $60.3 million ($12.2 million) and an increase in the workers compensation liability related to the Commission from $25.5 million to $33.1 million.

Funded Health Units' Activity

Separate tabulated unaudited financial information relating to Health Service Unit activity prepared on a cash basis of accounting is provided later in this section of the Report.

Operating Statement for the year ended 30 June 2000

	Note	2000 $'000	1999 $'000
OPERATING EXPENSES:	3		
Funding allocation to incorporated health services		**1 569 407**	1 452 852
Funding allocation to other bodies		**93 854**	92 757
Corporate policy, planning and administration		**194 636**	128 689
Unincorporated health services		**14 736**	11 049
Interstate patient transfers		**10 755**	8 342
Interest on loans		**3 020**	3 201
Total Costs of Services and Funding		**1 886 408**	1 696 890
OPERATING REVENUES:	3		
Corporate policy, planning and administration	4	**28 226**	26 651
Interstate patient transfers		**21 818**	18 184
Interest on loans		**3 401**	3 624
Total Operating Revenues		**53 445**	48 459
NET COST OF SERVICES AND FUNDING		**1 832 963**	1 648 431
GOVERNMENT CONTRIBUTIONS FOR PROVISION OF HEALTH SERVICES:			
SA Government appropriation	6(a)	**1 003 795**	947 051
Commonwealth specific purpose funds	6(b)	**687 818**	653 896
Grants from other SA Government agencies	6(c)	**61 226**	57 218
Total Government Contributions for Provision of Health Services		**1 752 803**	1 658 165
Net (loss) gain on sale of property, plant and equipment	5	**(490)**	35
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS		**(80 650)**	9 769
Restructure of administrative arrangements	7	**1 025**	-
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS AND EXTRAORDINARY ITEMS AND RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS		**(79 625)**	9 769

Statement of Financial Position as at 30 June 2000

	Note	2000 $'000	1999 $'000
CURRENT ASSETS:			
Cash	21(a)	**30 140**	47 195
Receivables	8, 22	**32 246**	35 850
Other	9	**9 750**	1 374
Total Current Assets		**72 136**	84 419
NON-CURRENT ASSETS:			
Receivables	8, 22	**34 185**	34 354
Land and improvements	10	**10 374**	11 201
Plant and equipment	11	**983**	2 124
Other	9	**-**	400
Total Non-Current Assets		**45 542**	48 079
Total Assets		**117 678**	132 498
CURRENT LIABILITIES:			
Payables	12	**44 027**	30 910
Borrowings	13	**4**	1 209
Employee entitlements	14	**190**	920
Provisions	15	**1 326**	5 265
Other	16	**1 062**	1 498
Total Current Liabilities		**46 609**	39 802
NON-CURRENT LIABILITIES:			
Payables	12	**23 557**	17 633
Borrowings	13	**28 910**	28 549
Employee entitlements	14	**100**	519
Provisions	15	**58 974**	6 957
Other	16	**606**	640
Total Non-Current Liabilities		**112 147**	54 298
Total Liabilities		**158 756**	94 100
NET ASSETS		**(41 078)**	38 398
EQUITY:			
Accumulated (deficit) surplus	17	**(41 227)**	38 398
Asset revaluation reserve	17	**149**	-
TOTAL EQUITY		**(41 078)**	38 398
Contingent Liabilities	19		
Commitments	20		

Statement of Cash flows for the year ended 30 June 2000

	Note	2000 Inflows (Outflows) $'000	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Funding allocation to incorporated health services		**(1 580 650)**	(1 454 961)
Funding allocation to other bodies		**(92 333)**	(92 035)
Corporate policy, planning and administration		**(117 164)**	(73 383)
Unincorporated health services		**(4 617)**	(52 998)
Interstate patient transfers		**(10 714)**	(9 619)
Interest on loans		**(2 722)**	(2 912)
New loans		**(1 124)**	(1 206)
RECEIPTS:			
Corporate policy, planning and administration		**12 176**	26 710
Unincorporated health services		**48**	373
Interstate patient transfers		**19 152**	19 737
Interest on loans		**2 910**	2 732
Loan principal repayments		**2 477**	2 064
CASH FLOWS FROM GOVERNMENT:			
SA Government appropriation		**1 003 759**	947 051
Commonwealth specific purpose funds		**734 096**	649 525
Grants from other SA Government agencies		**18 619**	55 891
Net Cash (used in) provided by Operating Activities	21(b)	**(16 087)**	16 969
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from sale of non-current assets		**1 412**	3 025
Payments for purchase of non-current assets		**(954)**	(144)
Net Cash provided by Investing Activities		**458**	2 881
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of borrowings		**(1 426)**	(1 519)
Net Cash used in Financing Activities		**(1 426)**	(1 519)
NET (DECREASE) INCREASE IN CASH HELD		**(17 055)**	18 331
CASH AT 1 JULY		**47 195**	28 864
CASH AT 30 JUNE	21(a)	**30 140**	47 195

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. South Australian Health Commission and Health Service Units

The South Australian Health Commission (the Commission) is established as a body corporate under the *South Australian Health Commission Act 1976*, as amended (the Act). The Commission's function is to promote the health and well being of the people of the State and to ensure the proper allocation and use of resources between hospitals, health centres and health services. Hospitals, health centres and health services are either incorporated as body corporates under the Act (Incorporated Health Service Units) or are unincorporated (Unincorporated Health Service Units).

The Commission, designated as the Chief Entity for financial reporting purposes, is required under the Act to keep proper accounts of its financial affairs and to have those accounts audited by the Auditor-General. The financial affairs of Incorporated Health Service Units do not form part of the Chief Entity's financial report. Under the Act, Incorporated Health Service Units are required to maintain separate accounts of their respective financial affairs and to have them separately audited by the Auditor-General or an auditor approved by the Auditor-General.

The Chief Entity has entered into a Memorandum of Understanding (MOU) with the Department of Human Services (the Department) to 'provide such financial, administrative, management and other services as required to enable the Commission to perform its statutory duties and functions and associated activities'. In return, the Commission pays a service fee to the Department inclusive of all outgoings incurred by the Department in the provision of services in respect to that agreement. The Service Fee comprises staffing, administrative and other costs and revenues normally associated with the undertaking of the Commission's statutory duties and functions.

The services provided by the Department to the Commission under the Memorandum of Understanding and relating to Commission statutory duties and functions covered:

- South Australian Health Commission
  - Corporate Policy, Planning and Administration including Public and Environmental Health Services and Mental Health Services.

- Unincorporated Health Service Units
  - Management Assessment Panel
  - Office of the Public Advocate
  - Guardianship Board
  - Adult Physiological and Neurological Option Co-ordination Agency
  - Brain Injury Option Co-ordination Agency.

The assets and liabilities relating to these functions generally remain with the Commission.

1. South Australian Health Commission and Health Service Units (continued)

As a result of the utilisation of common systems across the portfolio, the Department processes transactions on behalf of the Chief Entity resulting in timing differences between the incurring of expenditure, earning of revenue and the associated cashflows. Additional timing differences arise from the final determination of the Service Fee payable under the MOU. These timing differences give rise to the recognition of receivables and payables between the two entities as disclosed in Note 8 and Note 12.

Significant legislative changes affecting the role and function of the Commission occurred on 6 July 2000. These are described in Note 29 'Events Subsequent to Balance Date'.

2. Significant Accounting Policies

Financial Report Preparation

The financial statements have been prepared in accordance with the requirements of the Act, South Australian Health Commission Accounting Policies and the *Public Finance and Audit Act 1987*. The Commission, in accordance with the approval of the Treasurer has submitted to the Auditor-General the financial statements reflecting the financial affairs of the Chief Entity. Whole-of-Health Sector financial statements reflecting the consolidation of the accounts of the Chief Entity and Incorporated Health Service Units are required to be submitted to the Auditor-General by 31 December 2000.

These financial statements encompass the reporting of the revenues, expenses, assets and liabilities associated with the financial reporting responsibility of the Chief Entity described in Note 1.

Health Services Funding

Funding is allocated from the Chief Entity's Special Deposit Account based on the net cost of health service activities. Under net funding principles established with Health Services, the Services are permitted to retain revenue from operations to finance recurrent activities. Health Services revenues are therefore not included as revenues in the financial report of the Chief Entity.

(a) Principles of Consolidation

This financial report consolidates the assets, liabilities, revenues and expenses of the Chief Entity comprising the South Australian Health Commission and the Unincorporated Health Service Units detailed in Note 1.

In preparing the consolidated accounts the effect of all transactions between the Chief Entity and these Unincorporated Health Services are eliminated in full. Accounting policies are applied consistently by both the Chief Entity and the Unincorporated Health Services.

(b) Property, Plant and Equipment

The Statement of Financial Position includes property, plant and equipment controlled by the Chief Entity and Unincorporated Health Services.

In the case of land and buildings, values at 30 June 2000 are based on the deprival value method of valuation except for vacant land and other improvements which are valued at current cost.

In the case of property, plant and equipment other than land and buildings, the value at 1 July 1996 is calculated on the basis of replacement cost (or historic cost where replacement cost is not available) less a deduction to reflect the portion of service potential which has been consumed since the asset was acquired, that is, written down replacement cost (or depreciated historic cost).

Items of property, plant and equipment with an individual value of less than $5 000 are expensed at the time they are acquired.

The ongoing development and trial of the CABS (Condition of Asset Based System) framework and methodology during 1999-2000 was intended to provide a basis for revaluations of land and buildings. Due to difficulties in applying CABS for this purpose within the 1999-2000 reporting timeframe, revaluations have been conducted utilising conventional valuation methodologies.

Land and buildings, other than vacant land and other improvements, have been revalued using the deprival value methodology, either gross current market buying price or current replacement cost depending on the land and buildings subject to valuation. These valuations were undertaken by Greg McCloud AAPI B.App.Sc (Val) Certified Practising Valuer of Edward Rushton Australia Pty Ltd on 30 June 2000.

No specific adjustment has been made to allow for the effect of A New Tax System (including Goods and Services Tax) on the value of land and buildings as this could not be reliably estimated at the time of the valuation.

(c) Depreciation

All items of property, plant and equipment, except land are depreciated in accordance with South Australian Health Commission Accounting Policies on a straight line basis over their useful lives.

(d) Income Recognition

All income is recorded as revenue in the Operating Statement at the time it is earned or at the time control passes to the Chief Entity.

(e) Employee Entitlements

The Chief Entity has no employees apart from a small number in some Unincorporated Health Services.

Provision is made for the Chief Entity's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year have been measured at their nominal amounts. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Health Services Funding (continued)

(f) *Services Provided Free of Charge*

The financial report does not reflect any amount for employee entitlements provided on a voluntary basis. Goods and services provided free of charge or for a nominal value are included in the revenue amount in the financial statements.

(g) *Operating Leases*

Leases under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to expense over the period of expected benefit. These leases are detail in Note 18 to the accounts.

(h) *Specific Commonwealth and Other Purpose Funds*

The Chief Entity receives specific purpose funds from various sources, principally from the Commonwealth Government which are outlined in Note 6(b). These amounts are controlled by the Chief Entity and applied towards the funding of health service related activities.

The Chief Entity's accounting records do not distinguish the amount unspent at balance date with respect to each fund.

(i) *Superannuation*

The Chief Entity contributed $84 000 ($132 000) towards the accruing employee superannuation retirement benefits, for staff employed by or assigned to the Commission under a number of employer sponsored superannuation schemes. These schemes include the SA Superannuation Fund and a number of non-government superannuation schemes. The Chief Entity pays the accruing employer component. The funds' trustees are responsible for managing the employee retirement liability.

In addition, the Chief Entity contributed $167 000 ($291 000) in relation to employees who are not active contributors of employer schemes as required under the Commonwealth *Superannuation Guarantee (Administration) Act 1992*.

(j) *Workers Compensation*

The Commission is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*.

Under a scheme arrangement the Commission and participating exempt Health Service Units are responsible for the management of workers rehabilitation and compensation.

Health Services participating in the scheme continue to be directly responsible for the cost of workers compensation claims and the implementation and funding of preventive programs. The Chief Entity has agreed to specifically fund certain components of Health Services' workers compensation expenditure being Lump Sum settlements and Redemption payments. Accordingly, the Chief Entity recognises a payable to Health Services equivalent to the liability which Health Services recognise as a provision in their financial statements.

The liability estimate for workers compensation at 30 June 2000 has been estimated at $33.078 million ($25.452 million). That liability has been determined by an actuarial assessment conducted by Taylor Fry. The valuation method used was the Payment Per Claim Incurred (PPCI) method. The assessment has been carried out in accordance with Australian Accounting Standard AAS 26, 'Financial Reporting of General Insurance Activities' and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported claims and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future.

In prior years', this liability has been disclosed in the accounts of the Chief Entity as a provision. In 1999-2000, the accounting policy has been amended to correctly reflect this obligation as a payable to Health Services rather than as a provision. Prior year comparatives have also been amended to reflect this change in accounting policy.

(k) *Professional Indemnity and General Public Liability Insurance*

The Commission is a participant in the State Government's Insurance Program. The Commission pays a premium to 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 funding for claims in excess of the deductible.

On 1 July 1999, the Commission and SAICORP increased the deductible from $50 000 per claim to $1 000 000 per claim for Professional Indemnity claims after 1 July 1994 and Public Liability and Property Claims after 1 July 1999.

The valuation method of claims was also altered to include a prudential margin of 20 percent, a direct costs loading of 5 percent, and an estimate for claims which may have been incurred but which are not yet lodged or may be underestimated. The valuation of claims is a management assessment based on advice from the claims manager (AON Risk Services Ltd). The claims manager assesses the claim and places a reserve on the claim file after taking legal advice. An actuary will assess the valuation in future reporting periods.

As a result of the change in the deductible and the change to the valuation method, the claims provision was increased by $38.171 million. This was offset by a refund of $11.025 million from SAICORP relating to prior year premiums. The net loss arising from the change in the arrangements of $27.146 million is included in the Insurance Expense in Note 3.

Claims provisions for Public Liability and General Property as at 1 July 1999 totalling $810 000 were transferred from the Department of Human Services to the Chief Entity, along with an equivalent amount of cash. There was no impact on the operating statement from this transaction.

A further increase in claims provision during the year of $9.096 million is also included in Insurance Expense in Note 3.

The closing claims provision is $60.300 million ($12.222 million).

(k) Professional Indemnity and General Public Liability Insurance (continued)

Expenses and recoveries of $2.9 million relating to claim amounts in excess of the deductible have been treated as administered items. These expenses and recoveries are not controlled by the Department, but are administered by the Department on behalf of SAICORP.

(l) Provision for Doubtful Debts

The collectibility of receivables is assessed at balance date and provision is made for any doubtful debts.

For the first time, a provision has been raised against receivables from Incorporated Health Services for budget overruns. The provision amounted to $34.531 million against receivables of $39.629 million.

(m) Goods and Services Tax (GST)

Under the Memorandum of Understanding between the Chief Entity and the Department (Note 1 refers), the Department undertakes to provide the Chief Entity with such financial, administrative, management and other services as the Chief Entity requires for it to discharge its statutory duties and functions.

The Department established a program to ensure that the Human Services portfolio (including the Chief Entity and Incorporated Health Services) was prepared for the implementation of A New Tax System (including Goods and Services Tax) on 1 July 2000. The key objectives of the program were to ensure that there will be compliance with all relevant legislative requirements, that the administration of the tax will be efficient, and that opportunities for favourable financial outcomes will be identified and maximised.

The program involved the preparation of a comprehensive inventory of financial transactions and data capture systems, an analysis of risk, development of an action plan and modification of policies, procedures and systems affected. A regular progress report of project status and issues was provided to the Department Executive and will continue through the transition phase of implementation.

Under this program grant funding of $1.530 million was provided to Incorporated Health Services to enable the portfolio to achieve its key objectives.

While the Department has made every effort to mitigate all risks, there may be a need for further expenditures to ensure the success of the program.

(n) Rounding

All amounts are rounded to the nearest thousand dollars.

(o) Comparatives

In the current period the Chief Entity has made a number of changes to the presentation of its financial statements.

In Note 3 (Net Cost of Services and Funding by activity), additional disclosure related to Non-Government Organisations has been provided and some other items have been aligned to different activities.

Other minor changes to disclosures have been made in various notes.

In all cases, comparative figures for 30 June 1999 have been amended for consistency.

