

SOUTH AUSTRALIA

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 II

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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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MINISTER FOR INDUSTRY AND TRADE

PORTFOLIO – INDUSTRY AND TRADE

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 for Industry and Trade.

The agency included herein relating to the portfolio of Industry and Trade is the Department of Industry and Trade.

DEPARTMENT OF INDUSTRY AND TRADE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department of Industry and Trade is an administrative unit established under the *Public Sector Management Act 1995*. The Department is responsible to the Minister for Industry and Trade.

The specific responsibility of the Department is to implement the South Australian Government's economic development strategy by undertaking the following:

- Create a competitive business operating environment;
- Promote investment in appropriate physical capital;
- Promote development of human and intellectual capital;
- Integration of South Australia into the global economy;
- Create a culture of collaboration and cooperation;
- Encourage the development of productive, creative and competitive enterprises.

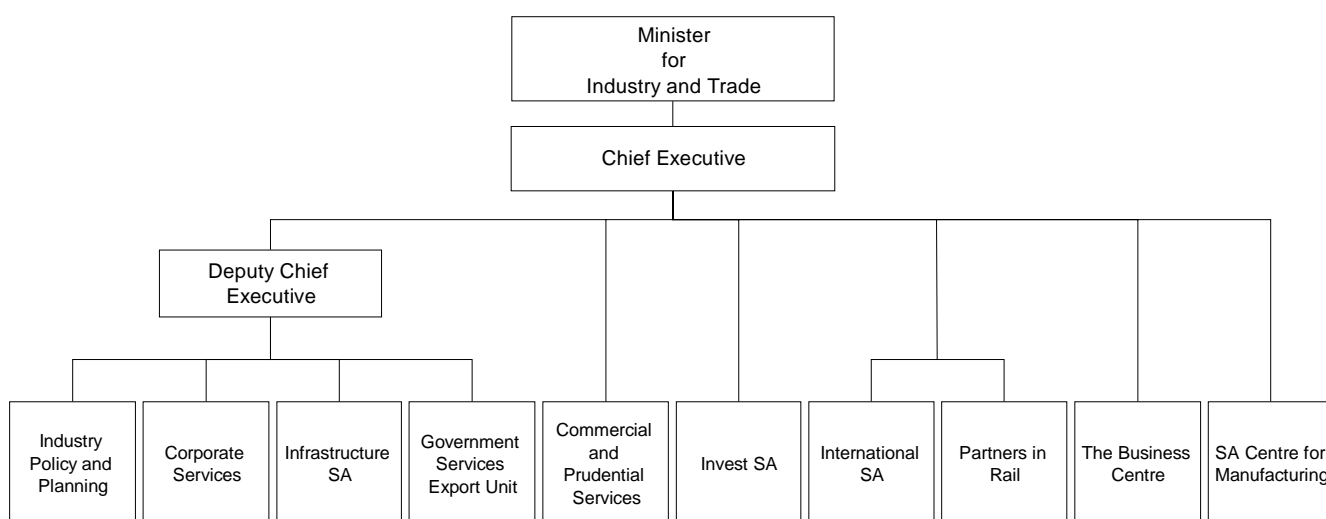
CHANGES TO ORGANISATIONAL STRUCTURE

On 30 June 1999, by proclamation in the Government Gazette, employees in the Office of State Development of the Department of Premier and Cabinet and employees in the Information Economy Policy Office engaged in Information Technology industry investment and attraction activities of the Department for Administrative and Information Services were transferred to the Department of Industry and Trade.

On 14 February 2000, by proclamation in the Government Gazette, employees in the Office for Recreation and Sport were transferred to the Department for Environment and Heritage and employees in the Office of Local Government (including the staff involved in the activities of the Outback Areas Community Development Trust and the Local Government Grants Commission) were transferred to the Department for Transport, Urban Planning and the Arts.

In addition, three employees engaged in investment attraction activities in the Department of Primary Industries and Resources and the Government Services Export Unit of SAGRIC International Pty Ltd were transferred to the Department of Industry and Trade during the year.

The structure of the Department and its relationship with the Minister are shown in the following chart.



In the latter part of 1999-2000 a new Commercial and Prudential Services division was established in the Department. Refer 'Audit Findings and Comments' hereunder in this section of the Report for further commentary.

SIGNIFICANT FEATURES

Financial Statement Preparation

The Operating Statement includes the financial transactions and activities of the Office for Recreation and Sport and the Office of Local Government for the period 1 July 1999 to 14 February 2000. As a consequence, the figures shown for the previous reporting period are not directly comparable.

Industry and Other Financial Assistance

During the reporting period, the Department provided \$54.9 million in assistance to industry and other external parties in the form of grants, contributions, sponsorships and non-interest bearing loans. Note 7 to the financial statements refers.