3. Net Cost of Services and Funding

	Note	Corporate Policy Planning and Administration 2000 $'000	Corporate Policy Planning and Administration 1999 $'000	Unincorporated Health Service 2000 $'000	Unincorporated Health Service 1999 $'000	Incorporated Health Service Funding 2000 $'000	Incorporated Health Service Funding 1999 $'000	Non-Government Organisations 2000 $'000	Non-Government Organisations 1999 $'000	Total 2000 $'000	Total 1999 $'000
Operating Expenses:											
Recurrent funding to health units		**-**	-	**-**	-	**1 479 620**	1 386 441	**88 121**	88 496	**1 567 741**	1 474 937
Miscellaneous grants		**-**	-	**-**	-	**-**	-	**42**	22	**42**	22
Capital funding to health units		**-**	-	**-**	-	**89 787**	66 411	**5 691**	4 239	**95 478**	70 650
Interest on loans		**3 020**	3 201	**-**	-	**-**	-	**-**	-	**3 020**	3 201
Net service fee	3(a)	**84 023**	63 204	**11 327**	14 978	**-**	-	**-**	-	**95 350**	78 182
Staffing costs		**-**	11 140	**3 409**	3 727	**-**	-		-	**3 409**	14 867
Administration		**18 488**	17 767	**-**	-	**-**	-	**-**	-	**18 488**	17 767
Bad and doubtful debts		**34 565**	461	**-**	-	**-**				**34 565**	461
Concessions		**1 202**	522	**-**	-	-	-	-	-	**1 202**	522
Insurance		**54 253**	23 221	**-**	-	**-**	-	**-**	-	**54 253**	23 221
Asset write-off		**326**	2 445	**-**	-	-	-	-	-	**326**	2 445
Depreciation		**1 779**	2 273	**-**	-	-	-	-	-	**1 779**	2 273
Interstate patient transfers		**10 755**	8 342	**-**	-	**-**	-	**-**	-	**10 755**	8 342
Total Operating Expenses		**208 411**	132 576	**14 736**	18 705	**1 569 407**	1 452 852	**93 854**	92 757	**1 886 408**	1 696 890
Operating Revenues:											
Interest on deposit account		**4 435**	1 995	**-**	-	**-**	-	**-**	-	**4 435**	1 995
Insurance recoveries from health services		**22 444**	22 585	**-**	-	**-**	-	**-**	-	**22 444**	22 585
Interest on loans		**3 402**	3 624	**-**	-	**-**	-	**-**	**-**	**3 402**	3 624
Interstate patient transfer		**21 818**	18 184	**-**	-	**-**	-	**-**	**-**	**21 818**	18 184
Other		**1 347**	2 071	**-**	-	**-**	-	**-**	-	**1 347**	2 071
Total Operating Revenues		**53 446**	48 459	**-**	-	**-**	-	**-**	-	**53 446**	48 459
Net Cost of Services and Funding		**154 965**	84 117	**14 736**	18 705	**1 569 407**	1 452 852	**93 854**	92 757	**1 832 962**	1 648 431

3. ***(a) Net Service Fee***

	2000	1999
	$'000	$'000
Staffing costs	**35 094**	33 460
Administration	**50 254**	42 939
Grants and concessions	**13 584**	6 062
Less: Service fee related revenues	**3 582**	4 279
	95 350	78 182

4. Operating Revenue

Revenue recorded within the Operating Statement includes:

Interest revenue	**4 435**	1 995
Insurance cost recoveries from Health Services	**22 444**	22 586
Other expense recoveries from Health Services	**-**	750
Assets received for nil consideration (Note 4(a))	**45**	302
Other	**1 302**	1 018
	28 226	26 651

(a) Assets Received for Nil Consideration

During the reporting period the Chief Entity received assets for nil consideration as follows:

Land	**45**	216
Buildings	**-**	86
	45	302

5. Net Gain (Loss) from Sale of Non-Current Assets

During the reporting period the Chief Entity sold land and buildings and plant and equipment:

Proceeds from sale	**517**	1 805
Less: Written down value of assets sold	**1 007**	1 770
	(490)	35

6. Total Government Revenues for Provision of General Health Services

(a) SA Government Appropriations

SA Government funding consists of $1 003.759 million ($947.051 million) pursuant to the *Appropriation Act 1999*.

(b) Commonwealth Government Specific Purpose Grants

The principal program revenues during the year were:

Aged Care Assessment Program	**3 390**	3 158
Commonwealth - State Disability Agreement	**44 380**	42 783
Daw Park Repatriation Hospital	**60 589**	55 507
Highly Specialised Drugs	**17 197**	15 092
Australian Health Care Agreement - Base funding arrangement	**503 364**	476 983
Magnetic resonance imaging	**-**	564
Pathology laboratory grant - IMVS	**34 715**	33 381
Public Health Agreement	**15 188**	15 528
Red Cross blood transfusion service	**5 296**	5 263
Red Cross blood transfusion service - Capital	**895**	749
Woomera Hospital	**1 009**	1 007
Other minor schemes	**1 795**	3 881
Total	**687 818**	653 896

(c) Grants from Other SA Government Departments

Community Development Fund	**7 500**	7 500
Home and Community Care	**43 502**	45 756
Living Health	**-**	3 908
Department of Treasury and Finance - Contingency Funds	**10 224**	-
Other	**-**	54
	61 226	57 218

7. Restructure of Administrative Arrangements

Net gain on Restructure of administrative arrangements	**1 025**	-

The Net Gain on Restructure has arisen as a result of the on-going realignment of Mental Health Services to Incorporated Health Services and the transfer of assets, liabilities, revenues and expenses associated with the Commission's functions and responsibilities within Mental Health Services to the Department of Human Services.

8. Receivables

Current:	Note	**2000**	1999
		$'000	$'000
Health Services' Budget Over-runs		**5 098**	22 011
Receivables from DHS	1	**17 944**	-
Accruals		**6 736**	8 765
Loans		**495**	1 559
Property sales		**537**	834
Sundry receivables		**1 532**	2 742
		32 342	35 911
Less: Provision for doubtful debts		**96**	61
		32 246	35 850

		Note	2000	1999
8.	**Receivables (continued)**			
	Non-Current:		**$'000**	$'000
	Health Services' Budget Over-runs		**34 531**	-
	Loans		**34 185**	33 597
	Property sales		**-**	1 257
			68 716	34 854
	Less: Provision for doubtful debts		**34 531**	500
			34 185	34 354
9.	**Other Assets**			
	Current:			
	Capital grant prepayments to Health Services'		**9 350**	-
	Other prepayments		**400**	1 374
			9 750	1 374
	Non-Current:			
	Other prepayments		**-**	400
10.	**Land and Improvements**			
	Buildings (At deprival value)		**1 342**	1 878
	Other improvements (At current cost)		**5 811**	6 070
			7 153	7 948
	Less: Accumulated depreciation		**3 464**	2 802
			3 689	5 146
	Site land (At deprival value)		**900**	1 170
	Vacant land (At current cost)		**5 785**	4 885
			6 685	6 055
			10 374	11 201
11.	**Plant and Equipment**			
	Plant and equipment at cost		**4 479**	6 377
	Less: Accumulated depreciation		**3 496**	4 253
			983	2 124
	Motor vehicles at cost		**36**	58
	Less: Accumulated depreciation		**36**	58
			-	-
			983	2 124
12.	**Payables**			
	Current:			
	Payable to DHS	1	**26 257**	-
	Health Services' Budget Under-runs		**4 298**	21 981
	Health Services' Workers Compensation	2(j)	**9 922**	7 845
	Other Payables		**975**	809
	Accruals		**2 575**	275
			44 027	30 910
	Non-Current:			
	Payables to DHS	1	**389**	-
	Health Services' Workers Compensation	2(j)	**23 156**	17 607
	Accruals		**12**	26
			23 557	17 633
13.	**Borrowings**			
	Current:			
	Department of Treasury and Finance		**4**	1 209
	Non-Current:			
	Department of Treasury and Finance		**28 910**	28 549
	These borrowings are due for repayment:			
	Not later than one year		**4**	1 209
	Later than one year and not later that two years		**74**	157
	Later than two years and not later than five years		**824**	1 473
	Later than five years		**28 012**	26 919
			28 914	29 758
14.	**Employee Entitlements**			
	Current:			
	Accrued salaries and wages		**-**	294
	Annual leave		**179**	541
	Long service leave		**11**	85
			190	920
	Non-Current:			
	Long Service Leave		**100**	519

15. Provisions

	Note	2000 $'000	1999 $'000
Current:			
Insurance	2k	**1 326**	5 265
Non-Current:			
Insurance	2k	**58 974**	6 957

Refer also Note 2(j)

16. Other Liabilities

	2000	1999
Current:		
Unearned revenue	**666**	1 159
Other	**396**	339
	1 062	1 498
Non-Current:		
Unearned revenue	**606**	640

17. Accumulated Surplus and Asset Revaluation Reserve

	Accumulated Surplus		Asset Revaluation		Total	
	2000 $'000	1999 $'000	**2000 $'000**	1999 $'000	**2000 $'000**	1999 $'000
Balance at 1 July	**38 398**	27 958	**-**	-	**38 398**	27 958
(Loss) Profit for the reporting period	**(80 650)**	9 769	**-**	-	**(80 650)**	9 769
Prior period adjustments	**-**	671	**-**	-	**-**	671
Restructure of administrative arrangements	**1 025**	-	**-**	-	**1 025**	-
Transfer to asset revaluation reserve	**-**	-	**149**	-	**149**	-
Balance at 30 June	**(41 227)**	38 398	**149**	-	**(41 078)**	38 398

18. Operating Leases

At 30 June 2000, the Chief Entity had the following commitments under non-cancellable operating leases:	2000 $'000	1999 $'000
Not later than one year	**1 492**	3 032
Later than one year and not later than five years	**1 424**	8 023
Later than five years	**3**	-
	2 919	11 055

Operating leases are for office accommodation and the provision of services for the Chief Entity. The decreased commitments reflect the transfer of lease commitments for Citi Centre complex, Hindmarsh Square, Adelaide to the Department of Human Services.

19. Contingent Liabilities

A non-quantifiable contingent liability in relation to a guarantee provided until January 2001 to Palantir Pty Ltd for the operation of the Noarlunga Private Hospital. Under the terms of the guarantee, the State is liable for all losses and retains all profits of the Noarlunga Private Hospital.

20. Commitments for Capital Expenditures

During the reporting period the Chief Entity had approved for commitment capital expenditure for a number of specific projects. The total value outstanding as at the end of the reporting period for specific projects amount to $81.918 million ($60.127 million). These amounts have not been brought to account in the financial statements.

These amounts are due for payment:	2000 $'000	1999 $'000
Not later than one year	**80 014**	51 738
Later than on year and not later than two years	**1 904**	7 889
Later than two years and not later than five years	**-**	500
	81 918	60 127

21. 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 and deposit accounts and is reconciled to related items in the Statement of Financial Position as follows:

	2000	1999
Cash at bank	**30 140**	47 195

(b) Reconciliation of Change in Net Assets to Net Cash used in Operating Activities

	2000	1999
Change in net assets resulting from operations, extraordinary items and restructure of administrative arrangements	**(79 625)**	9 769
Net loss (gain) on sale of property	**490**	(35)
Non-cash items:		
Depreciation	**1 779**	2 273
Asset write-off	**326**	2 446
Assets transferred for nil consideration	**-**	296
Assets received for nil consideration	**(45)**	(302)
Change in assets and liabilities after devolution of entity:		
Decrease (Increase) in receivables	**2 878**	(6 378)
(Increase) Decrease in other current assets	**(7 975)**	1 190
Increase in payables	**44 555**	6 459
Increase in other current liabilities	**20 947**	590
Increase in borrowings (Capital interest)	**583**	661
Net Cash (used in) provided by Operating Activities	**(16 087)**	16 969

22. Reconciliation of Inter-Health Loans

As at 30 June 2000 the balance of loans to Health Services and other bodies was $34.680 million ($35.950 million). The movement and status of the overall loans position is as follows:

	2000	1999
	$'000	$'000
Balance at 1 July	**35 950**	36 147
Add: Advances to Health Units	**1 124**	1 206
Capitalised interest charges	**583**	661
Total repayable	**37 657**	38 014
Less: Principal repayments received	**2 477**	2 064
Loans written off	**500**	-
Balance at 30 June	**34 680**	35 950

The Chief Entity to 30 June 2000 has financed the Health Services with loans amounting to $5.766 million ($6.192 million) from Chief Entity funds and $28.914 million ($29.758 million) from back to back loan arrangements with the Department of Treasury and Finance.

The movements and status of the back to back loan arrangements are as follows:	2000	1999
	$'000	$'000
Balance at 1 July	**29 758**	30 616
Add: Capitalised interest charges	**583**	661
Total repayable	**30 341**	31 277
Less: Principal repayments	**1 427**	1 519
Balance at 30 June	**28 914**	29 758

23. Commissioners and Related Party Information

Commission members who have served during the course of the reporting period are:

Ms Christine Charles	Chief Executive Officer; South Australian Health Commission
Professor Brendan Kearney	Executive Director; Statewide; Department of Human Services
Dr David Filby	Executive Officer; Policy and Budget; South Australian Health Commission
Dr Arthur Van Deth	Executive Director; Metropolitan, Department of Human Services
Ms Roxanne Ramsey	Executive Director; Country and Disability Services, Department of Human Services
Mr James Davidson	Executive Director; Strategic Planning and Policy; Department of Human Services.

	2000	1999
Aggregate fees received or receivable by members of the Commission in their capacity as members of the Commission only	**$'000**	$'000
	-	4

	2000	1999
The number of Commission members included in the above figures are shown in their relevant income bands:	**Number of Members**	Number of Members
$nil - $9 999	**-**	1

Members of the Commission use the services of the Chief Entity under terms and conditions no more favourable than members of the public.

24. Administered Funds

During the course of the year the Chief Entity administered funds on behalf of other organisations. The funds administered were:

	2000	1999
	$'000	$'000
Balance held at 1 July	**249**	308
Add: Receipts during the year	**598**	764
Less: Expenses during the year	**832**	823
Balance held as at 30 June	**15**	249

As well as the above, the Chief Entity administered revenues of $2.461 million ($4.633 million) and expenses of $2.461 million ($4.633 million) on behalf of SAICORP and revenues of $0.399 million ($0.368 million) and expenses of $0.399 million ($0.368 million) on behalf of United Medical Protection.

25. Employee Remuneration Greater than $100 000

	2000 Number of Employees	1999 Number of Employees	2000 Total Value $'000	1999 Total Value $'000
$100 000 - $109 999	**-**	1	**-**	108
$110 000 - $119 999	**-**	1	**-**	113
	-	2	**-**	221

26. Additional Financial Instruments Disclosure

(a) Accounting Policies and Terms and Conditions Affecting Future Cash Flows

Financial Assets

Cash deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues. The Chief Entity invests surplus funds with the Treasurer at call. Interest is earned on the daily balance at rates based on the Department of Treasury and Finance 90 day bank bill rate. Interest is paid at the end of each quarter.

(a) ***Accounting Policies and Terms and Conditions Affecting Future Cash Flows (continued)***

Trade accounts receivables are generally settled within 30 days, and are carried at amounts due. Credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

Property sales receivables and other receivables are carried at amounts due. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

Loans are recognised at the amounts lent. Collectibility of amounts outstanding is reviewed at balance date. Provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less rather than more likely. In very rare circumstances, loan repayments may be waived. Interest is credited to revenue as it accrues. No security is generally required. Principal is repaid in full at maturity. Interest rates are fixed. Interest payments are due on the day of the scheduled agreed terms of payment.

Financial Liabilities

Trade accounts payable, including accruals not yet billed, are recognised when the economic entity becomes obliged to make future payments as a result of purchase of assets or services at their nominal amounts. Trade accounts payable are generally settled within 30 days.

Borrowings are recognised when issued at the amount of the net proceeds due and carried at cost until settled. Interest is recognised as an expense on an effective yield basis.

Other payables are recognised at their nominal amounts when the economic entity becomes obliged to make future payments as a result of an unpaid appropriation or failure to meet specified conditions.

A non-quantifiable contingent liability is the guarantee provided until January 2001 to Palantir Pty Ltd for the operation of the Noarlunga Private Hospital. No provision is included in the accounts for this contingent liability because it is considered unlikely any significant liability will arise.

All assets and liabilities are unsecured.

(b) ***Interest Rate Risk Exposure***

The Chief Entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

Exposures arise predominately from assets and liabilities at variable interest rates as the Chief Entity intends to hold fixed rate assets and liabilities to maturity.

	Weighted Average Effective Interest Rate	Floating Interest Rate	2000 Fixed Interest Maturing in 1 Year or Less	Over 1 to 5 Years	More than 5 Years	Non-Interest Bearing	**2000 Total**	1999 Total
Financial Assets:	Percent	$'000	$'000	$'000	$'000	$'000	**$'000**	$'000
Cash and deposits	5.58	30 140	-	-	-	-	**30 140**	47 195
Loans - Fixed	10.20	-	495	2 965	29 032	-	**32 492**	33 686
Loans - Non-interest bearing	-	-	-	-	-	2 188	**2 188**	2 264
Health Services' Budget	-	-	-	-	-	5 098	**5 098**	22 011
Receivables from DHS	-	-	-	-	-	17 944	**17 944**	-
Accruals	-	-	-	-	-	6 736	**6 736**	7 971
Property sales receivable	-	-	-	-	-	537	**537**	2 091
Sundry receivables	-	-	-	-	-	1 436	**1** 436	2 742
		30 140	495	2 965	29 032	33 939	**96 571**	117 960
Financial Liabilities:								
Payable to DHS	-	-	-	-	-	26 646	**26 646**	-
Health Services' Budget	-	-	-	-	-	4 298	**4 298**	21 981
Health Services' workers Compensation	-	-	-	-	-	33 078	**33 078**	25 452
Other payables and accruals	-	-	-	-	-	3 562	**3 562**	1 110
Borrowings - Fixed	10.18	-	4	898	28 012	-	**28 914**	29 758
		-	4	898	28 012	67 584	**96 498**	78 301

(c) ***Foreign Exchange Risk***

The Chief Entity does not enter into any forward foreign exchange contracts.

(d) ***Commodity Price Risk***

The Chief Entity does not enter into any contracts to hedge commodity purchase prices.

(e) ***Credit Risk Exposure***

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

The credit risk on financial assets, excluding investments, of the Chief Entity which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

The Chief Entity does not have significant exposure to any concentration of credit risk.

26. Additional Financial Instruments Disclosure (continued)

(f) Net Fair Value of Financial Assets and Liabilities

The net fair value of other monetary financial assets and financial liabilities is based on market prices where a market exists or by discounting expected future cash flows by the current interest rates for assets and liabilities with similar risk properties. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amount of bank term deposits, accounts receivable, accounts payable and bank loans approximate net fair value.

	2000		1999	
	Carrying Amount	**Net Fair Value**	Carrying Amount	Net Fair Value
Financial Assets:	**$'000**	**$'000**	$'000	$'000
Cash and deposits	**30 140**	**30 140**	47 195	47 195
Loans	**34 680**	**43 609**	35 950	45 432
Health Services' budget over-run	**5 098**	**5 098**	22 011	22 011
Receivable from DHS	**17 944**	**17 944**	-	-
Accruals	**6 736**	**6 736**	7 971	7 971
Property sales receivable	**537**	**537**	2 091	2 091
Sundry receivables	**1 436**	**1 436**	2 742	2 742
	96 571	**105 500**	117 960	127 442
Financial Liabilities:				
Payable to DHS	**26 646**	**26 646**	-	-
Health Service budget under-runs	**4 298**	**4 298**	21 981	21 981
Health Services' workers compensation	**33 078**	**33 078**	25 452	25 452
Other payables and accruals	**3 562**	**3 562**	1 110	1 110
Borrowings	**28 914**	**37 479**	29 758	38 427
	96 498	**105 063**	78 301	86 970

27 Breakdown of Consultancies

	2000		1999	
	Number of Consultants	**$'000**	Number of Consultants	$'000
Below $10 000	**-**	**-**	4	14
$10 000 - $50 000	**-**	**-**	1	15
Above $50 000	**-**	**-**	1	180
	-	**-**	6	209

28. Auditor's Remuneration

Services provided by the Auditor-General's Department with respect to the audit of the Commission and projects administrated by the Chief Entity totalled $0.180 million ($0.190 million) for the year ended 30 June 2000.

29. Events Subsequent to Balance Date

On 6 July 2000, changes were made to the *South Australian Health Commission Act 1976*. Many functions of the Commission were vested in the Minister rather than the Commission. The Minister has delegated substantially all of these functions to the Chief Executive of the Department.

The impact of this change on the accounting and reporting functions of the Chief Entity is yet to be determined.

COMMENTARY ON HEALTH PROGRAM AND ACTIVITIES

A new health care agreement between the South Australian and Commonwealth governments on health funding commenced on 1 July 1998 and is operative for a five year period to 30 June 2003.

The new agreement continues to provide a Base Health Care grant and includes provision for annual increments to this amount depending on factors such as changes to hospital outputs, changes to population growth and age, and hospital utilisation factors. In addition, the Commonwealth has committed to provide an additional $21 million per annum, over the life of the agreement, from the National Health Development fund. Note 6(b) to the Commission's financial statements details monies received under the Agreement in 1999-2000.

The State also has specific responsibility under the Agreement to implement the Second National Mental Health Plan and an agreed National Palliative Care Strategy.

Health Sector Staffing Statistics

The following table illustrates the trend in staffing levels in the health sector over the past four years.

Health Sector FTE Mix (Unaudited)

	2000	1999	1998
Staff Categories:			
Nurses	**7 974**	8 088	8 095
Medical Staff	**1 423**	1 395	1 362
Scientific and Technical	**1 199**	1 260	1 291
Administrative and Clerical	**3 516**	3 893	4 310
Allied Health, Hotel, and other staff	**7 481**	7 259	7 319
Total Staff	**21 593**	21 895	22 377
Increase (Decrease)	**(302)**	(482)	587
Percentage Increase (Decrease)	**(1.40)**	(2.15)	2.69

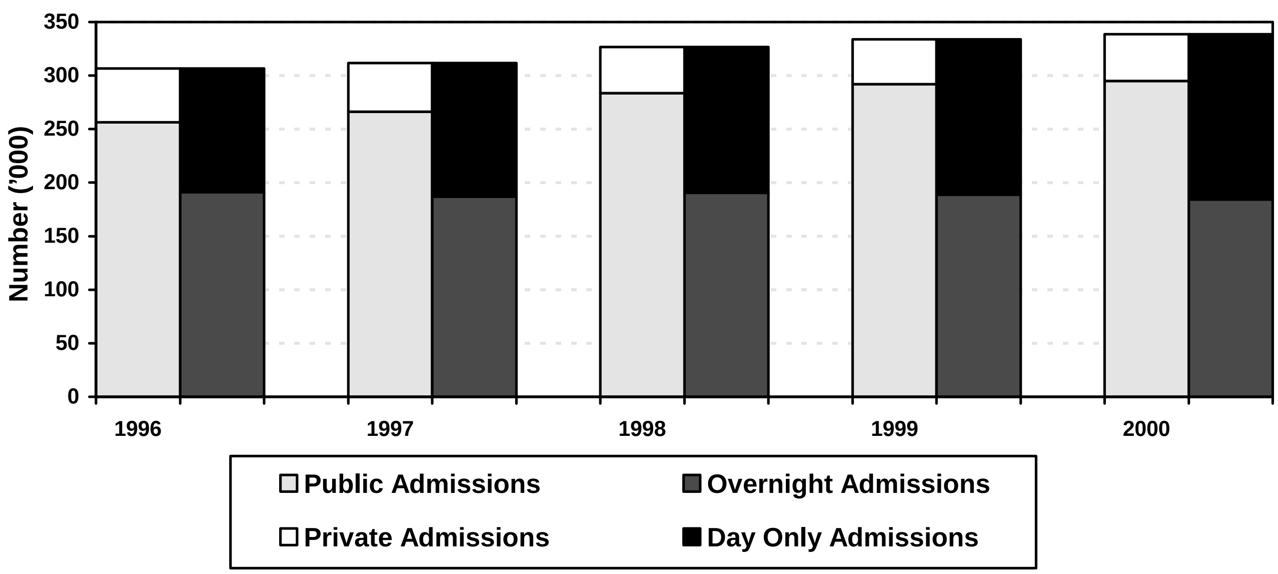
Hospital Activity Statistics

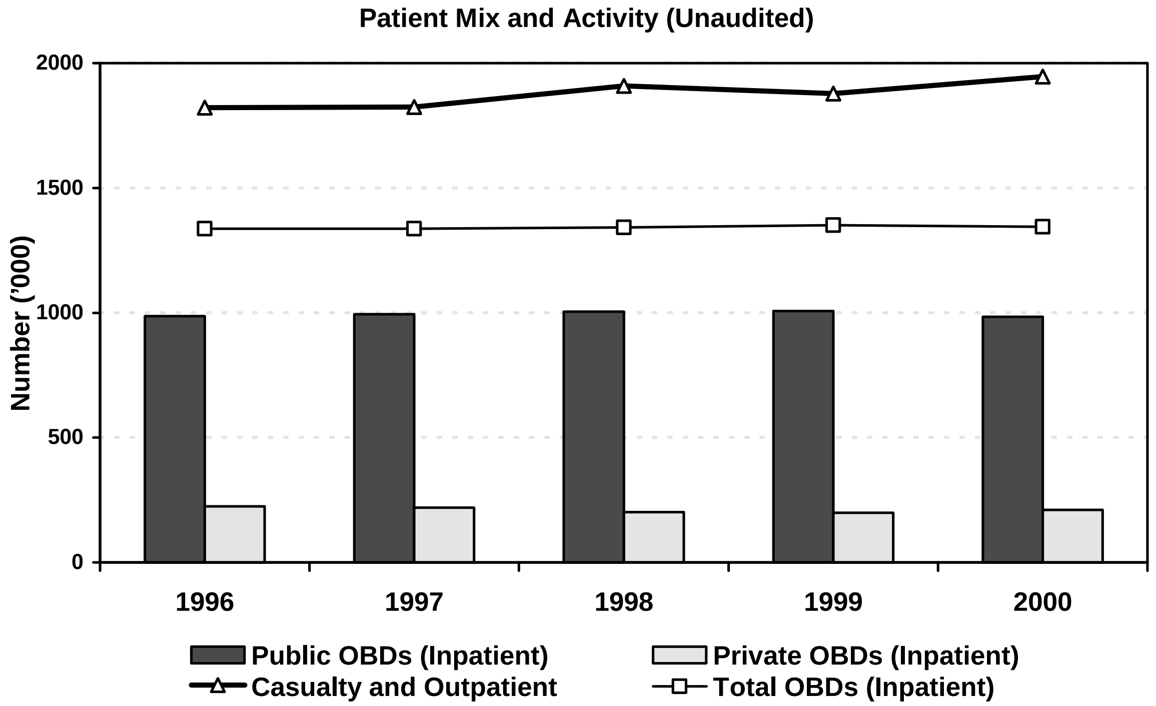
The charts below indicate the trends over the past five years in respect of patient admissions, the change in the patient mix, length of hospital stay, and bed utilisation at hospitals.

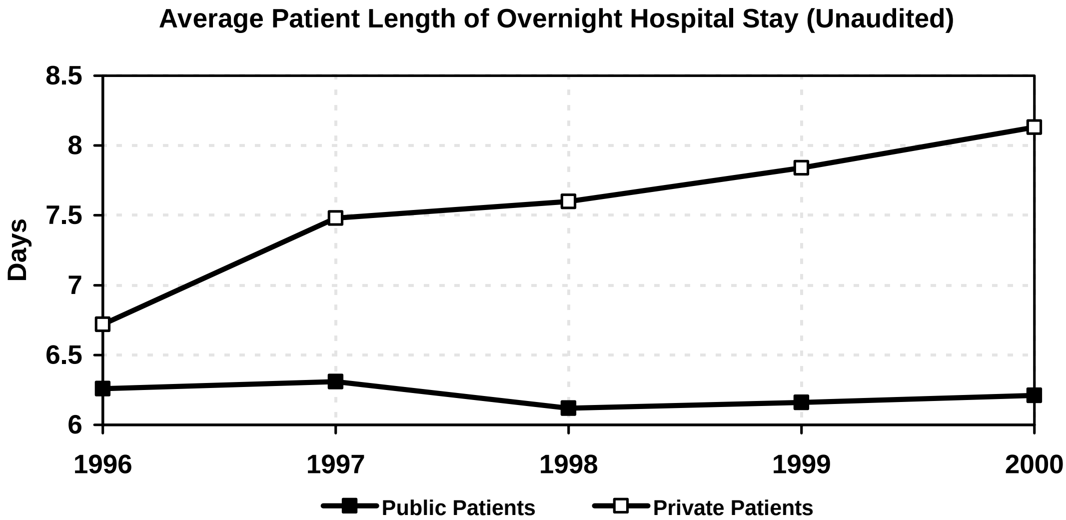
The charts illustrate:

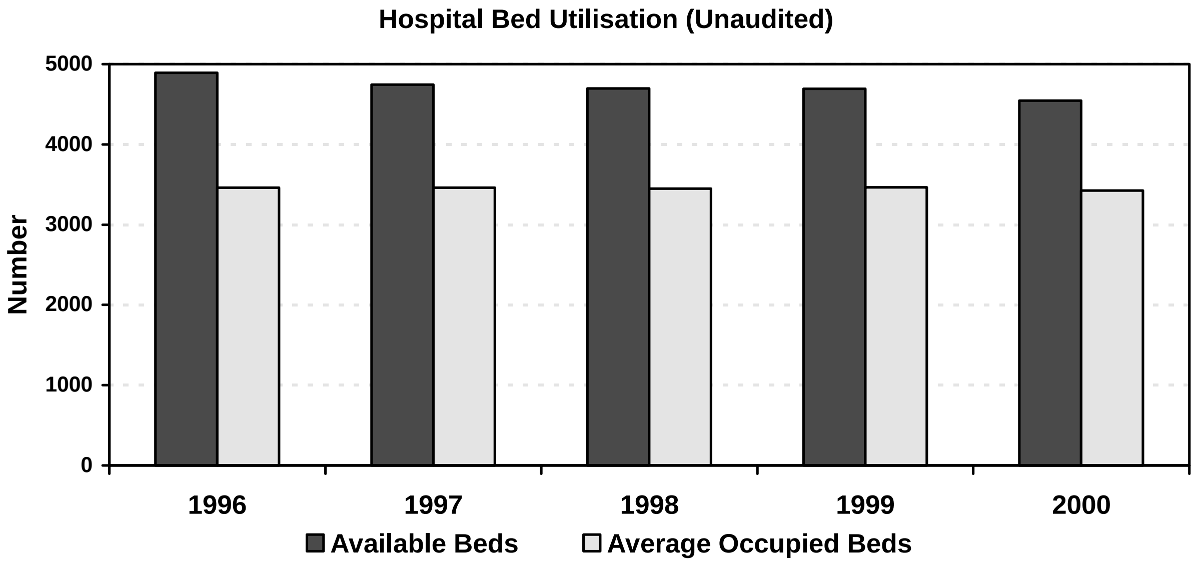
- an increased number of attendances at hospitals;
- a small increase in both public and private admissions;
- a marginal decrease in Average Occupied Bed Days reflecting a small reduction in Public Occupied Bed Days partly offset by a small increase in Private Occupied Bed Days.

Patient Admissions (Unaudited)




Patient Mix and Activity (Unaudited)
Number ('000)
2000
1500
1000
500
0
1996
1997
1998
1999
2000
Public OBDs (Inpatient)
Private OBDs (Inpatient)
Casualty and Outpatient
Total OBDs (Inpatient)


Average Patient Length of Overnight Hospital Stay (Unaudited)
Days
8.5
8
7.5
7
6.5
6
1996
1997
1998
1999
2000
Public Patients
Private Patients


Hospital Bed Utilisation (Unaudited)
Number
5000
4000
3000
2000
1000
0
1996
1997
1998
1999
2000
Available Beds
Average Occupied Beds

UNAUDITED HEALTH SERVICE FINANCIAL ACTIVITY

The following tables principally reflect operating payments and receipts information associated with various areas of Health Service activity. As the information, which is unaudited, has been provided by the Commission for inclusion in this Report is presented on a cash basis of reporting it is not reconcilable to data included in the audited financial statements of the South Australian Health Commission presented earlier in this section of the Report. The Commission's financial statements present data on an accrual basis of reporting.

METROPOLITAN HOSPITALS - UNAUDITED

The following table shows the operating payments and receipts for the six larger hospitals and other metropolitan hospitals in South Australia.

	2000								
	Flinders $'000	**Royal Adelaide $'000**	**North Western Adelaide Health Service $'000**	**Women's and Children's $'000**	**Modbury $'000**	**Repat-riation General Hospital $'000**	**Other Hospitals $'000**	**Total 2000 $'000**	Total 1999 $'000
PAYMENTS:									
Salaries and Wages:									
Non-Medical:									
Nursing	**41 919**	**78 410**	**65 623**	**35 474**	**-**	**20 230**	**13 951**	**255 607**	249 773
Other	**39 361**	**58 156**	**46 202**	**31 666**	**598**	**17 709**	**8 098**	**201 790**	196 726
Medical and visiting medical	**27 311**	**39 889**	**37 400**	**18 285**	**72**	**10 533**	**3 874**	**137 364**	128 435
Workers compensation	**2 281**	**5 130**	**3 557**	**714**	**36**	**1 320**	**277**	**13 315**	3 857
Superannuation and terminal leave	**10 211**	**15 960**	**12 995**	**8 220**	**115**	**5 447**	**2 092**	**55 040**	52 637
Other employee related	**-**	**-**	**-**	**-**	**82**	**-**	**(26)**	**56**	-
Total	**121 083**	**197 545**	**165 777**	**94 359**	**903**	**55 239**	**28 266**	**663 172**	631 428
Goods and Services:									
Fee for service	**4 579**	**261**	**1 635**	**9**	**-**	**-**	**3 011**	**9495**	8 631
Food supplies	**177**	**2 551**	**2 692**	**644**	**2**	**907**	**467**	**7 440**	7 738
Drug supplies	**9 126**	**20 653**	**13 648**	**4 233**	**231**	**2 934**	**1 257**	**52 082**	48 185
Medical and surgical supplies	**9 326**	**21 015**	**15 469**	**7 063**	**-**	**4 947**	**1 422**	**59 242**	64 259
Pathology charges	**100**	**8 506**	**7 652**	**86**	**-**	**65**	**386**	**16 795**	17 850
Fuel, light and power	**1 497**	**3 030**	**2 173**	**1 567**	**114**	**686**	**191**	**9 258**	9 062
Domestic charges	**1 822**	**4 045**	**3 834**	**1 431**	**25**	**1 095**	**428**	**12 680**	12 488
Additional & replacement equipment	**1 710**	**1 368**	**818**	**53**	**9**	**112**	**216**	**4 286**	4 298
Repairs and minor works	**1 468**	**12 819**	**5 762**	**3 385**	**163**	**2 554**	**488**	**26 639**	26 854
Grants	**-**	**4**	**223**	**1 214**	**10**	**240**	**240**	**1 931**	3 938
Other	**14 237**	**18 729**	**20 731**	**12 863**	**47 554**	**4 094**	**3 751**	**121 959**	102 081
Total	**44 042**	**92 281**	**74 637**	**32 548**	**48 108**	**17 634**	**11 857**	**321 807**	305 384
Total Payments	**165 125**	**290 526**	**240 414**	**126 907**	**49 011**	**72 873**	**40 123**	**984 979**	936 812
RECEIPTS:									
Patient fees	**4 058**	**10 213**	**4 622**	**4 540**	**651**	**992**	**3 343**	**28 418**	34 782
Other	**229**	**409**	**2 017**	**188**	**1 802**	**1 073**	**544**	**6 262**	7 782
Total Receipts	**4 287**	**10 622**	**6 639**	**4 728**	**2 453**	**2 065**	**3 887**	**34 680**	42 564
NET PAYMENTS	**160 838**	**279 904**	**233 775**	**122 179**	**46 558**	**70 808**	**36 236**	**950 299**	894 248

The increase in total payments is mainly attributable to increased 'Other expenditure' following allocation of costs associated with the Glenside Metal Health campus to the Royal Adelaide Hospital and increased 'Workers compensation' costs reflect changes to the accounting treatment of these costs.