Rail Reform Transition Program

Pursuant to an agreement between the State and Commonwealth, the Government has received \$18.2 million for the Program. The Department is responsible for the administration of the Program and during the reporting period made payments totalling \$4.4 million.

Infrastructure Development

The Department's contribution to the Hindmarsh Soccer Stadium - Stage Two Development during the reporting period was \$7.1 million and is recorded as an expense as the stadium is owned by the City of Charles Sturt and leased to the South Australian Soccer Federation. Note 8 to the financial statements refers.

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

The audit scope included a review of the following major areas of activity:

- policies and processes including application of the Financial Management Framework
- the revenue collection, accounts payable and personnel/payroll functions
- the maintenance of the general ledger, reconciliations and funds management
- asset and liability identification, valuation and management
- general ledger maintenance
- financial reporting, including accounting and reporting for the organisational structure changes to the Department.

Audit Communications to Management

At the time of finalising this section of the Report, Audit was in the process of preparing an Audit Management letter to the Department. The letter is to outline the scope of the audit and related findings, including matters commented on below under 'Audit Findings and Comments'.

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 in place to enable the exercise of good financial management. The FMF is premised on the fact that financial management and its relationship with an overall requirement for accountability of resources and funds use, has an effect on the whole entity.

The Department of Industry and Trade has as its predominate role the enhanced development of the South Australian economy through the provision of financial assistance for the creation, investment and development of industry and business enterprises in this state.

Past Audit Reviews

Previous Reports have included comment on the accountability arrangements covering the material financial aspect of the Department's operations, that of provision of financial assistance under various industry support programs.

In essence, Audit has considered that the Department needed to improve in areas of policy and procedural requirements covering the initiation and approval processes associated with the provision of financial assistance; related filing and record keeping processes important for financial reporting purposes; and standards of evaluation, monitoring and reporting in respect of industry assistance.

Last year's Report indicated the status of action progressed by the Department to address these issues. The actions have included confirmation of financial assistance receivables as disclosed in the Department's Statement of Financial Position and progressive revision and application of revised policies and procedures covering financial assistance project initiation, assessment and approval processes.

Economic and Finance Committee Inquiry

The Committee in July 2000 presented to Parliament its Report on South Australian Government Assistance to Industry. The Report recommended among other things that;

- The State Government clarify its strategic framework for economic development and that it be incorporated into an overarching strategy for economic development that clearly identifies South Australia's potential competitive advantages and helps to promote them.
- The Department of Industry and Trade improve its application and approval procedures for Industry assistance; expedite the development of program evaluation guidelines in respect of industry assistance; and introduce procedures to ensure regular post assistance monitoring.

Recent Developments

The Department has taken steps in the latter part of 1999-2000 to enhance its accountability arrangements in respect of this significant aspect of its operations, notably;

- A new Commercial and Prudential Services division has been established with higher level resources charged with overseeing the upgrading of the commercial, financial, legal, prudential, public benefit analysis, and contractual management aspects of financial assistance projects.
- The division will be responsible for the modelling of the economic impact (public benefit) of major assistance packages based on recommendations contained in a report dated May 2000, prepared by ACCESS ECONOMICS for the Department.
- The Executive of the Department in August 2000 endorsed amendments to assessment and approval policies and procedures to apply to Industry financial assistance funds.

The effective implementation of these organisational, policy and procedural changes are directed to the improvement in the financial management, control and accountability of this significant aspect of the Department's financial operations.

In addition to these developments the Department is working towards the formulation of a Risk Management Plan. Such a plan is described in the FMF as the central plank to risk management practice.

Audit intends in 2000-01 to undertake a review of the implementation of the Department's revised arrangements with respect to industry assistance and actions in progress to finalise the Risk Management Plan.

Commentary on General Financial Controls

The examination of the financial accounting and reporting auditable areas identified some matters requiring attention. These in the main related to improvement required in accounting record keeping and reconciliation processes. In the area of financial reporting Audit officers worked in conjunction with the Department to address certain financial statement reporting issues associated with the organisational changes that affected the Department in 1999-2000.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department of Industry and Trade 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 Industry and Trade 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

Financial Statements

Financial activities relating to the Office for Recreation and Sport and the Office of Local Government have been included in the Operating Statement for the period 1 July 1999 to 14 February 2000.

The Statement of Financial Position reflects the financial position of the reporting entity at 30 June 2000 and consequently the figures presented for 30 June 1999 are not directly comparable.

Financial Assistance

During the reporting period the Department paid \$54.9 million in assistance (grants and loans) to Industry and other external parties. At 30 June 2000 the Department has reported Financial Assistance Debtors of \$60.9 million and Financial Assistance Commitments of \$64.2 million.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Salaries, wages and related payments	5	24 745	21 907
Administration expenses		15 752	14 484
Industry and other financial assistance	7	47 470	59 584
Infrastructure development	8	11 714	9 508
Payments to consultants	9	3 390	3 177
Payments to contractors		2 224	2 135
Depreciation and amortisation		932	1 865
Doubtful debts		113	2 976
Interest on borrowings		2 327	2 818
Accommodation and service costs		6 552	3 240
Loss on disposal of fixed assets		1 147	-
Total Operating Expenses	3	116 366	121 694
OPERATING REVENUES:			
Fees, charges and recoveries		3 178	7 267
Interest on loans and operating account		2 968	1 346
Grants and other contributions		3 967	13 635
Other revenue		5 115	1 681
Total Operating Revenues		15 228	23 929
NET COST OF SERVICES		101 138	97 765
GOVERNMENT REVENUES:			
Appropriations		130 831	106 748
Total Government Revenues		130 831	106 748
CHANGE IN NET ASSETS BEFORE ABNORMAL ITEMS		29 693	8 983
Abnormal items	10	(59 745)	-
CHANGE IN NET ASSETS AFTER ABNORMAL ITEMS		(30 052)	8 983

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash on hand and on deposit	17.1	52 868	37 780
Receivables and prepayments	12	3 396	4 584
Financial assistance debtors	13	3 164	2 863
Inventories		19	195
Total Current Assets		59 447	45 422
NON-CURRENT ASSETS:			
Financial assistance debtors	13	57 743	51 908
Fixed assets	14	4 510	57 747
Other non-current assets		191	132
Total Non-Current Assets		62 444	109 787
Total Assets		121 891	155 209
CURRENT LIABILITIES:			
Borrowings	11	2 311	1 294
Payables and accrued expenses	15	2 691	1 822
Employee entitlements	16	1 469	2 099
Other current liabilities		339	-
Total Current Liabilities		6 810	5 215
NON-CURRENT LIABILITIES:			
Borrowings	10	14 732	18 993
Payables and accrued expenses	15	346	401
Employee entitlements	16	2 227	2 772
Total Non-Current Liabilities		17 305	22 166
Total Liabilities		24 115	27 381
NET ASSETS		97 776	127 828
EQUITY:			
Accumulated surplus		97 776	124 452
Asset revaluation reserve		-	3 376
TOTAL EQUITY	20	97 776	127 828
Commitments	18,19		
Contingent Liabilities	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:			
PAYMENTS:			
Suppliers and employees		(50 704)	(54 263)
Financial assistance and infrastructure development		(66 509)	(65 631)
Interest		(2 326)	(3 870)
RECEIPTS:			
Fees for service		2 247	2 679
Interest		2 343	1 346
Other		3 867	1 080
CASH FLOWS FROM GOVERNMENT:			
Appropriations from SA Government		130 831	106 748
Grants and other contributions		3 967	13 635
Net Cash provided by Operating Activities	17.2	23 716	1 724
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets		(2 091)	(1 037)
Proceeds from disposal of fixed assets		34	70
Net Cash used in Investing Activities		(2 057)	(967)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of borrowings		(2 688)	(3 109)
Net Cash used in Financing Activities		(2 688)	(3 109)
CASH FLOWS FROM RESTRUCTURING			
		(3 883)	-
NET INCREASE (DECREASE) CASH HELD		15 088	(2 352)
CASH AT 1 JULY		37 780	40 132
CASH AT 30 JUNE	17.1	52 868	37 780

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

	2000			
	Alice Springs/ Darwin Railway \$'000	Ministerial Payments \$'000	ETSA CSO \$'000	2000 Total \$'000
ADMINISTERED EXPENSES:				
Salaries, wages and related payments	-	214	-	214
Administration expenses, minor equipment and sundries	106	-	-	106
Grants and subsidies	1 000	-	2 233	3 233
Payments to consultants	11	-	-	11
Total Administered Expenses	1 117	214	2 233	3 564
ADMINISTERED REVENUES:				
Government appropriation	1 106	214	2 233	3 553
Other Revenue	12	-	-	12
Total Administered Revenues	1 118	214	2 233	3 565
CHANGE IN NET ASSETS	1	-	-	1

Schedule of Administered Assets and Liabilities as at 30 June 2000

	2000			
	Alice Springs/ Darwin Railway \$'000	Ministerial Payments \$'000	ETSA CSO \$'000	2000 Total \$'000
ADMINISTERED ASSETS:				
Current	-	-	-	-
Non-Current	1	-	-	1
Total	1	-	-	1
ADMINISTERED LIABILITIES:				
Current	1	-	-	1
Non-Current	-	-	-	-
Total	1	-	-	1
NET ADMINISTERED ASSETS	-	-	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Organisational Structure and Objectives**1.1 **Organisational Structure**

On 30 June 1999, by proclamation in the Government Gazette, employees in the Office of State Development of the Department of Premier and Cabinet and employees in the Information Economy Policy Office engaged in Information Technology industry investment and attraction activities of the Department for Administrative and Information Services were transferred to the Department of Industry and Trade.