COUNTRY HEALTH SERVICES - UNAUDITED

Health Services in the Country are provided through eight regional areas and a support service. The services provided in each geographical region include hospitals, Domiciliary Care, Community Health and other services.

	2000										
PAYMENTS:	**Hills Mallee & Southern $'000**	**Wakefield $'000**	**Mid North $'000**	**Riverland $'000**	**South East $'000**	**Eyre Peninsular $'000**	**Northern & Far Western $'000**	**Gawler HS $'000**	**Support Services $'000**	**Total $'000**	Total $'000
Salaries and Wages:											
Non-Medical:											
Nursing	**14 664**	**11 199**	**10 424**	**6 763**	**12 363**	**9 371**	**16 242**	**2 829**	**-**	**83 855**	76 411
Other	**11 687**	**8 861**	**7 964**	**5 943**	**9 146**	**6 737**	**12 823**	**2 076**	**-**	**65 237**	57 186
Medical and visiting medical	**37**	**50**	**23**	**68**	**390**	**105**	**368**	**170**	**-**	**1 211**	1 053
Workers compensation	**1 244**	**511**	**291**	**552**	**386**	**324**	**471**	**190**	**-**	**3 969**	1 056
Superannuation and terminal leave	**2 426**	**1 757**	**1 655**	**1 160**	**1 893**	**1 375**	**2 514**	**473**	**-**	**13 253**	12 088
Total	**30 058**	**22 378**	**20 357**	**14 486**	**24 178**	**17 912**	**32 418**	**5 738**	**-**	**167 525**	147 794
Goods and Services:											
Fee for service	**6 005**	**3 966**	**3 298**	**4 026**	**7 306**	**2 786**	**8 787**	**1 765**	**-**	**37 939**	34 217
Food supplies	**633**	**327**	**341**	**269**	**339**	**381**	**465**	**98**	**-**	**2 853**	2 694
Drug supplies	**618**	**606**	**682**	**446**	**876**	**417**	**1 037**	**195**	**-**	**4 877**	4 512
Medical and surgical supplies	**1 764**	**1 115**	**939**	**1 038**	**2 177**	**884**	**2 035**	**578**	**-**	**10 530**	9 605
Pathology charges	**337**	**184**	**160**	**130**	**343**	**182**	**741**	**124**	**-**	**2 201**	2 009
Fuel, light and power	**628**	**507**	**408**	**355**	**477**	**472**	**997**	**155**	**-**	**3999**	3 608
Domestic charges	**701**	**535**	**635**	**375**	**792**	**234**	**681**	**220**	**-**	**4 173**	3 962
Additional and replacement equipment	**606**	**1 807**	**76**	**942**	**228**	**608**	**914**	**492**	**-**	**5 673**	4 236
Repairs and minor works	**2 036**	**1 908**	**1 047**	**978**	**2 093**	**939**	**4 676**	**309**	**-**	**13 986**	12 543
Grants	**6**	**-**	**-**	**-**	**396**	**21**	**42**	**425**	**3 508**	**4 398**	2 386
Other	**5 302**	**3 136**	**2 164**	**1 724**	**4 985**	**2 263**	**4 482**	**170**	**-**	**24 226**	24 321
Total	**18 363**	**14 091**	**9 750**	**10 283**	**20 012**	**9 187**	**24 857**	**4 531**	**3 508**	**114 855**	104 183
Total Payments	**48 694**	**36 469**	**30 107**	**24 769**	**44 190**	**27 099**	**57 275**	**10 269**	**3 508**	**282 380**	251 977
RECEIPTS:											
Patient fees	**2 104**	**2 454**	**2 268**	**833**	**1 968**	**1 699**	**1 435**	**307**	**-**	**13 068**	12 454
Other	**60**	**588**	**60**	**633**	**78**	**725**	**317**	**10**	**-**	**2 471**	1 642
Total Receipts	**2 164**	**3 042**	**2 328**	**1 466**	**2 046**	**2 424**	**1 752**	**317**	**-**	**15 539**	14 096
NET PAYMENTS	**46 530**	**33 427**	**27 779**	**23 303**	**42 144**	**24 675**	**55 523**	**9 952**	**3 508**	**266 841**	237 881

HOSPITAL SUPPORT SERVICES - UNAUDITED

The following table provides a summary of operating payments and receipts in respect of certain organisations which provide support services to Health Units.

	2000				
PAYMENTS:	**Institute of Medical and Veterinary Science $'000**	**Red Cross Blood Transfusion $'000**	**Transport Services $'000**	**Total 2000 $'000**	Total 1999 $'000
Salaries and Wages:					
Non-Medical:					
Salaries, wages and related payments	**50 265**	**6 891**	**-**	**57 156**	50 653
Goods and services	**27 164**	**9 518**	**1 118**	**37 800**	31 209
Total Payments	**77 429**	**16 409**	**1 118**	**94 956**	81 862
RECEIPTS	**21 449**	**302**	**-**	**21 751**	22 996
NET PAYMENTS	**55 980**	**16 107**	**1 118**	**73 205**	58 866

Increased payments is largely due to payment of amounts due under Enterprise Bargaining outcomes at the Institute of Medical and Veterinary Science and costs associated with new testing and other procedures.

MENTAL HEALTH SERVICES - UNAUDITED

Services for Mental Health are mainly provided through the Mental Health Service, Child and Adolescent Mental Health Service (SAMHS) and Windana.

During the year certain Mental Health Service activities were further devolved from the Commission to various metropolitan hospitals. The table below records payments associated with those activities (principally Rural and Remote Services) that remained under the responsibility of the Commission.

The following table gives a summary of operating payments and receipts for the three programs.

	Mental Health Service $'000	**CAMHS $'000**	**Windana $'000**	**Total 2000 $'000**	Total 1999 $'000
Salaries and Wages:					
Non-Medical:					
Nursing	**1 900**	**1 114**	**-**	**3 014**	3 078
Other	**587**	**5 181**	**-**	**5 768**	4 957
Medical and visiting medical	**1 122**	**693**	**-**	**1 815**	1 896
Workers compensation	**32**	**11**	**-**	**42**	-
Superannuation and terminal leave	**333**	**774**	**-**	**1 107**	858
Total	**3 974**	**7 773**	**-**	**11 747**	10 789
Goods and Services:					
Food supplies	**58**	**19**	**-**	**77**	84
Drug supplies	**57**	**8**	**-**	**65**	58
Medical and surgical supplies	**1**	**33**	**-**	**34**	22
Pathology charges	**31**	**-**	**-**	**31**	44
Fuel, light and power	**-**	**54**	**-**	**54**	51
Domestic charges	**44**	**86**	**-**	**130**	124
Additional and replacement equipment	**6**	**67**	**-**	**73**	-
Repairs and minor works	**12**	**454**	**-**	**466**	375
Grants	**-**	**-**	**196**	**196**	192
Other	**1 039**	**1 617**	**-**	**2 656**	6 400
Total	**1 248**	**2 338**	**196**	**3 782**	7 350
Total Payments	**5 222**	**10 111**	**196**	**15 529**	18 139
RECEIPTS:					
Patient fees	**3 850**	**-**	**-**	**3 850**	3 805
Other	**88**	**-**	**-**	**88**	335
Total Receipts	**3 938**	**-**	**-**	**3 938**	4 140
NET PAYMENTS	**1 284**	**10 111**	**196**	**11 591**	13 999

DISABILITY SERVICES - UNAUDITED

Services for the disabled are provided through two programs comprising Disability Services and Guardianship.

Disability Services are principally provided by The Intellectual Disability Services Council, the Julia Farr Centre Minda Incorporated and Options Coordination.

The following table gives a summary of operating payments and receipts for the principal units and other services.

	IDSC	Julia Farr Centre	Options Coordin-ation	Other Services	Total 2000	1999
PAYMENTS:	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	$'000
Salaries and Wages:						
Non-Medical:						
Nursing	**546**	**10 638**	**-**	**20**	**11 204**	10 489
Other	**41 152**	**13 266**	**3 050**	**24 067**	**81 535**	78 027
Medical and visiting medical	**190**	**464**	**-**	**-**	**654**	705
Workers compensation	**1 102**	**453**	**115**	**1 079**	**2 749**	2 177
Superannuation and terminal leave	**3 626**	**1 932**	**254**	**1 794**	**7 606**	7 747
Total	**46 616**	**26 753**	**3 419**	**26 960**	**103 748**	99 145
Goods and Services:						
Fee for service	**-**	**190**	**-**	**-**	**190**	120
Food supplies	**1 110**	**652**	**-**	**2**	**1 764**	1 582
Drug supplies	**379**	**362**	**-**	**(1)**	**740**	660
Medical and surgical supplies	**427**	**650**	**4**	**(1)**	**1 080**	977
Pathology charges	**-**	**-**	**-**	**-**	**-**	-
Fuel, light and power	**419**	**571**	**-**	**5**	**995**	1 017
Domestic charges	**284**	**816**	**-**	**-**	**1 100**	1 060
Additional and replacement equipment	**19**	**318**	**-**	**1 217**	**1 554**	1 211
Repairs and minor works	**2 458**	**986**	**41**	**90**	**3 575**	3 276
Grants	**21 201**	**-**	**807**	**28 801**	**50 809**	51 066
Other	**9 311**	**1 433**	**8 813**	**1 170**	**20 727**	19 277
Total	**35 608**	**5 978**	**9 665**	**31 283**	**82 534**	80 246
Total Payments	**82 224**	**32 731**	**13 084**	**58 243**	**186 282**	179 391
RECEIPTS:						
Patient fees	**4 788**	**3 239**	**-**	**-**	**8 027**	8 491
Other	**341**	**3 787**	**-**	**10 669**	**14 797**	11 652
Total Receipts	**5 129**	**7 026**	**-**	**10 669**	**22 824**	20 143
NET PAYMENTS	**77 095**	**25 705**	**13 084**	**47 574**	**163 458**	159 248

COMMUNITY BASED SERVICES - UNAUDITED

Service comprise Community Health Services, Home Based Care Services, Hospice Services and the Spectacles Scheme.

Community Health Services: Comprise health centres throughout the metropolitan area, including SA Dental Service and grant payment to community services.

Home Based Care Service: Comprises the Royal District Nursing Society and metropolitan Domiciliary Care Services.

Hospice Services: Comprises Hospice Services not provided in recognised metropolitan hospitals, and the Chair in Palliative Care.

The following table provides a summary of operating payments and receipts for the subprograms.

	Community Health $'000	**Home Based Care $'000**	**Hospice $'000**	**Total 2000 $'000**	Total 1999 $'000
PAYMENTS:					
Salaries and Wages:					
Non-Medical:					
Nursing	**12 817**	**11 080**	**-**	**23 897**	23 550
Other	**42 405**	**19 838**	**-**	**62 244**	56 667
Medical and visiting medical	**2 481**	**746**	**-**	**3 227**	3 232
Workers compensation	**602**	**992**	**-**	**1 593**	359
Superannuation and terminal leave	**5 730**	**2 716**	**-**	**8 446**	8 158
Other employee related	**-**	**40**	**-**	**40**	-
Total	**64 035**	**35 412**	**-**	**99 447**	91 966
Goods and Services:					
Fee for service	**3 713**	**-**	**-**	**3 713**	2 921
Food supplies	**240**	**90**	**-**	**330**	308
Drug supplies	**789**	**7**	**-**	**796**	781
Medical and surgical supplies	**2 321**	**1 482**	**-**	**3 803**	3 283
Pathology charges	**25**	**-**	**-**	**25**	-
Fuel, light and power	**681**	**179**	**-**	**860**	815
Domestic charges	**825**	**241**	**-**	**1 066**	625
Additional and replacement equipment	**238**	**248**	**-**	**486**	449
Repairs and minor works	**3 324**	**3 037**	**-**	**6 361**	5 420
Grants	**7 902**	**15**	**1 612**	**9 529**	7 737
Other	**11 276**	**6 757**	**-**	**18 033**	19 239
Total	**31 334**	**12 056**	**1 612**	**45 002**	41 578
Total Payments	**95 369**	**47 468**	**1 612**	**144 449**	133 544
RECEIPTS:					
Patient fees	**1 267**	**109**	**-**	**1 376**	1 326
Other	**3 036**	**565**	**-**	**3 601**	2 664
Total Receipts	**4 303**	**674**	**-**	**4 977**	3 990
NET PAYMENTS	**90 771**	**32 865**	**1 612**	**139 472**	129 554

SOUTH AUSTRALIAN HOUSING TRUST

FUNCTIONAL RESPONSIBILITY

The Trust was established by the *South Australian Housing Trust Act 1936* to administer the Act. The Trust also administers the *Housing Improvement Act 1940.*

The *South Australian Housing Trust Act 1995* repealed the *South Australian Housing Act 1936* and amended the *Housing Improvement Act 1940*. It provides for the continuation of the Trust and for the Trust to continue to undertake, as the principal provider of public housing in the State, the following functions:

- The ownership of houses and units for tenant occupation.
- The construction and purchase of houses and other properties.
- The management of tenancy arrangements for Trust properties including the assessment of rents and provision of rebates, and the raising and receiving of rent and other monies from tenants.
- The management of costs associated with ownership of Trust properties including the maintenance of those properties.

In addition, the Trust administers a range of programs related to housing on behalf of the Government with respect to which the Trust receives direct capital and recurrent grant funding. The range of programs administered is detailed in Note 3 to the Trust's financial statements.

CHANGES TO THE TRUST'S ADMINISTRATIVE ARRANGEMENTS

Transfer of Activities to the Aboriginal Housing Authority

Responsibility for the State's Aboriginal Housing programs was transferred from the Trust to the South Australian Aboriginal Housing Authority in February 2000. The transfer involved reassignment of Department of Human Services staff from the Trust to the Authority and the transfer of rental housing and other properties and related assets, rights and liabilities to the Authority from the Trust. Note 30 to the Trust's financial statements provides further explanation.

The Authority has continued to use Trust systems in support of its operations and customer services are provided jointly in some country locations.

Housing Reform

The Trust has implemented a number of measures in the year to 30 June 2000 which are part of a national initiative to achieve a consistent approach to provision of public housing.

Changes to Eligibility Policy

Prior to the reform initiative an applicant required an independent income and could not own a home to be eligible for a Trust home. Subject to phasing in arrangements the revised eligibility policy require applicants to have income and assets below a set limit, unless they satisfy needs criteria. The needs criteria has three components: individual needs assessment; accommodation history assessment; and housing options assessment.

Waiting Lists

The Trust revised its waiting list arrangements in March 2000 to provide for additional needs related categories which is intended to assist in ensuring priority is given to applicants with greatest needs.

Tenancy Changes

The Trust's conditions of tenancy were changed for new tenants. The revised conditions provide for annual review of tenant's income. Where a tenant's income exceeds specified amounts for three consecutive years the Trust will offer the tenant home ownership options. Tenants may chose to continue renting their Trust home but their rent will be adjusted to reflect a market rent plus a premium of 2-3 percent. The first income review is planned for September 2000.

Rent Relief Program

In May 2000 the Rent Relief scheme operated by the Trust was closed to new applicants. The program provided eligible people who rent private accommodation with assistance to pay their rent. The decision to close the program to new applicants was taken by the Department of Human Services as part of the Portfolio Budget formulation and reflected consideration of the support provided by the Commonwealth to private renters through the Commonwealth Rent Assistance program.

SIGNIFICANT FEATURES

- The Trust's Operating Deficit after Tax was $145.3 million (Operating Surplus $2.0 million). The change reflects the 'Net Expense from Restructuring' referred to below.

- The Trust received recurrent grant funding of $73.8 million ($76.9 million) excluding the Tax Equivalent reimbursement ($53.1 million) and capital grants of $2.2 million a reduction of $4.9 million over the previous year. No grants were received during the year for debt retirement.

- The net expense recorded by the Trust arising from the transfer from the Trust of assets, rights and liabilities to the South Australian Aboriginal Housing Authority was $131.1 million. That amount is shown as 'Net Expense from Restructuring' in the Operating Statement.