On 14 February 2000, by proclamation in the Government Gazette, employees in the Office for Recreation and Sport were transferred to the Department for Environment and Heritage and employees in the Office of Local Government (including the staff involved in the activities of the Outback Areas Community Development Trust and the Local Government Grants Commission) were transferred to the Department for Transport, Urban Planning and the Arts.

In addition, three employees engaged in investment attraction activities in the Department of Primary Industries and Resources and the Government Services Export Unit of SAGRIC International Pty Ltd were transferred to the Department of Industry and Trade during the year.

1.2 **Objectives**

The Department of Industry and Trade is responsible for implementing strategies that contribute to achievement of the South Australian Government's economic development strategy. The key strategies developed to achieve these outcomes are:

- create a competitive business operating environment;
- promote investment in appropriate physical capital;
- promote development of human and intellectual capital;
- integration of South Australia into the global economy;
- create a culture of collaboration and cooperation;
- encourage the development of productive, creative and competitive enterprises.

2. **Significant Accounting Policies**

The significant Accounting Policies which have been adopted in the preparation of these financial statements are:

2.1 **Basis of Preparation of Financial Statements**

The Financial Statements are prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The financial activities relating to South Austral-Asia Pty Ltd and Associated Trust have been included in the Financial Statements.

The financial activities of the South Australian Trade and Investment Corporation (SATIC) and other overseas representative offices have been included in the Financial Statements.

Financial activities relating to the Office for Recreation and Sport and the Office of Local Government have been included in the Operating Statement for the period 1 July 1999 to 14 February 2000.

The Statement of Financial Position reflects the financial position of the reporting entity at 30 June 2000 and consequently the figures presented for 30 June 1999 are not directly comparable.

2.2 **The Department of Industry and Trade Reporting Entity**

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account titled 'Department of Industry and Trade Operating Account' and any other funds through which the Department controls resources to carry out its functions.

South Austral-Asia Pty Ltd and Associated Trust were established as vehicles to provide assistance to Industry generally in the form of taking an equity position by purchasing shares or convertible notes in certain private sector companies. Assistance is no longer provided and the company is in the process of being wound up.

Administered Resources

The Department administers but does not control certain resources on behalf of the South Australian Government. The Department is accountable for the transactions relating to these administered resources but does not have the discretion to deploy these resources for the achievement of the Department's objectives.

Transactions and balances relating to these administered resources are not recognised as departmental revenues, expenses, assets or liabilities but are disclosed separately.

2.3 **Financial Asset Recognition**

During the latter part of the 1996-97 financial year, a process of debtor confirmation with respect to amounts owing by companies in receipt of financial assistance by way of short term interest free and interest bearing loans and 99 year interest free loans was commenced to provide assurance that all information of both a financial and non financial nature is materially reliable for reporting purposes. The initial confirmation process has been completed, however this process will be ongoing to ensure the integrity of the data being reported

2.3 Financial Asset Recognition (continued)

The Department has adopted the following accounting policy in relation to 99 year interest free loans:

With respect to 99 year interest free loans, these are recognised as assets for the first seven years, or for material individual loans until the purpose of the loan has been fulfilled, after which they are no longer recognised as assets in the Statement of Financial Position. They do, however, continue to be administered as debts due to the Department.

2.4 Appropriations, Grants and Other Contributions

Appropriations, grants and other contributions are recognised as revenue in the period in which the monies are received and the Department obtains control of the asset.

In relation to grants, where specific conditions relating to the grant are not met and the amount is required to be repaid, a liability is recognised as a result of a present obligation arising to the grantor.

2.5 Fixed Assets

All fixed assets controlled by the Department are reported in the Statement of Financial Position. The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Specific classes of fixed assets which have a total value greater than \$1 million are revalued every three years in accordance with Treasurer's Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'.

Minor items of equipment with an individual value of less than \$1 000 are expensed at the time of acquisition.

Works of art controlled by the Department are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised for this class of asset.

The Department previously recognised leasehold improvements as fixed assets. Following a change in accounting policy the Department no longer capitalises these items.

2.6 Depreciation and Amortisation of Fixed Assets

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable fixed asset over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets. The estimated useful lives of each asset class are as follows:

	Years
Furniture and equipment	5-10
Computer equipment	3

2.7 Receivables

Fees and Charges

Fees and charges receivable are brought to account at their recoverable amount and at the end of the reporting period the balances are reviewed and a provision is made where recoverability of amounts is considered doubtful.

Financial Assistance Debtors

Amounts outstanding with respect to financial assistance advances by way of loan are brought to account at their recoverable amount. Conditions relating to some forms of assistance provide that in certain circumstances, loans can be reduced or forgiven.