AUDIT MANDATE AND COVERAGE

Audit Authority

The *South Australian Housing Trust Act 1995*, subsection 27(2), requires the Trust to keep proper accounting records, and to produce financial statements, in respect of each financial year. Subsection 27(4) of the Act requires the Auditor-General to audit the accounts and financial statements.

The Auditor-General is not the auditor of the Trust's joint ventures but has obtained sufficient information and explanations to rely upon the work of the external auditors as appointed by the joint ventures in accordance with joint venture agreements. Where audited joint venture accounts were not finalised at the time of completing the Trust's financial statements, joint venture management accounts have been relied on, in conjunction with enquiries to the joint venture external auditor.

Scope of Audit

The audit program covered all major financial systems and was directed primarily towards obtaining sufficient evidence to enable audit opinions to be formed with respect to the Trust's financial statements and internal controls.

During 1999-2000 specific areas of audit attention included:

- rent raising and recovery
- house sales
- accounts receivable
- maintenance expenditure
- capital expenditure
- systems reconciliation
- accounting for joint ventures.

Systems operations and activities undertaken by the Department of Human Services on behalf of the Trust, including Accounts Payable and Payroll processing, were also reviewed during the year.

Reliance was placed on the work of internal audit in assessing the effectiveness of the Trust's internal controls. Specific areas in which reliance was placed on internal audit work included the activities undertaken at Regional Offices.

Audit Communications to Management

During the year several letters communicating issues arising from the audit were forwarded to the Trust and satisfactory responses were received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Financial Management Framework

The Trust is required by the Treasurer's Instructions to implement the Financial Management Framework. The review of controls in operation at the Trust indicate that the prescribed elements of the Financial Management Framework have received adequate attention by the Trust. The following provides an overview of key areas of the Trust's control environment relevant to the Financial Management Framework.

Risk Management

The Trust has established Risk Management programs which continued during the year. A Risk Management Committee comprising senior managers has direct responsibility for oversight of the Risk Management function. In July 1999 the Trust released Risk Management Guidelines which provide an overview of the Trust's risk management practice and provides a framework for identifying, evaluating, responding to and reporting upon risks.

During the year the Department of Human Services restructured its Risk Management arrangements and has foreshadowed the adoption of a portfolio wide approach to Risk Management. The portfolio Risk Management unit provide specialist support to Trust staff in implementing Risk Management arrangements in the Trust. Implementing consistent portfolio wide Risk Management practices is anticipated to require some change to the Trust's established practice to align Trust practices with those to be developed and implemented by the Department.

Audit Committee and Internal Audit

The Trust Board has established an Audit Committee comprising members of the Board and an external adviser. Trust executives, Internal Audit staff and representatives of the Auditor-General attend Audit Committee meetings. The Audit Committee meets on a regular basis to review progress in addressing the Trust's Internal Audit Program, the outcomes of specific reviews completed, action taken with respect to previous findings and other relevant matters which emerge.

Management of the Trust's Internal Audit function is undertaken by Department of Human Services staff under a Service Level Agreement between the Trust and the Department. Specific Internal Audit assignments are performed either by Departmental staff or by external contractors from a panel of approved service providers.

The Trust Board has initiated discussion regarding Audit Committee arrangements for provision of Internal Audit services with the Executives of the Department. Issues being addressed include the capacity of the Department, through its Internal Audit group, to provide the coverage sought by the Trust and particularly to address risks identified by the Trust's Risk Management processes.

The Trust has a program of Self Audits which provides for staff working in one Regional Office to review the work of another Regional Office. The Self Audit programs cover the core business activities of Public Housing, Private Rental programs and Maintenance. Internal Audit have reviewed the work performed as part of the Self-Audit program and have reported on the outcomes of these reviews to the Audit Committee.

Public Housing-Rent Rebates

The Rent Rebates provided by the Trust are a significant element in its program of providing housing assistance to those in housing need. The value of rebates for the year to 30 June 2000 was $116.7 million of which $43.3 million is provided to the Trust as grant funds and the balance represents foregone revenue to the Trust.

The Trust has established policies and procedures which define a tenant's entitlement to and the amount of a rebate. Key determinants are the tenant's household income and the household composition. The process of assessing a tenant's entitlement to a rent rebate involves the tenant providing relevant information to the Trust.

The challenge being addressed by the Trust is verifying information provided by tenants including income and household composition and in obtaining assurance that any change in a tenant's circumstances are advised to the Trust. It is acknowledged that the Trust faces some difficulty in detecting undisclosed income or false details of household composition.

In recent years this report has identified initiatives which address this matter and has reported on action by the Trust to implement the initiatives. The following updated information is provided.

Obtaining Proof of Income

Audit have previously recommended that the Trust obtain periodic proof of household income. The Trust has implemented arrangements to obtain proof of income from all tenants on a regular basis. This process continued in the 1999-2000 year and the Trust estimates that additional rent income of $4.3 million was raised as a result of income verification during the year.

Home Visits

In 1998-99 the Trust implemented a program of visits to Trust tenants by its officers which will provide for all tenants to be visited every two years. The program is intended to improve communications between the Trust and its tenants and provides an opportunity for the Trust, amongst other things, to verify information relevant to assessing entitlement to rent rebate.

The Trust will complete its first cycle of Home Visits during the 2000-01 year and has scheduled a review of the Home Visits program.

Prosecution of Fraud

Audit have previously noted that the Trust's capacity to deter fraud by tenants or the recipients of other benefits would be enhanced by the Trust demonstrating a preparedness and capacity to prosecute instances of fraud. To date the Trust has relied on other agencies to prosecute identified fraud by tenants or benefit recipients and has not had the legal capacity to prosecute itself.

The Trust has reviewed its legal powers and is considering options which would allow it to prosecute instances of provision of false information by tenants or other benefit recipients. It is anticipated legislative changes will be required to give effect to these initiatives.

Provision of Information by Commonwealth Agencies

A high proportion of Trust tenants and other benefit recipients receive benefits from a Commonwealth agency Centrelink. As part of Trust processes for verifying these tenants' incomes, and hence their entitlement to rebated rent, the Trust obtains details of the tenants income from Centrelink. Existing processes require provision of documented proof of income by the Centrelink to the tenant who then provide that documentation to the Trust.

The Trust, Centrelink and other State Housing Authorities have identified the benefit of automating the exchange of information regarding tenants income between the Commonwealth and Housing Authorities. Audit understands that there has been ongoing discussion between officers of the State Housing Authorities and Centrelink and functional requirements have been prepared for an income details transfer scheme. Notwithstanding this progress there is no firm commitment or plan for development of the system.

Comments on this matter in previous Reports have noted that the Trust is dependent on the cooperation and assistance of the Commonwealth.

Review of Capital Projects

The audit of the Trust incorporated a review of arrangements for control over and accounting for Capital Projects undertaken by the Trust. The projects include urban renewal initiatives that have been undertaken in conjunction with private sector parties in a range of structures.

A matter arising from the review related to a difference of view between Audit and the Trust regarding the absence of Cabinet approval for one of the projects reviewed. The Treasurer's Instructions provide direction in this regard and the Trust has undertaken to obtain clarification of the requirements of the Treasurer's Instructions from the Department of Treasury and Finance.

The review of capital payments by the Trust identified instances of cheque drawings with respect to construction contracts (which were drawn but not remitted to contractors) before they were due in accordance with relevant contracts. The Trust has reinforced to relevant staff that cheque drawing should only be initiated when payment is due in accordance with contracts.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Housing Trust included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the South Australian Housing Trust in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

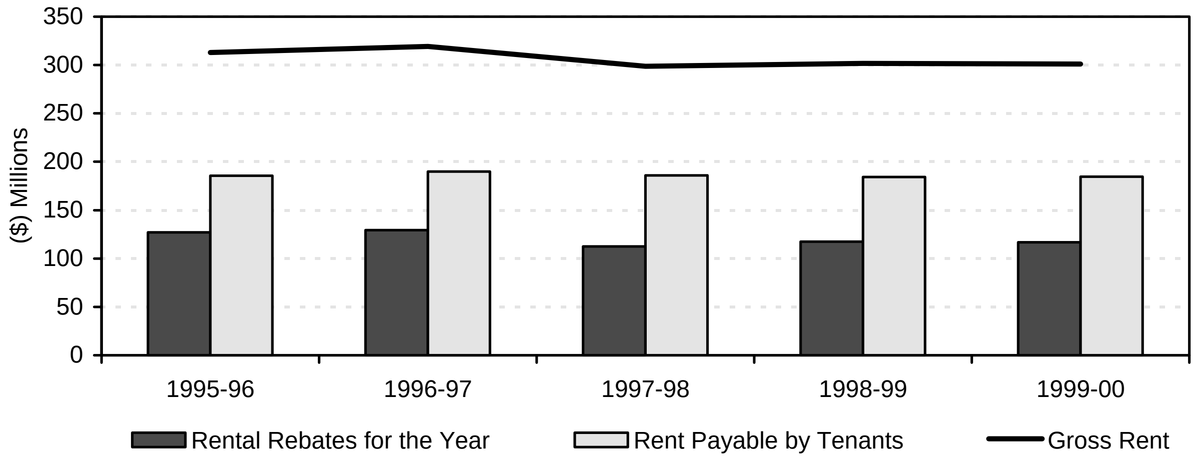
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Rental Operations

The Trust has continued to experience a high level of demand for its rental accommodation as it received 9967 (13 992) applications for tenancies and was able to house 3793 (4884) new tenants during the year. The level of applications received, and new tenants housed, compares to the level of housing stock which was 53 310 (56 763) at 30 June 2000.

The trend identified in previous years, for a higher proportion of Trust tenants to be eligible for reduced rent due to low income continued and, at 30 June 2000, 41 998 (44 369) tenants or 84 percent (82.9 percent) of all tenants were eligible for rent rebates. The following graph highlights the impact of reducing trust housing stocks on gross rents.

Trust Rental Income



Salaries and Related Payments

The number of Department of Human Services employees assigned to the Trust at 30 June 2000, expressed as full time equivalents was 594 which compares to 622 staff as at 30 June 2000.

Grant Funded Programs

The Trust's recurrent expenditure with respect to grant-funded programs was $30.3 million ($31.6 million) reflecting direct expenditure on the programs of $18.8 million ($19.4 million) and administration costs of $11.5 million ($12.3 million).

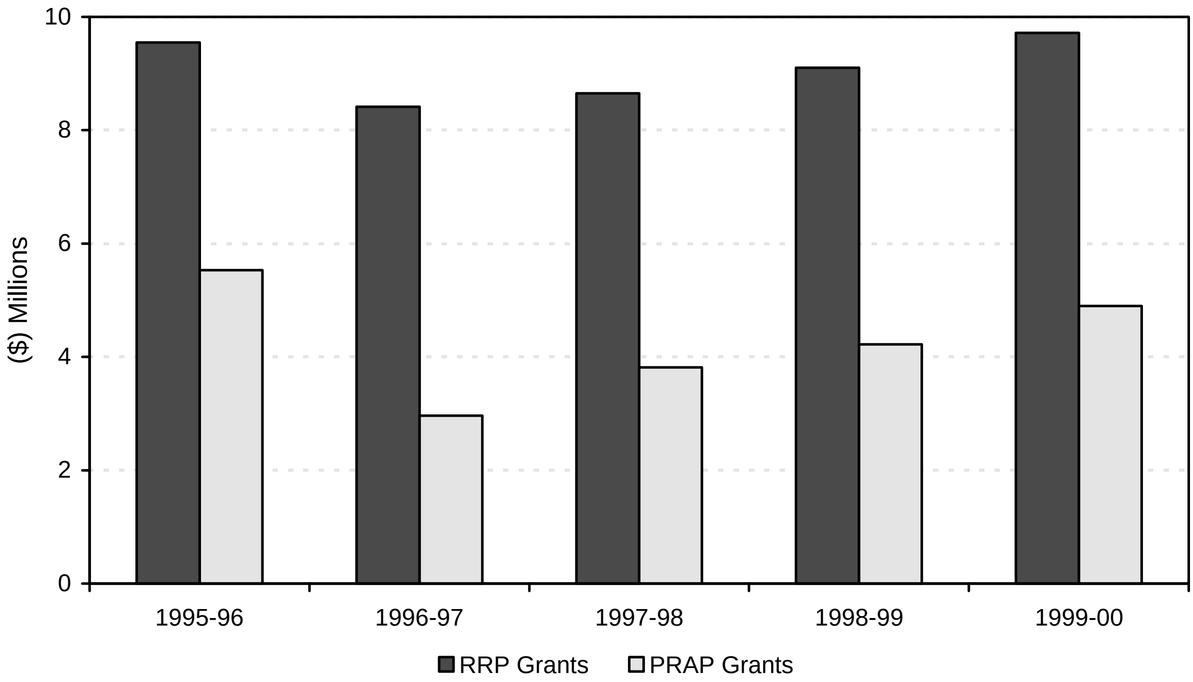
The overall reduction in the Trust's expenditure on grant funded programs was principally due to the reduction in expenditure on the Rural and Remote Housing program following the transfer of this program to the Aboriginal Housing Authority offset by increases in other programs and particularly the Private Tenant Support programs.

The Private Tenant Support Programs include a bond guarantee scheme which provides for the Trust to guarantee payments to landlords in the event of a claim against a bond. The Trust's contingent liability with respect to Bond Guarantees increased by $1 million to $9.3 million as at 30 June 2000.

Private Tenant Support Programs

The two programs with respect to which the Trust incurs the largest expenditure are the Private Rental Assistance Program (PRAP) and the Rent Relief Program (RRP) which both provide support to tenants who are not placed in Trust accommodation. The following graph shows the changing level of grant funded spending.

PRAP and RRP Grants



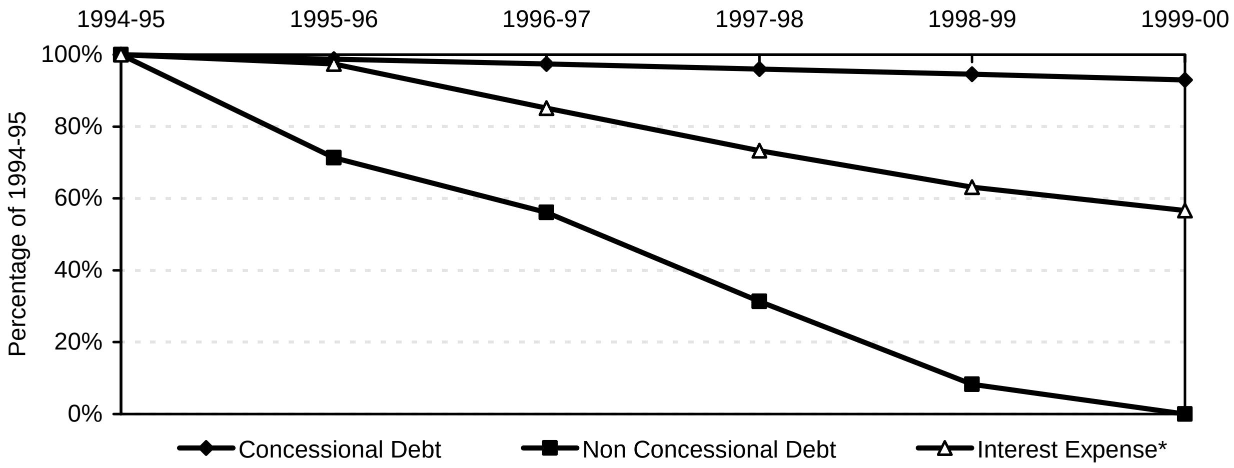
The RRP provides assistance to tenants in private rental accommodation, who are experiencing financial difficulty, by payment, to tenants, of amounts up to $25 per week. The number of recipients of assistance for the year to 30 June 2000 was 19 881 (21 511), a reduction of 7.8 percent from the previous year.

The PRAP assists people to establish themselves in privately owned rental accommodation by providing a counselling service to help locate suitable accommodation; financial assistance to tenants with respect to security bonds and rent in advance; and short term emergency accommodation in Trust houses.

Indebtedness

The Trust, in recent years, has sought to reduce its debt funding with an emphasis on repayment of debt which was not advanced at concessional rates. In 1999-2000 the Trust repaid the last of its non concessional debt. The following graph demonstrates the ongoing reduction in Trust indebtedness over the past five years, the significant level of concessional loans received by the Trust in the past, and the impact of reduced indebtedness upon the Trust's interest expense. The base year for calculation of the percentage trend is 1994-95.

Indebtedness and Interest Expense of the Trust Since 1994-95



*includes Treasurer's Guarantee Fee

Depreciation Policy

The basis of determining the Depreciation Expense for Trust rental properties was the subject of comment in 1998-99. It was observed that the Trust calculates depreciation expense on these assets as a fixed percentage of the current value of each property which is a method adopted by the State Housing Authorities for most states of Australia. Further, it was observed that this method was not consistent with the requirements of relevant accounting standards and did not reflect the diverse nature of relevant Trust assets.

The Trust undertook procedures to validate the method of determining Depreciation Expense by applying a method which was consistent with the requirements of relevant accounting standards to a representative sample of Trust properties. This review supported a conclusion that the method used by the Trust resulted in a materially reliable balance of Depreciation Expense.

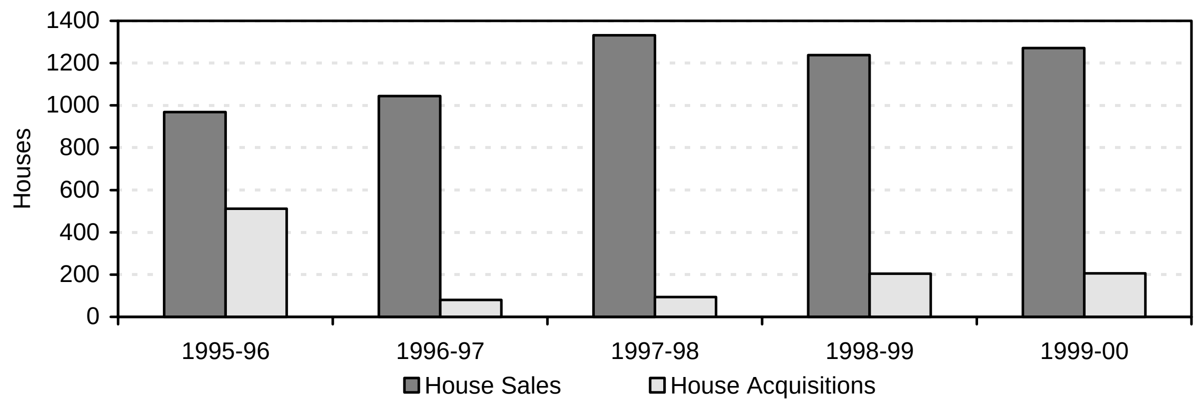
Note 2 to the financial statements specifically refers to the determination of Depreciation Expense.

Asset Management

The Trust has identified the strategic need to reduce the overall number of dwellings held for public rental housing and has established annual targets for house sales. The following graph depicts the level of house sales, and the offsetting acquisitions of houses, over the past five years to demonstrate the net impact of house sales on the level of Trust housing stock. Stock reductions through sales have been supplemented by transferring assets to other State Housing agencies.

As a consequence of adopting this strategy the Trust's housing stocks have fallen from 62 322 dwellings at 30 June 1994 to 53 310 dwellings at 30 June 2000.

The level of sales in the past and in the current year have been significantly influenced by specific developments. In 1995 the Trust sold 333 houses to the Defence Housing Authority. In the current year the Trust sold 210 (148) houses to the Community Housing Authority and transferred 1790 properties to the Aboriginal Housing Authority.



Operating Statement for the year ended 30 June 2000

	Note	2000 $'000	1999 $'000
OPERATING REVENUES:			
Rent		**184 607**	185 543
Interest	4	**2 392**	3 361
Recoveries	5	**10 326**	10 337
Sundry		**3 167**	3 456
Total Operating Revenues		**200 492**	202 697
REVENUES FROM GOVERNMENT:			
Recurrent grants:	13		
Grant programs		**24 860**	25 906
Rebate subsidy grant		**43 249**	45 000
Tax equivalent reimbursement	2(m)	**53 100**	56 076
Debt retirement		**-**	24 176
Other grants		**4 196**	337
Capital grants	13	**2 166**	7 094
Appropriation	13	**1 526**	5 682
Total Revenues from Government		**129 097**	164 271
Total Revenues		**329 589**	366 968
OPERATING EXPENSES:			
Staffing costs	6, 28	**30 894**	31 688
Finance charges	7	**48 565**	53 450
Maintenance		**63 015**	60 976
Council rates and water charges		**45 168**	45 951
Land Tax Equivalent	2(m)	**51 887**	53 223
Depreciation	8	**37 309**	39 124
Business Services fees		**15 013**	12 949
Rent	9	**4 027**	4 299
Insurance		**3 483**	2 706
Bad and doubtful debts	10	**7 210**	5 845
Grants	13	**18 796**	19 381
Other	11	**13 840**	20 547
Total Operating Expenses		**339 207**	350 139
Operating Surplus (Deficit) before restructuring and asset disposal		**(9 618)**	16 829
Net Expense from disposal of Non-Current Assets	12	**(4 583)**	(13 352)
Net Expense from Restructuring	30	**(131 074)**	-
OPERATING (DEFICIT) SURPLUS BEFORE INCOME TAX		**(145 275)**	3 477
Income Tax Equivalent	2(m)	**-**	1 391
OPERATING (DEFICIT) SURPLUS AFTER INCOME TAX		**(145 275)**	2 086
RETAINED SURPLUS AT 1 JULY		**841 598**	787 863
Aggregate of amounts transferred from reserves	22	**69 602**	51 649
RETAINED SURPLUS AT 30 JUNE		**765 925**	841 598

Statement of Financial Position as at 30 June 2000

	Note	2000 $'000	1999 $'000
CURRENT ASSETS:			
Cash	26(a)	**24 209**	35 068
Receivables	14	**20 709**	29 696
Inventories	15	**46 088**	32 677
Other	16	**415**	460
Total Current Assets		**91 421**	97 901
NON-CURRENT ASSETS:			
Receivables	14	**1 578**	2 034
Inventories	15	**2 546**	2 833
Property, plant and equipment	17	**3 017 135**	3 223 737
Total Non-Current Assets		**3 021 259**	3 228 604
Total Assets		**3 112 680**	3 326 505
CURRENT LIABILITIES:			
Payables	18	**14 718**	26 144
Borrowings	19	**15 092**	14 434
Employee entitlements	20	**1 761**	1 762
Other	21	**12 123**	9 888
Total Current Liabilities		**43 694**	52 228
NON-CURRENT LIABILITIES:			
Payables	18	**855**	825
Borrowings	19	**846 801**	887 065
Employee entitlements	20	**21 680**	21 696
Other	21	**4 389**	4 703
Total Non-Current Liabilities		**873 725**	914 289
Total Liabilities		**917 419**	966 517
NET ASSETS		**2 195 261**	2 359 988
EQUITY:			
Accumulated surplus		**765 925**	841 598
Asset revaluation reserve	22	**1 429 336**	1 518 390
TOTAL EQUITY		**2 195 261**	2 359 988
Commitments and Contingencies	24, 25		

Statement of Cash Flows for the year ended 30 June 2000

	Note	2000 Inflows (Outflows) $'000	1999 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**195 891**	190 144
Payments to suppliers and employees		**(202 274)**	(185 412)
Interest received		**2 414**	3 697
Income tax equivalents paid		**543**	(6 316)
Finance charges paid		**(48 743)**	(54 011)
Land tax equivalents paid		**(51 887)**	(53 223)
Cash flows from Government:			
State Government		**84 917**	115 778
Commonwealth Government		**46 652**	45 234
Net Cash provided by Operating Activities	26(b)	**27 513**	55 891
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		**(74 094)**	(61 390)
Proceeds from sale of property, plant and equipment		**75 346**	73 511
Net proceeds from investment mortgage loans		**(18)**	458
Net Cash provided by Investing Activities		**1 234**	12 579
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		**(39 606)**	(84 111)
Net Cash used in Financing Activities		**(39 606)**	(84 111)
NET DECREASE IN CASH HELD		**(10 859)**	(15 641)
CASH AT 1 JULY		**35 068**	50 709
CASH AT 30 JUNE	26(a)	**24 209**	35 068

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The South Australian Housing Trust is the State's public housing authority. The Trust's objectives are to promote successful tenancies and sustainable communities in an integrated service environment. The Trust's principal revenue sources are receipts from customers, grants from the Commonwealth and State Governments, and the proceeds from the sale of assets.

2. Summary of Significant Accounting Policies

The significant policies which have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation of the Financial Statements

The financial statements are a general purpose financial report which have been drawn up in accordance with the requirements of the Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views, the Treasurer's Instructions, applicable Accounting Policy Statements and the *Public Finance and Audit Act 1987*. The Statements have been prepared on an accrual basis of accounting and are in accordance with the historic cost convention except for certain assets which have been revalued. The accounting policies have been consistently applied by the Trust and, except where stated are consistent with those applied in the previous year.

(b) Revenue Recognition

Rental Income

Rent payable in respect of each property is recognised as revenue and charged to tenants weekly in advance.

The Trust calculates a market rent for each property, structured on the basis of regional rental markets. This represents the potential rental income derivable from the rental stock. The Trust's policy is that no tenant will be required to pay more than 25 percent of their household assessable income in rent, with the majority of tenants paying 23 percent or less. The difference between the assessed rent for the property and the market rent is recognised as a rental rebate subsidy provided to tenants.

Disposal of Non-Current Assets

The proceeds of real property assets sales are included as revenue of the Trust when settlements are completed. Refer to Note 12 for further details.

Recoveries

Recoveries for costs on-charged by the Trust are included in revenue.

Grants

Grants received for all purposes have been included as revenue.

(c) Property, Plant and Equipment

Interest is capitalised to capital works in progress costs where specific project funding has been acquired. As at 30 June 2000 the Trust has no borrowings tied to such projects.

Capital Work in Progress included in property, plant and equipment reflects developments that will be utilised in the Trust's operations. The carrying amounts for capital work in progress have been projected to completion and compared with an independent valuation. Any over capitalisation identified has been provided for as a loss on capital work in progress and expensed in the current year. The carrying amount for capital work in progress includes charges for administrative expenses and a revaluation increment or decrement where the property has previously been revalued.

(c) Property, Plant and Equipment (continued)

The Trust has a policy that all land and buildings are to be revalued annually. In prior years the revaluation was carried out at each respective 30 June, however for this year the revaluation has been deferred until 31 October 2000 and will continue to be conducted annually at 31 October thereafter. This policy complies with the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'. In accordance with this changed policy the carrying amount of *(i) Rental Properties*, *(ii) Administrative Properties* and *(iii) Vacant Land* reflect the values that were brought to account for the period ended 30 June 1999. The following summarises the valuation procedures used in that revaluation:

(i) Rental Properties

All land and buildings within the sub category Houses and Flats have been revalued to reflect the Valuer-General's values (for rating purposes) as at 30 June 1998.

(ii) Administrative Properties

All land and buildings within the category Administrative Properties have been revalued to reflect independent valuations at 30 June 1999 from Jones Lang LaSalle Advisory, an independent licensed valuer, and the Valuer-General's values (for rating purposes) as at 30 June 1999.

(iii) Vacant Land

All Vacant Land, which is held for future development and Trust use, has been revalued to reflect the Valuer-General's values (for rating purposes) as at 30 June 1998.

(d) Inventories

At 30 June 2000 the carrying amount of real property inventories other than those subject to development as capital work in progress have been compared with an independent valuation and where the carrying amount exceeded the independent valuation, the carrying amount has been reduced to reflect the independent valuation.

The independent valuations for real property inventories reflect:

- For Vacant land, the Valuer-General's values (for rating purposes) as at 30 June 1999.
- For Houses and Developed Land, the values as per current sale prices.

The Capital Work in Progress included in inventories reflects developments intended for sale and has been written down to the net present value of the projected cash flows to the Trust. The write down has been adjusted, first against the available Asset Revaluation Reserve, with the excess being expensed.

Inventories of Stores are carried at cost.

(e) Depreciation and Amortisation

Property, plant and equipment are depreciated or amortised from the date of acquisition or in respect of internally developed assets, from the time an asset is completed and held ready for use.

The Trust's property, plant and equipment other than rental dwellings are depreciated over their estimated useful life using the straight line basis.

Rental dwellings are depreciated using a basis and rate of depreciation which is consistent with the national accounting policy framework for State Housing Authorities to ensure consistency and comparability between these Authorities. An estimated useful life of fifty years is assumed for the rental dwelling buildings and depreciation expense is calculated at a rate of 2 percent per annum on the opening revalued amount for each property.

The method of calculating depreciation expense is considered appropriate because estimations of useful life and realisable value at the end of the useful life are inherently uncertain. This reflects the long lives of rental housing assets and the impact of demographic and socio-economic factors on both the useful lives and residual values of assets.

During the year the Trust verified the appropriateness of the method of depreciation and the rates used. The remaining useful lives and residual values were estimated for a sample of Trust rental properties and the resultant depreciation expense was calculated using a straight line method. This review indicated the depreciation expense determined by the Trust was materially correct.

The estimated useful life for Administrative properties ranged from 18 to 75 years, and plant and equipment ranged from 3 to 10 years.

(f) Leased Plant and Equipment

Leases of plant and equipment under which the Trust assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

As at 30 June 2000 the Trust has no finance leases. Payments made under operating leases are expensed over the lease term.

(g) Joint ventures

The Trust's share in the assets, liabilities and the net operating results of joint ventures are included under appropriate classifications in the Trust's Statement of Financial Position and Operating Statement and are detailed in Note 23.

(h) Employee Entitlements, as Staffing Costs

The staff of the Trust are employees of the Department of Human Services who are assigned to the Trust. The accruing entitlement of Departmental employees assigned to the Trust has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department.

(h) Employee Entitlements, as Staffing Costs (continued)

In determining the outstanding payable to the Department, the Trust provides for long service leave in accordance with the short hand method of determination using the benchmark number of years (eight) recommended by the Department of Treasury and Finance. The amounts expected to be paid to employees for their pro rata entitlement to long service and annual leave are accrued at current pay rates.

Accruing employee entitlements to long service and annual leave were charged to the Operating Statement as they were incurred.

(i) Superannuation

(i) Since 1 July 1995 the Trust has paid to the State Superannuation Fund the incremental cost of its superannuation obligations as they were incurred.

(ii) Prior to 1 July 1995 the Trust made provision for its superannuation obligations in respect of contributors to the South Australian Superannuation Fund, in accordance with a formula recommended by the Public Actuary. The provision is indexed annually and subject to annual payment such that it will be extinguished by 30 June 2025.

(iii) The accruing entitlements of Departmental employees assigned to the Trust has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department of Treasury and Finance.

During the year the Trust has provided for employer superannuation contributions at the rate of 10 percent, on accruing employee entitlements to annual leave and on part of the provision for long service leave. Superannuation on costs are included for part only of the long service leave provision in recognition that it is estimated that 45 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions.

Further information is set out in Note 20.

(j) Insurance

The Trust is party to an agency agreement with South Australian Government Captive Insurance Corporation (SAICORP) in which the Treasurer indemnifies the Trust against damage suffered to the Trust's property or claims made against the Trust. The Trust pays a contribution to SAICORP for this cover. The Trust assumes part of the risk through accepting deductibles in each category of cover.

The Operating Statement expense item 'Insurance' recognises the SAICORP contribution and the cost of losses met by the Trust as deductibles under the SAICORP cover.

The Trust is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. The Trust has insurance cover which limits the exposure for losses.

The Trust provides for losses or other charges that are not covered by the Treasurer's indemnity with respect to each category of potential loss or claim reflected below.

Insurance Provisions

The provision for Rental Properties represent payments due to contractors for incurred claims where the works have not been finalised at balance date or where properties have not been repaired and may be sold in a damaged condition.

The provision for Rental Purchase and Sale Under Agreement Properties includes estimates for future claim payments for claims incurred but not reported at balance date.

The provision for Public Liability Claims includes estimates for future claims payments for reported claims with an allowance for claims incurred but not reported at balance date.

The provision for Workers Compensation includes estimates for future claims payments for reported claims with an allowance made for estimated recoveries. The provision also includes an allowance for claims incurred but not reported at balance date. The provision relating to Department of Human Services employees assigned to the Trust has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department.

The provision for Professional Indemnity Claims includes estimates of future claims payable for claims incurred but not reported at balance date.

(k) Provisions

Doubtful Debts

Specific provision has been made for doubtful debts. In addition, a general provision based on the profile of the Trust's debt and debt write off history has also been raised.

Payroll Tax on Employee Entitlements

The Trust has accrued the cost of payroll tax on accrued employee entitlements for annual leave, long service leave and the superannuation contributions thereon. This provision, relating to employee entitlements of departmental employees assigned to the Trust, has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department of Treasury and Finance.

Audit Fees

The Trust provides for the fees payable to the Auditor-General's Department for the current financial year's audit.

(l) Unearned Revenue

Lump sums received for leases assigned on Trust properties are progressively brought to account as income on a straight line basis over the term of their respective agreements.

(m) Tax Status

The activities of the Trust are exempt from the Commonwealth's Income Tax and Sales Tax but subject to other Commonwealth taxes such as Fringe Benefits Tax. The activities of the Trust are also exempt from State Land Tax and Stamp Duty but other State taxes such as payroll tax are applicable.

The Trust is subject to the Tax Equivalent Regime (TER) administered by the State Department of Treasury and Finance. The application of the TER requires the Trust to pay to the State Department of Treasury and Finance amounts which are equivalent to that which would have been payable to the Commonwealth if the Commonwealth's Income Tax and Sales Tax laws were applicable, and to the State if the State's Land Tax, Stamp Duty, Financial Institutions Duty and Debits taxes were applicable. Currently all amounts paid to the State Department of Treasury and Finance by the Trust as tax equivalents are reimbursed to the Trust by way of grant funds.

For the purpose of determining Income Tax equivalent payments, which are applicable only to certain Property Activities of the Trust, the Income Tax liability is deemed to be equal to 36 percent of relevant Operating Profit.

(n) Comparative figures

In the current period the Trust has made a number of minor changes to the presentation of its financial statements. Comparative figures for 30 June 2000 have been amended for consistency.

3. Statement of Outputs

The following is a summary of the Trust's Outputs:

Community Support and Development

Support for community activities and networks that develop caring and cohesive communities, including liaison with government, local government, and community organisations in the development and regeneration of urban environments and maintaining and improving private rental housing standards.