Recoveries

Amounts recovered that have been written off or previously provided for have been included as revenue, under fees, charges and recoveries.

2.8 Employee Entitlements

Salaries, Wages and Annual Leave

Liabilities for unpaid salaries, wages and annual leave at the reporting date are based on current pay rates and employees' services to that date. Liabilities for employment on-costs such as superannuation contributions and payroll tax are calculated in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Long Service Leave

Long service leave is recognised at current rates on a pro-rata basis in respect of services provided by employees up to the reporting date. The Department of Treasury and Finance has advised that a benchmark of eight years can be used for a shorthand estimation of long service leave liability in accordance with the provisions of AAS 30. This advice has been adopted and the long service leave liability as at 30 June 2000 has been calculated on that basis. Liabilities for employment on-costs such as superannuation contributions and payroll tax are calculated in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Sick Leave

No liability for sick leave was recognised in the financial report as sick leave taken by employees is considered to be taken from the current year's accrual.

2.9 Cash on Hand and on Deposit

For the purposes of the Statement of Cash Flows, cash on hand and on deposit includes cash deposits which are used in the cash management function on a day to day basis. Interest revenues are recognised as they accrue.

2.10 Inventories

Inventories comprise saleable publications. Valuation is at the lower of cost and net realisable value.

2.11 Borrowing Cost

Borrowing costs in relation to loans repayable to the SA Government Financing Authority are expensed in the period in which they occur.

2.12 Leases

The Department leases premises for its administrative and operating activities. Lease payments are included as expenditure in equal instalments over the accounting periods covered by the respective terms of the leases.

2.13 Foreign Currency

Assets and liabilities that are in a foreign currency have been brought into the accounts at the exchange rate applying at 30 June 2000. Income and expenses arising from transactions in a foreign currency are brought to account at the average exchange rate that applied during the period in which they occurred. Unrealised losses resulting from currency transactions have been brought to account in the Operating Statement.

3. Expenses by Output Class and Output	2000
Summary of expenses by output class and output for the period ended 30 June 2000	\$'000
Policy Development:	
Policy advice	5 177
Infrastructure Development:	
Infrastructure facilitation	16 771
Industry Development:	
Investment facilitation	46 496
Enterprise development	27 275
Industry support	4 403
Export development	3 519
Market South Australia	12 725
Total	116 366

4. Overseas Representative Offices

The following table provides a summary of the financial transactions for the year. The transactions relating to operating expenses and operating revenues have been included in the financial statements.

	2000							
	Overseas Offices							
	SATIC	Hong Kong	Jakarta	Bandung	Singapore	Kuala Lumpur	Tokyo	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating expenses	1 303	1 025	415	80	694	178	1 287	4 982
Operating revenues	53	62	-	-	71	-	530	716
Funds advanced to overseas offices towards operating expenses	1 238	929	337	125	705	169	794	4 297

5. Salaries, Wages and Related Payments

Salaries, wages and related payments comprise:	2000	1999
Salaries, wages and related payments comprise:	\$'000	\$'000
Salaries, wages, annual and sick leave	20 673	17 692
Long service leave	651	561
Superannuation	1 947	1 950
Other employee on-costs	1 474	1 704
Total	24 745	21 907

6. Superannuation

The Superannuation costs included in the financial statements comprise three components:

- During the reporting period, the Department paid \$1 753 000 to the Department of Treasury and Finance towards the accruing government liability for Superannuation in respect of its employees.
- In addition, payments were made to other externally managed funds for currently employed contributors amounting to \$94 000.
- From 1 July 1992, revised superannuation arrangements were implemented as a result of the Commonwealth Government's Superannuation guarantee legislation. The Department is required to make payments monthly amounting to 7 percent (6 percent) of eligible earnings. Payments made to an externally managed fund for employees in relation to this amounted to \$98 000.

Industry and Trade

7. Industry and Other Financial Assistance

Financial Assistance is provided from State and Commonwealth Funds. Proposals and applications for funding under various support programs and schemes are subject to specific guidelines and procedures issued by the Department and the Commonwealth. There are several approval delegations dependent upon the level and nature of assistance provided.

In some cases, the provision of assistance does not involve the direct outlay of funds by the Department. Assistance packages may involve elements of assistance provided through other government agencies, with the Department assuming the overall responsibility for the assistance arrangements. Generally, this is through the provision of purpose built buildings and exemptions or remissions from certain elements of state taxation.

Class of Assistance	Assistance Loans			Total Grants \$'000	2000 Total Assistance \$'000
	Interest Free \$'000	99 Year Interest Free \$'000	Total Loans \$'000		
Industry Development	1 322	4 833	6 155	12 706	18 861
Regional Industry Development	-	653	653	1 711	2 364
Special Development Payments	-	200	200	270	470
Payroll/Land Tax Reimbursement	-	53	53	4 483	4 536
AusIndustry	-	-	-	406	406
Small and medium business initiatives	100	199	299	1 160	1 459
Automotive Program	-	-	-	1 000	1 000
Investment attraction and export development initiatives	-	-	-	49	49
Export development including Government services	-	-	-	1 092	1 092
Enterprise Improvement Program	50	15	65	3 081	3 146
Regional Development	-	-	-	3 757	3 757
Rail Reform Transition Program	-	-	-	4 442	4 442
Regional infrastructure development	-	-	-	435	435
Recreation and Sport	-	-	-	6 095	6 095
Tourism Infrastructure	-	-	-	3 000	3 000
Other	-	-	-	3 783	3 783
	1 472	5 953	7 425	47 470	54 895

In relation to assistance to Industry, under the provisions of the *Industries Development Act 1941*, the Minister may refer any matter to the Industries Development Committee for review and recommendation by the Committee. Details of assistance recommended by the Committee during the reporting period were:

Financial assistance:	2000		1999	
	Number	Total \$'000	Number	Total \$'000
Investment incentives	5	3 439	7	11 258
Industrial and Commercial Premises Corporation	1	8 000	1	7 500
Government guarantees	-	-	1	4 500

8. Infrastructure Development

Included in the total expenditure of \$11.7 million are:

8.1 Hindmarsh Soccer Stadium Stage 2

In February 1998, Cabinet approved an upgrade of facilities at Hindmarsh Soccer Stadium at a total estimated cost of \$18.5 million. Tenders for the project were less than the initial estimates and the estimated total cost has been revised down to \$17.0 million.

The additional redevelopment was being undertaken to enable South Australia to participate in the Olympic Football Tournament (Soccer) part of the sports program of the Sydney 2000 Olympic Games.

Construction costs expensed during the reporting period totalled \$7.1 million bringing total costs for the project to 30 June 2000 of \$16.5 million.

8.2 Memorial Drive Tennis Stadium

In November 1997, Cabinet approved estimated expenditure of \$3.0 million over two years to upgrade the Memorial Drive Tennis Club facilities in order to retain the Australian Men's Hardcourt tournament after government underwriting ceased in 2000.

Upgrade costs expensed during the reporting period totalled \$1.8 million with total costs to 30 June 2000 being \$2.9 million.

9. Payments to Consultants

Total payment to consultants were \$3.4 million. Payments to consultants by Office for Recreation and Sport up to and including the 14 February 2000 were \$164 000.

The consultancies used by the Department and payments made have been grouped under the following ranges:

	2000 Number of Consultancies
Below \$10 001	208
\$10 001 - \$20 000	31
\$20 001 - \$30 000	22
\$30 001 - \$40 000	9
\$40 001 - \$50 000	5
\$50 001 - \$60 000	3
\$60 001 - \$70 000	3
\$70 001 - \$80 000	1
\$80 001 - \$90 000	2
\$90 001 - \$100 000	1
Over \$100 000	3

9. **Payments to Consultants (continued)****\$20 001 - \$30 000**

Allsurv Engineering Surveys Pt Ltd
Chimo Pty Ltd

David J Lewis & Associates Pty Ltd
Deloitte Touche Tohmatsu
Dramac Resources Pty Ltd
Heaton Consultancies
Heaton Consultancies
Hudson Howells Asia Pacific Consulting
Instate Pty Ltd
Mediamotion Australia
Murraylands Infrastructure Developments

Nigel Barkham
Price Waterhouse Coopers
Ross Surace (Sarotec Solutions)
Skilmar Systems Pty Ltd
Stephen Timms Consulting Pty Ltd
University of South Australia

\$30 001 - \$40 000

Arup Stokes Consulting Engineers
Challenger Beston
Commissioner for Public Employment

Hemmerling International Pty Ltd
Icon Group Services FZE
JTP Joint Tech Parks Pty Ltd
KPMG Consulting Pty Ltd
Mack Management Consulting
Peter Zeleny Analytics Pty Ltd

\$40 001 - \$50 000

ADC Results Pty Ltd
Adelaide Resources NL
Dramac Resources Pty Ltd
Finney Whelan International
Hudson Howells Asia Pacific Consulting

\$50 001 - \$60 000

Access Economics Pty Ltd

NRG Pty Ltd
PPK Environment & Infrastructure Pty Ltd

\$60 001 - \$70 000

Department for Administrative and
Information Services
Disney-Howe Associates Pty Ltd
Quoin Technology Pty Ltd

\$70 001 - \$80 000

Leadenhall Australia Limited

\$80 001 - \$90 000

KPMG Consulting Pty Ltd
Sharon Thomas (Amadeus International)