Environmental Health Management

Promotion of proper standards of environmental health, including the management of hazardous substances.

Private Rental Assistance

The provision of rent relief payments, rent in advance/arrears payments, bond guarantees, and referral and advice.

Public Housing

Management of public housing assets and tenancies, including needs assessment, case management and individual support for households with complex needs, including disability, homelessness, children and families at risk, frail aged, youth and mental health and domestic violence issues.

Crisis Accommodation

Funding for the expansion and upgrading of properties which are used by community organisations to provide emergency accommodation for homeless people or those at risk of homelessness.

Rural and Remote Housing for Aboriginal People

Grant funding and contract management for the expansion and upgrade of dwellings for Aboriginal communities on the Aboriginal Lands and Remote Areas.

Net Allocated Expenses

The cost of goods and services indirectly contributing to the provision of the Trust's outputs, which have been allocated to the output through the 'other' expenditure category.

3. **Schedule of Outputs**	**Comm Supp and Dvlpmt $'000**	**Environment Health Management $'000**	**Private Rental Assistance $'000**	**Public Housing $'000**	**Crisis Accomm $'000**	**R and R Housing $'000**	**Net Expenses Allocated $'000**	**2000 Total $'000**	1999 Total $'000
OPERATING REVENUES:									
Gross rents	**1**	**-**	**-**	**301 147**	**-**	**-**	**120**	**301 268**	302 828
Less: Rental rebates	**-**	**-**	**-**	**116 661**	**-**	**-**	**-**	**116 661**	117 285
Rents payable by tenants	**1**	**-**	**-**	**184 486**	**-**	**-**	**120**	**184 607**	185 543
Interest	**11**	**-**	**-**	**70**	**-**	**-**	**2 311**	**2 392**	3 361
Recoveries	**334**	**-**	**3 214**	**6 359**	**-**	**-**	**419**	**10 326**	10 337
Sundry	**28**	**-**	**1 869**	**780**	**-**	**-**	**490**	**3 167**	3 456
Total Operating Revenues	**374**	**-**	**5 083**	**191 695**	**-**	**-**	**3 340**	**200 492**	202 697
REVENUES FROM GOVERNMENT:									
Recurrent grants:									
Grant programs	**259**	**-**	**19 837**	**390**	**48**	**4 326**	**-**	**24 860**	25 906
Rebate subsidy grant	**-**	**-**	**-**	**43 249**	**-**	**-**	**-**	**43 249**	45 000
Tax Equivalent Reimbursement	**-**	**-**	**-**	**52 685**	**-**	**-**	**415**	**53 100**	56 076
Debt retirement	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	24 176
Other	**-**	**-**	**-**	**-**	**-**	**-**	**4 196**	**4 196**	337
Capital grants	**109**	**-**	**-**	**1 052**	**1 005**	**-**	**-**	**2 166**	7 094
Appropriation	**-**	**-**	**-**	**-**	**-**	**-**	**1 526**	**1 526**	5 682
Total Revenues from Government	**368**	**-**	**19 837**	**97 376**	**1 053**	**4 326**	**6 137**	**129 097**	164 271
Total Revenues	**742**	**-**	**24 920**	**289 071**	**1 053**	**4 326**	**9 477**	**329 589**	366 968
OPERATING EXPENSES:									
Staffing costs	**2 019**	**184**	**4 662**	**22 213**	**848**	**968**	**-**	**30 894**	31 688
Finance charges	**1**	**-**	**-**	**46 888**	**-**	**-**	**1 676**	**48 565**	53 450
Maintenance	**-**	**465**	**-**	**62 393**	**-**	**-**	**157**	**63 015**	60 976
Council and water rates	**4**	**-**	**-**	**44 985**	**-**	**-**	**179**	**45 168**	45 951
Land tax equivalents	**-**	**-**	**-**	**51 887**	**-**	**-**	**-**	**51 887**	53 223
Depreciation	**-**	**-**	**-**	**36 116**	**-**	**-**	**1 193**	**37 309**	39 124
Business services fees	**972**	**63**	**2 194**	**10 541**	**551**	**692**	**-**	**15 013**	12 949
Rent	**-**	**-**	**-**	**1 047**	**-**	**-**	**2 980**	**4 027**	4 299
Insurance	**-**	**-**	**-**	**3 456**	**-**	**-**	**27**	**3 483**	2 706
Bad and doubtful debts	**-**	**-**	**2 429**	**4 779**	**-**	**-**	**2**	**7 210**	5 845
Grants	**-**	**-**	**14 652**	**260**	**48**	**3 809**	**27**	**18 796**	19 381
Other	**834**	**57**	**983**	**7 860**	**122**	**238**	**3 746**	**13 840**	20 547
Total Operating Expenses	**3 830**	**769**	**24 920**	**292 425**	**1 569**	**5 707**	**9 987**	**339 207**	350 139
OPERATING (DEFICIT) SURPLUS BEFORE RESTRUCTURING AND ASSET DISPOSAL	**(3 088)**	**(769)**	**-**	**(3 354)**	**(516)**	**(1 381)**	**(510)**	**(9 618)**	16 829
NET EXPENSE FROM DISPOSAL OF NON CURRENT ASSETS	**3 714**	**-**	**-**	**1 379**	**-**	**-**	**(510)**	**4 583**	13 352
NET EXPENSE FROM RESTRUCTURING	**-**	**-**	**-**	**131 074**	**-**	**-**	**-**	**131 074**	-
OPERATING (DEFICIT) SURPLUS BEFORE INCOME TAX	**(6 802)**	**(769)**	**-**	**(135 807)**	**(516)**	**(1 381)**	**-**	**(145 275)**	3 477
INCOME TAX EQUIVALENT	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	1 391
OPERATING (DEFICIT) SURPLUS AFTER TAX	**(6 802)**	**(769)**	**-**	**(135 807)**	**(516)**	**(1 381)**	**-**	**(145 275)**	2 086

		2000	1999
		$'000	$'000
4.	**Interest Income**		
	Interest received or due and receivable:		
	Treasury deposit account	**2 311**	3 315
	Customers	**81**	46
		2 392	3 361
5.	**Recoveries**		
	Grant Program receipts	**3 547**	3 722
	Maintenance	**3 003**	3 068
	Water charges	**2 128**	2 583
	Administrative services to other agencies	**1 648**	964
		10 326	10 337
6.	**Staffing Costs**		
	Salaries and wages	**25 383**	25 957
	Long service leave	**1 111**	1 184
	Superannuation	**2 919**	3 022
	Other salary related expenses	**2 546**	2 429
		31 959	32 592
	Charged to capital program	**(1 065)**	(904)
		30 894	31 688
7.	**Finance Charges Paid or Due and Payable**		
	Interest on borrowings	**40 273**	45 262
	Treasurer's guarantee fee	**6 615**	7 063
	Interest accrued against provision for superannuation	**1 672**	1 121
	Bank fees	**5**	4
		48 565	53 450
8.	**Depreciation**		
	Rental houses and flats	**36 116**	37 583
	Rental commercial properties	**-**	1
	Administrative properties - Buildings	**62**	61
	- Leasehold improvements	**159**	178
	Plant and equipment	**140**	140
	Computer systems development	**832**	1 161
		37 309	39 124
9.	**Rent**		
	Lease rental expense - Administrative properties	**3 010**	3 248
	- Rental properties	**1 017**	1 051
		4 027	4 299
10.	**Bad and Doubtful Debts**		
	Bad debts written off	**5 999**	5 816
	Provision for doubtful debts	**1 211**	29
		7 210	5 845
11.	**Other**		
	Variances on Capital Works Program	**746**	367
	Increment on revaluation of vacant land property	**-**	(158)
	Increment (prior revaluations) on real property inventories	**-**	(209)
	Decrement on Seaford Joint Venture vacant land	**-**	509
	Decrement on work in progress projects	**-**	4 769
	Consultant services	**248**	680
	Auditor-General's audit fees	**180**	185
	General	**12 666**	14 404
		13 840	20 547

12. Disposal of Non-Current Assets

	2000 Sale Proceeds $'000	1999 Sale Proceeds $'000	**2000 Cost of Sales $'000**	1999 Cost of Sales $'000	**2000 (Deficit) Surplus $'000**	1999 (Deficit) Surplus $'000
Rental properties*	**54 326**	53 601	**57 771**	67 656	**(3 445)**	(14 055)
Projects	**14 247**	11 980	**18 182**	15 550	**(3 935)**	(3 570)
Joint Ventures	**931**	1 986	**677**	1 244	**254**	742
Commercial properties	**-**	7 319	**-**	4 704	**-**	2 615
Inventory vacant land	**4 190**	1 858	**1 647**	1 199	**2 543**	659
Plant and equipment	**-**	257	**-**	-	**-**	257
	73 694	77 001	**78 277**	90 353	**(4 583)**	(13 352)

* The cost of sales comprise the Valuer-General's property valuations, costs of separating services and titles in respect of double units sold, marketing and agents fees. In establishing the property value the Valuer-General includes the impact of capital improvements effected by tenants. Tenants purchasing properties are allowed discounts consistent with their personal investment in the property.

13. Grants

	Revenue C'wlth Grants $'000	Revenue State Grants $'000	Revenue Other Revenue $'000	**2000 Total $'000**	Expenditure Admin Costs $'000	Expenditure Grants Costs $'000	**2000 Total $'000**
Aboriginal Housing Management Committees	131	-	-	**131**	131	-	**131**
Rural and Remote Housing Programs	4 326	-	-	**4 326**	517	3 809	**4 326**
Crisis Accommodation	48	-	-	**48**	-	48	**48**
Housing Improvement and Rent Control	-	259	334	**593**	593	-	**593**
Private Rental Assistance Program	5 708	2 854	4 907	**13 469**	8 535	4 935	**13 470**
Rent Relief	7 516	3 758	176	**11 450**	1 733	9 717	**11 450**
Social Housing Subsidy	-	260	-	**260**	-	260	**260**
Deposit Assistance Scheme	-	-	-	**-**	-	27	**27**
Total 2000	**17 729**	**7 131**	**5 417**	**30 277**	**11 509**	**18 796**	**30 305**
Total 1999	17 537	8 369	5 716	31 622	12 305	19 381	31 686

Grant Revenue Comprises:	**2000 C'wlth $'000**	**2000 State $'000**	**2000 Total $'000**	1999 C'wlth $'000	1999 State $'000	1999 Total $'000
Grant funded programs (as above)	**17 729**	**7 131**	**24 860**	17 537	8 369	25 906
Rebate subsidy grant	**25 335**	**17 914**	**43 249**	25 704	19 296	45 000
Tax Equivalent Reimbursement	**-**	**53 100**	**53 100**	-	56 076	56 076
Debt retirement	**-**	**-**	**-**	-	24 176	24 176
Salary subsidy	**-**	**4 196**	**4 196**	-	337	337
Capital programs	**2 057**	**109**	**2 166**	4 550	2 544	7 094
Appropriation	**-**	**1 526**	**1 526**	-	5 682	5 682
	45 121	**83 976**	**129 097**	47 791	116 480	164 271

14. Receivables

	2000 $'000	1999 $'000
Current Assets:		
Debtors	**19 929**	25 548
Provision for doubtful debts	**(1 964)**	(1 035)
	17 965	24 513
GST	**3**	-
Interest	**222**	244
Grants - Tax Equivalent Reimbursement	**319**	(109)
- Other programs	**1 872**	4 772
	2 416	4 907
Residential mortgage and sale under agreement loans	**328**	276
	328	276
	20 709	29 696
Non-Current Assets:		
Mortgage and sale under agreement loans:		
Residential housing	**1618**	2 045
Provision for doubtful debts	**(40)**	(11)
	1 578	2 034

15. Inventories

Current Assets:		
Stores	**43**	62
Finished houses	**713**	999
Developed land	**3 048**	1 373
Vacant land*	**4 302**	5 889
	8 106	8 323
Capital work in progress	**37 982**	24 354
	46 088	32 677
Non-Current Asset:		
Capital work in progress	**2 546**	2 833

* Vacant land does not include $41 000 of land transferred to the South Australian Aboriginal Housing Authority under a management agreement with the Trust.

16. Other Current Assets

Prepayments	**415**	460

17. Property, Plant and Equipment

Rental properties:		
Houses and Flats:		
Freehold land:		
At independent valuation	**1 267 403**	1 364 531
	1 267 403	1 364 531
Buildings:		
At independent valuation	**1 754 632**	1 828 061
Accumulated depreciation	**(34 905)**	(202)
	1 719 727	1 827 859
Total Rental Properties Houses and Flats*	**2 987 130**	3 192 390

17. Property, Plant and Equipment (continued)

* Houses and flats:

Includes $15.2 million ($15.5 million) for properties subject to lease and management agreements and $10.5 million ($10.8 million) for properties subject to purchase by tenants under the Trust's Progressive Purchase Scheme.

Excludes $143 000 of properties transferred to the South Australian Aboriginal Housing Authority that are subject to a management agreement with the Trust.

Excludes $34.9 million ($202 000) accumulated depreciation carried forward due to the deferment of the asset revaluation until 31 October 2000.

	2000	1999
Administrative Properties:		
Freehold land:	**$'000**	$'000
At independent valuation	**931**	940
	931	940
Buildings:		
At independent valuation	**1 911**	2 048
Accumulated depreciation	**(61)**	(30)
	1 850	2 018
Leasehold improvements:		
At cost	**1 965**	2 389
Accumulated amortisation	**(488)**	(506)
	1 477	1 883
Total Administrative Properties	**4 258**	4 841
Vacant Land (Freehold):		
At independent valuation	**8 226**	6 613
Total Vacant Land*	**8 226**	6 613

* Excludes $181 000 of properties transferred to the South Australian Housing Authority that are subject to a management agreement with the Trust.

	2000	1999
Plant and Equipment:		
Plant and equipment - At cost	**64**	69
Accumulated depreciation	**(53)**	(55)
	11	14
Office equipment - At cost	**1 312**	1 293
Accumulated depreciation	**(689)**	(612)
	623	681
Computer equipment - At cost	**803**	831
Accumulated depreciation	**(783)**	(791)
	20	40
Computer system development - At cost	**17 410**	13 737
Accumulated amortisation	**(7 271)**	(6 439)
	10 139	7 298
Total Plant and Equipment	**10 793**	8 033
Capital Work in Progress:		
Capital work in progress	**6 728**	11 873
Provision for loss	**-**	(13)
Total Capital Work in Progress	**6 728**	11 860
Total Property, Plant and Equipment	**3 017 135**	3 223 737

18. Payables

	2000	1999
Current Liabilities:		
Creditors	**14 718**	25 966
Interest	**-**	178
	14 718	26 144
Non-Current Liability:		
Creditors	**855**	825
	855	825

19. Borrowings

	2000	1999
Current Liabilities:		
Loans - SA Department of Treasury and Finance	**14 849**	14 191
Managed houses scheme	**243**	243
	15 092	14 434
Non-Current Liabilities:		
Loans - SA Department of Treasury and Finance	**841 640**	881 661
Managed houses scheme	**5 161**	5 404
	846 801	887 065

South Australian Department of Treasury and Finance loans consist of:

(i) Concessional Interest Rate borrowings of $856.5 million ($870.7 million) (originally under the Commonwealth/State Housing Agreement) which are repayable over a period of 53 years, with the final instalment scheduled for the year 2042. The loans are subject to principal repayments and interest at fixed interest rates ranging from 3.0 percent to 8.0 percent (3.0 percent to 8.0 percent). The weighted average interest rate is 4.52 percent (4.52 percent).

19. Borrowings (continued)

(ii) The Trust repaid all Common Public Sector Interest Rate (CPSIR) borrowings during the year ($25.2 million). Interest on these borrowings was charged at the CPSIR which is revised quarterly and during the year ranged from 8.5 percent to 8.6 percent (8.6 percent to 9.2 percent).

The Managed Houses Scheme of $5.4 million ($5.7 million) under the memorandum of understanding between the Trust and the Treasurer will be amortised against Managed Houses Scheme expenses over the remaining Agreements term.

The following table summarises the periods in which repayment of borrowings and amortisation of the Managed Houses Scheme liability will occur.

	2000	1999
Borrowings - Current:	**$'000**	$'000
Not later than one year	**15 092**	14 434
Borrowings - Non-Current:		
Later than one year but not later than two years	**15 741**	15 092
Later than two years but not later than five years	**51 061**	48 982
Later than five years	**779 999**	822 991
Total Non-Current Borrowings	**846 801**	887 065
Total Borrowings	**861 893**	901 499

20. Employee Entitlements

Current Liabilities:		
Workers compensation	**139**	167
Superannuation	**1 622**	1 595
	1 761	1 762
Non-Current Liabilities:		
Workers compensation	**323**	389
Superannuation	**21 357**	21 307
	21 680	21 696

Superannuation

Prior to 1 July 1995 the Trust fully provided for its superannuation obligations in respect of contributors to the South Australian Superannuation Fund, in accordance with a formula recommended by the Public Actuary in his assessment as amended on 8 February 1994. Funds with respect to these provisions were retained by the Trust.

This provision is incremented each year by current interest rates and is subject to annual payments such that it will be extinguished by 30 June 2025.

On 1 July 1995 the Trust commenced paying to the State Superannuation Fund the accruing cost of its superannuation obligations.