\$90 001 - \$100 000

Chimo Pty Ltd

Over \$100 000

Luminis Pty Ltd
LR & M Constructions Pty Ltd
EGIS Consulting

Consultancy Title

Salisbury DSTO - Proposed Sub-Division
WorkCover Levy
Revenue SA FTP
Homestart Form
Signature Module
Profiling Aluminium Die Casting
GST Project Management
SA Small Business Sector 10 - Year Vision
Health Industries Sector
Traded Services Sector
Alice Springs to Darwin Rail Freight Opportunities Study
Beetroot Market Study
Partners in Rail Communication
Relocation of Adelaide Mushrooms
Further development work Monarto Water Pipeline
Rivapak Onion Packing Shed
Marketing of Woomera Range
Council Rates for Mobil at Port Stanvac
Electronics Design Centre Attraction
Provision of advice, attendance at meetings and drafting of material
Pipeline Study
Aged care scoping studies project

Adelaide Hills Winery Waste Management Research
Advanced Manufacturing Facility
Preliminary work and strategy development for new legislation for the
Adelaide Parklands
SA Business Opportunities from Sydney Olympics
SA Freighter Service Feasibility Study
Innovation Park - Feasibility Study
Investment Attraction - Maximising the Return
Evaluation of Service Delivery for Office for Recreation and Sport
Quarterly Toolmaking Industry Survey

GST
Warrambo Iron Project
SACFM/TBS Study
Feasibility Study for an Australian Product Development Centre
Wheat Value Chain Analysis

Methodology for assessing net public benefit of investment
attraction proposals
SAMAG Project
Audit of Road Length Data

Terrace Towers Fitout - Level 7 and 8

Defence Issues/Reviewing DIT Defence Strategies
Education CD-ROM

SA Infrastructure Projects

Solar Power Generation & Water Desalination Technology
Invest SA seminars and travel to USA

Integration of Bizgate with the Commonwealth Government Business
Entry Point

European Wasp Research Grant
DSTO Salisbury Industrial Subdivision
DSTO Salisbury Industrial Subdivision

10. **Abnormal Items**

The abnormal items reflected in the following table relate to the restructure of the Department during 1999-2000.

Transfers from Department of the Premier and Cabinet
Transfers to:

Department for Environment and Heritage
Department for Transport, Urban Planning and the Arts

\$'000
820

(60 145)
(420)

(59 745)

Industry and Trade

11. Borrowings		2000	1999
Repayment details during the reporting period were:		\$'000	\$'000
Opening balance		20 287	23 396
Less: Principal repaid to SAFA		2 688	3 109
Transfers ⁽¹⁾		556	-
Balance Outstanding at 30 June 2000		17 043	20 287
Represented by:			
Current Liability		2 311	1 294
Non-Current Liability		14 732	18 993
Balance Outstanding at 30 June 2000		17 043	20 287
 (1) Borrowings relating to the Office for Recreation and Sport were transferred to the Department for Environment and Heritage.			
12. Receivables and Prepayments		2000	1999
		\$'000	\$'000
Trade debtors	2 334		4 297
Less: Provision for doubtful debts	61		118
		2 273	
Interest on deposit accounts and bank accounts		751	127
Prepayments		170	124
Other receivables		202	154
		3 396	4 584
13. Financial Assistance Debtors		2000	1999
		\$'000	\$'000
Current		5 905	13 364
Less: Provision for doubtful debts		2 741	10 501
Total Current		3 164	2 863
Non-Current:		60 299	57 414
Less: Provision for bad and doubtful debts		2 556	5 506
Total Non-Current		57 743	51 908
14. Fixed Assets		2000	1999
		\$'000	\$'000
Land - At cost		1 360	
Land - At valuation		-	14 031
Buildings - At valuation		-	38 817
Furniture and equipment	3 132		2 635
Less: Accumulated depreciation	1 896		1 517
		1 236	1 118
Computer equipment	3 859		3 634
Less: Accumulated depreciation	1 966		1 743
		1 893	1 891
Scientific equipment	-		564
Less: Accumulated depreciation	-		351
		-	213
Sporting equipment	-		1 072
Less: Accumulated depreciation	-		542
		-	530
Leasehold improvements	-		2 687
Less: Accumulated amortisation	-		1 561
		-	1 126
Works of Art		21	21
Total Net Value of Assets		4 510	57 747
15. Payables and Accrued Expenses		2000	1999
Current Liabilities:		\$'000	\$'000
Trade creditors and accruals		2 355	1 288
Accrued interest on borrowings		133	134
Employee on-costs ⁽¹⁾		203	400
		2 691	1 822
Non Current Liabilities:			
Employee on-costs ⁽¹⁾		346	401

(1) Included in these amounts is an actuarial assessment of workers compensation liabilities at 30 June 2000. The amounts 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 may result in a different assessed liability.

15. Payables and Accrued Expenses (continued)

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 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 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).

The current liability for workers compensation included in the statements is \$27 000. The non-current liability in the statements has been assessed at a value of \$83 000.