21. Other Current and Non-Current Liabilities

	2000	1999
Current Liabilities:	**$'000**	$'000
Provisions:		
Income tax equivalent	**-**	(543)
Insurance of rental and purchase agreement properties	**644**	678
Public risk claims	**1 001**	943
Professional indemnity	**150**	100
Deferred separation title costs for attached housing	**486**	249
Audit fees	**100**	220
	2 381	1 647
Unearned revenue	**4 786**	4 477
Deposits held:		
Tenant deposits held	**1 962**	2 000
Sale deposits held	**2 994**	1 764
	4 956	3 764
Total Other - Current	**12 123**	9 888
Non-Current Liability:		
Unearned revenue	**4 389**	4 703

22. Asset Revaluation Reserve

Balance at 1 July	**1 518 390**	1 575 133
Increment on revaluation of freehold land and buildings	**-**	2 599
Decrement on revaluation of capital work programs	**-**	(7 693)
Decrement on revaluation of rental houses:		
Transferred to capital work programs	**(11 301)**	-
Subject to sale contracts	**(8 151)**	-
Transfer to accumulated surplus:		
Reserve on assets transferred to South Australian Aboriginal Housing Authority	**(30 766)**	-
Increment realised on sale of freehold land and buildings	**(38 836)**	(51 649)
Balance at 30 June	**1 429 336**	1 518 390

23. Interests in Joint Ventures

The Trust has an interest in the following joint ventures:

(a) Seaford

(i) Land Management Corporation

The Trust has an interest of 50 percent in a joint venture with the Land Management Corporation to acquire and hold land for subsequent development and sale. The Trust's investment consists of $2.5 million ($2.5 million) of Vacant land. For the period ending 30 June 2000 the contribution of the joint venture to the operating result of the Trust was a loss of $18 000 (loss $18 000).

(ii) Seaford Joint Venture

The Trust has a 25 percent interest in a joint venture named the Seaford Joint Venture, formed to develop, market and sell land in a manner which will encourage a diverse and balanced community. For the period ending 30 June 2000 the contribution of the joint venture to the operating result of the Trust was a surplus of $98 000 (loss $692 000).

The Trust's land holding in the Seaford Joint Venture is brought to account as sales occur. For the period ending 30 June 2000 the contribution to the operating result of the Trust was a surplus of $54 000 (surplus $69 000). As a result of these sales there was also a transfer from the revaluation reserve of $41 000 ($23 000).

The Trust's investment consists of $78 000 ($116 000) of vacant land under development and its share of the assets and liabilities of the joint venture.

Effective from 1 November 1998, the parties agreed to a restructure of the joint venture. The revised arrangements continue to provide the joint venturers with the existing rights and liabilities, but with the exception of certain land sale proceeds to be retained by Southern Horizons upon relinquishment of its interest in general scheme costs incurred in the joint venture, the land owners remain the legal and beneficiary owners of all the remaining land forming part of the original joint venture.

(b) Northfield

The Trust is a party to a business undertaking with the Land Management Corporation whereby the Trust holds a 40 percent interest in the land at Northfield, to be held for future development by a joint venture consortium, known as Northfield Precinct One Joint Venture. During the year the joint venture has been completed and for the year ending 30 June 2000 the contribution of the joint venture to the operating result of the Trust was a surplus of $257 000 ($336 000).

The Trust's land holdings in the Northfield Precinct One Joint Venture were brought to account as sales occur. For the period ending 30 June 2000 the contribution from the sale of land to the operating result of the Trust was a loss of $93 000 (surplus $1 million).

(c) Elizabeth North

The Trust has a 50 percent interest in a joint venture with the City of Playford to jointly develop housing projects for sale within the City of Playford. The joint venture has been completed and for the period ending 30 June 2000 the contribution to the operating result of the Trust was a loss of $62 000 (surplus $5 000).

Included in the Statement of Financial Position of the Trust are the following items which represent the Trust's aggregate interest in the assets and liabilities employed in the joint ventures:

	2000	1999
Current Assets:	**$'000**	$'000
Cash	**46**	580
Receivables	**1**	45
Inventories	**325**	740
Other	**1**	7
	373	1 372
Non-Current Assets:		
Inventories	**2 546**	2 833
Property, plant and equipment	**12**	99
	2 558	2 932
Total Assets	**2 931**	4 304
Current Liability:		
Payables	**23**	226
Total Liabilities	**23**	226

24. Commitments

Commitments have been assessed based on known values at 30 June 2000 and therefore do not take into consideration any increase due to the introduction of the Goods and Service Tax as from the 1 July 2000.

Capital Expenditure*	**2000**	1999
Contracted but not provided for and payable:	**$'000**	$'000
Not later than one year	**10 401**	11 541

* Includes commitments under the terms of joint venture agreements.

Recurrent Expenditure		
Recurrent expenditure on operations, maintenance and grant funded programs contracted but not provided for and payable:		
Not later than one year	**7 671**	8 936

24. Commitments (continued)

During the year the Trust incurred expenditure on a number of grant funded programs as detailed in Note 13. The Trust's financial commitment at 30 June 2000 is dependent upon the existing recipients continuing to meet the programs eligibility criteria and the relevant legislation remaining in force. In all programs grant funds from the State Government and or Commonwealth Government are received which offset the full cost of the expenditure. For financial details of the programs relating to the year ended 30 June 2000 refer to Note 13.

Management Agreements	**2000**	1999
Amounts due under the agreements to manage houses subject to a lease arrangement with the SA Police Pension Fund, Funds SA and Motor Accident Commission contracted but not provided for and payable:	**$'000**	$'000
Not later than one year	**1 275**	1 204
Later than one year but not later than two years	**960**	966
Later than two years but not later than five years	**3 026**	3 045
Later than five years	**23 718**	25 528
	28 979	30 743

Note that with effect from 30 June 1997 the Trust has undertaken the Treasurer's obligation to the parties under the Agreement Documents.

Operating Leases

The Trust leases several administrative properties with 10 year lease periods and also a group of rental properties for use by rental tenants over a 15 year lease period.

The following table summarises the periods in which payments of non-cancellable operating lease rentals with a term of more than one year, and not provided for within the financial statements, will occur:

	2000	1999
	$'000	$'000
Not later than one year	**3 549**	3 222
Later than one year but not later than two years	**3 416**	2 889
Later than two years but not later than five years	**10 877**	7 769
Later than five years	**8 043**	3 125
	25 885	17 005

25. Contingent Liabilities

Housing Association Program

Housing Associates are sponsor groups which manage housing on behalf of low income/disadvantaged individuals who pay rents based on household income. The South Australian Community Housing Authority (SACHA) subsidises, with Commonwealth State Housing Agreement grant funds, the difference between rents received from Housing Associations and monies due under mortgages to lending institutions. The Trust has guaranteed mortgages to those lending institutions of $10 000 ($94 000).

Progressive Purchase Scheme

Under this scheme the Trust owns portions of properties as tenant in common with other persons. Where the Trust has signed agreements with lending institutions advancing persons mortgage monies the Trust can be called upon in cases of default to purchase the defaulter's interest at current market value. These agreements are of 12 months duration. Approximately 184 of the properties included in the scheme are subject to mortgages with a collective loan balance of $7.5 million ($7.8 million). The collective value of the properties subject to mortgage is estimated to be $7.9 million ($8.2 million), based on the Valuer-General's overall capital value.

Joint Ventures

The joint ventures described in Note 23 give rise to a contingent liability in the case of default by other venturers. It is estimated that the risk of default by a venturer is negligible.

Bond Guarantee Scheme

Under the Bond Guarantee Scheme a guarantee for the bond is given to the landlord. In the event of a claim by a landlord, a payment is made by the Residential Tenancies Branch. The Trust then reimburses the Residential Tenancies Branch and the private rental customer becomes liable to the Trust for the amount. The value of bond guarantees issued and outstanding at 30 June 2000 is $9.3 million ($8.3 million).

The Trust pays interest at an agreed market determined rate to the Residential Tenancies Branch based on the daily outstanding balance of bond guarantees issued.

Rental Purchase and Sale Under Agreement House Purchase Schemes

The rental purchase and sale under agreement portfolio was transferred to HomeStart Finance on 10 December 1993 and due to conditions in some of the agreements, the Trust remains responsible to make good for loss or damage to the subject properties for specific events. The Trust remains the legal owner of these properties until they are transferred to the purchasers upon completion of their agreement. The properties included in the scheme that are subject to indemnity clauses have a collective estimated replacement value of $18.8 million. These properties together with the Trust's and the South Australian Aboriginal Housing Authority (AHA) rental properties are subject to an agency agreement with South Australia Government Captive Insurance Corporation (SAICORP) and in the event of a claim will be indemnified by the Treasurer so as to limit the combined exposure of the Trust and the AHA to $1.0 million.

26. 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, cash at bank and cash held in Joint Venture and project bank accounts.

		2000	1999
(a)	***Reconciliation of Cash (continued)***		
	Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:	**$'000**	$'000
	Cash at Treasury*	**23 264**	33 694
	Cash on hand	**586**	381
	Cash - Joint Venture and projects*	**359**	993
		24 209	35 068

* Interest rates applicable at 30 June 2000:
Cash at Treasury 5.58 percent (8.55 percent to the extent of CPSIR borrowings, then 4.63 percent).
Cash - Joint ventures and projects, 3.45 percent - 4.95 percent (3.7 - 4.3 percent).

		2000	1999
(b)	***Reconciliation of Net Cash provided by (used in) Operating Activities to Operating Surplus (Deficit) after Income Tax***	**$'000**	$'000
	Net Cash provided by Operating Activities	**27 513**	55 891
	Adjustments:		
	Depreciation and amortisation	**(37 309)**	(39 124)
	Net loss on restructure	**(131 074)**	-
	Construction variances, losses and decrement on property investments	**(746)**	(5 278)
	Net Expense from disposal of Non-Current Assets	**(4 583)**	(13 352)
		(173 712)	(57 754)
	Change in Assets and Liabilities:		
	(Decrease) Increase in receivables	**(7 083)**	6 794
	Increase in other current assets	**291**	58
	Decrease (Increase) in payables	**8 743**	(9 166)
	(Increase) Decrease in operating provisions	**(1 358)**	5 017
	Decrease in other liabilities	**314**	321
	Decrease in employee entitlements	**17**	925
		924	3 949
	Operating (Deficit) Surplus after Income Tax	**(145 275)**	2 086

27. Remuneration of Board Members and Employees

Board Members Remuneration

The Trust Board comprises seven members appointed by the Governor, one of which has been vacant for the year. The fees paid to Board members in their capacity as Board Members are set by Executive Council in accordance with approved procedures. A Board member received additional remuneration as the Trust representative on an external committee. One member of the Board became an employee under the *Public Sector Management Act 1995* and ceased receiving Board fees following that appointment.

The number of Board Members whose remuneration from the Trust falls within the following bands:	**2000 Number of Members**	1999 Number of Members
$10 001 - $20 000	**4**	6
$20 001 - $30 000	**1**	1
$30 001 - $40 000	**1**	-
	6	7

	2000 $'000	1999 $'000
Total remuneration received, or due and receivable by the Board Members from the Trust	**126**	118

Two Board Members have made the following declarations. Mr Don Lee, declared his involvement with Finlaysons who are one of the legal firms selected by the Trust to act on behalf of the Trust in legal consultancy. Mr Trevor Dunsford, declared his involvement with Jackman & Treloar who act as a panel valuer for the Trust. The Trust was involved with both arrangements prior to the appointment of these members to the Board.

Apart from the preceding declarations, no Board Members have a pecuniary interest either direct or indirect, in any Firm, Trust or Company with which the South Australian Housing Trust had entered into transactions during the year.

Employees' Remuneration The number of employees whose remuneration from the Trust falls within the following bands:	**2000 Number of Employees**	1999 Number of Employees
$100 000 - $109 999	**1**	2
$110 000 - $119 999	**2**	1
$140 000 - $149 999	**-**	1
$170 000 - $179 999	**-**	1
$190 000 - $199 999	**1**	-
	4	5

	2000 $'000	1999 $'000
Total remuneration received, or due and receivable by employees whose remuneration exceeds $100 000	**529**	628

The table discloses the number of staff, and the value of their remuneration where the remuneration exceeded $100 000 for staff who were employed by the Department and subsequently assigned to the Trust.

The remuneration includes salaries and related payments, superannuation and motor vehicle benefits.

28. Targeted Voluntary Separation Packages

No Departmental employees assigned to the Trust (nil) were offered packages.

29. Additional Financial Instrument Disclosures

Interest Rate Risk

The Trust has certainty with respect to the interest expense arising from the fixed rate concessional loans from the Treasurer which comprises the major part of its debt. The CPSIR debts was fully retired during the year.

Credit risk

The Trust is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. Credit risk is ameliorated by the fact that amounts due from individual tenants are relatively small.

The Trust manages credit risk associated with its tenants by establishment of a Credit Policy which is communicated to Trust staff and tenants. The performance of individual tenants and of components of the total population of tenants are monitored and reported upon to Trust management and the Board.

Net Fair Value of Financial Instruments

Analysis of the net fair value of financial instruments is detailed below.

The entity has calculated net fair value for Concessional loans using estimated equivalent cost of borrowing at current yields for matching terms.

The fair value of the Trust's other financial assets and liabilities which are subject to normal trade credit terms, is considered to be face value.

	30 June 2000		30 June 1999	
Summary of Fair Values	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities:	**$'000**	**$'000**	$'000	$'000
Concessional Housing Loans	**856 489**	**656 471**	870 680	652 571
CPSIR Loans	**-**	**-**	25 172	25 172
Payables	**15 573**	**15 573**	26 969	26 969
	872 062	**672 044**	922 821	704 712
Financial Assets:				
Cash	**24 209**	**24 209**	35 068	35 068
Receivables	**22 287**	**22 287**	31 730	31 730
	46 496	**46 496**	66 798	66 798

30. Vesting of Assets, Rights and Liabilities

The Aboriginal Housing Authority (AHA) was established by proclamation in October 1998, and is now the Authority responsible for the management of Aboriginal Housing in South Australia. During the current year arrangements were implemented to transfer staff and the assets, rights and obligations associated with the Aboriginal Housing program from the Trust to the Authority. The effective date of transfer was 5 February 2000.

The assets, rights and liabilities associated with Rental Houses sited on land owned by the Trust were transferred to the Authority pursuant to section 23 of the *South Australian Housing Trust Act 1995*.

The rights resulting from the transfer of the housing assets include all assets and revenues that relate to the properties including customer debt, prepayments of council rates and water charges, all warranties, fixtures and fittings as well as the tenancies. Revenues include proceeds from sale of houses and rental income from the tenancies. However, along with the rights the Authority also has the obligation to meet the liabilities and expenses of maintaining the assets including current and future maintenance, and the expenses of council rates and water charges.

The Aboriginal rental housing assets transferred to the Authority were fully grant funded and consequently no borrowings were transferred.

The Chief Executive Officer for the Department of Human Services authorised the assignment of departmental staff from the Aboriginal Housing Unit of the South Australian Housing Trust to the South Australian Aboriginal Housing Authority effective on 5 February 2000.

As a consequence the Authority assumes responsibility for liabilities and expense of the staff including accrued entitlements to annual leave, long service leave and superannuation.

In addition to the assets, rights and liabilities transferred from the Trust to the Authority pursuant to section 23 of the *South Australian Housing Trust Act 1995*, control of certain Rental houses sited on leased Land and the Aboriginal Vacant Land holdings were transferred to the Authority by agreement between the Trust and the Authority.

A summary of the carrying amounts of the assets, rights and liabilities subject to the 5 February 2000 vesting, assignment and transfer is as follows:

	2000
Current Assets:	**$'000**
Receivables	**1 956**
Inventories	**47**
Other	**337**
Non-Current Asset:	
Property, plant and equipment	**130 330**
Total Assets	**132 670**

30. Vesting of Assets, Rights and Liabilities (continued)

	2000
	$'000
Current Liabilities:	
Payables	1 229
Other	353
Non-Current Liability:	
Payables	14
Total Liabilities	1 596
Net Assets	131 074

1999-2000 Operating Statement

Net Expense from Restructuring	131 074

A summary of the expenses and operating revenue for the period 1 July 1999 to 4 February 2000 with respect to activities controlled by the Trust in that period and subsequently transferred and assigned are included in the Operating Statement for the year ended 30 June 2000 and are as follows:

AHA revenues and expenses included in Trust Operating Statement	2000
Operating Revenues:	$'000
Rent	3 950
Recoveries	390
Sundry	195
Total Operating Revenues	4 535
Revenues from Government:	
Recurrent grants:	
Grant program	4 456
Rebate subsidy grant	248
Capital grants	1 052
Total Revenues from Government	5 756
Total Revenues	10 291
Operating Expenses:	
Staffing costs	1 205
Maintenance	2 079
Council and water rates	821
Depreciation	865
Business services fees	109
Rent	150
Insurance	375
Bad and doubtful debts	330
Grants	3 838
Other	2 114
Total Operating Expenses	11 886
Operating Deficit before Restructuring and Asset Disposal	(1 595)
Net Surplus from Disposal of Non-Current Assets	42
Net Expense from Restructuring	(131 074)
Operating Deficit	(132 627)
Aggregate of amounts transferred from Reserves	159
Deficit at 30 June	(132 468)

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