16. Employee Entitlements	2000	1999
Current Liabilities:	\$'000	\$'000
Accrued salaries and wages	98	664
Annual Leave	1 101	1 241
Long service leave	270	194
Total Current	1 469	2 099
Non-Current Liabilities:		
Long service leave	2 227	2 772
Total Non-Current	2 227	2 772

17. Notes to the Statement of Cash Flows**17.1 Reconciliation of Cash**

Closing cash balance as shown in the Statement of Cash Flows is represented by the following balances:

Department of Industry and Trade Operating Account and other funds	52 378	37 558
Cash held in bank accounts	466	196
Treasury Imprest Accounts	9	23
Cash on hand	15	3
	52 868	37 780

17.2 Reconciliation of Net Cash provided by Operating Activities to Change in Net Assets before Abnormal Items

Change in net assets before abnormal items	29 693	8 983
Depreciation and amortisation	932	1 865
Restructuring proceeds and net asset transfers	(3 262)	(550)
(Gain) Loss on disposal of fixed assets	1 147	(2 485)
Prior period adjustment	-	(109)
Change in assets and liabilities:		
(Increase) in receivables and financial assistance debtors	(4 948)	(1 069)
(Increase) Decrease in inventories	176	(51)
(Decrease) in payables, accrued expenses and employee entitlements	(22)	(4 860)
Net Cash provided by Operating Activities	23 716	1 724

18. Financial Assistance Commitments

In addition to the payments of assistance described in Note 7, the Department has financial commitments under agreements with various bodies. The payment of funds committed is subject to certain performance criteria being met by these bodies.

	2000	1999
	\$'million	\$'million
Not later than one year	24.8	23.2
Later than one year but not later than three years	24.2	17.5
Later than three years but not later than eight years	15.2	12.7
Funds committed at 30 June	64.2	53.4

19. Lease Commitments

At 30 June, the Department had the following obligations under non-cancellable operating leases. The Department has various operating lease arrangements for the use of property that generally provide for lease payments in advance. Rental provisions provide for rental adjustments by negotiation or in accordance with movements in the CPI. Generally options exist to renew the leases at the expiration of the term of the leases. These obligations have not been recognised as liabilities in the Financial Statements.

	2000	1999
	\$'000	\$'000
Not later than one year	2 583	1 821
Later than one year but not later than five years	5 077	1 386
Later than five years	2 804	1 698
	10 464	4 905

20. Equity Reconciliation

Opening equity	127 828	113 340
Asset revaluation reserve	-	3 376
Prior year adjustments	-	2 129
Change in net assets after abnormal items	(30 052)	8 983
Closing Equity	97 776	127 828

Industry and Trade

21. Employee Remuneration

The following table sets out the number of employees with total remuneration in excess of \$100 000 within the following bands:

	2000 Number of Employees	1999 Number of Employees
\$100 000 - \$110 000	4	9
\$110 001 - \$120 000	7	2
\$120 001 - \$130 000	2	5
\$130 001 - \$140 000	4	2
\$140 001 - \$150 000	2	1
\$150 001 - \$160 000	2	1
\$180 001 - \$190 000	-	2
\$190 001 - \$200 000	2	-
\$230 001 - \$240 000 ⁽¹⁾	1	-

(1) Included in the remuneration was termination payments of \$352 000.

Total remuneration received or receivable by these employees was \$3.3 million (\$2.7 million).

22. Auditor's Remuneration

Amounts due and receivable by the Auditor-General's Department for the audit of the Department for the reporting period total \$150 000 (\$165 000).

23. Interest and Credit Risk Exposure

The Department recognises Trade Payables as they are incurred and recognises accrued expenses for goods and services supplied that have not been paid for. Trade Payables are normally settled on 30 day terms with no exposure to interest rate risk.

Trade Debtors are recognised at the time the debt is incurred with terms set at 30 days. There is no exposure to interest rate risk on Trade Debtors and credit risk is negligible.

In relation to loans provided to external parties, the credit risk is limited to the carrying amount of the assets in the Statement of Financial Position. However, conditions relating to some forms of assistance provide that in certain circumstances, loans can be reduced or forgiven.

	2000 Fixed Interest Maturing in				Non- Interest Bearing \$'000
	Floating Interest \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000	
Financial Assets:					
Cash	52 868	-	-	-	-
Loans receivable	-	398	534	356	64 916
Weighted Average Interest Rate (percent)	5.0	8.6	7.7	7.3	-
Financial Liabilities:					
Loans payable	-	2 311	14 732	-	-
Weighted Average Interest Rate (percent)	-	13.1	12.6	-	-

24. Contingent Liabilities

Guarantees granted in respect of borrowing arrangements that were effected through the Industry Incentives and Assistance Fund (IIAF) are provided on the approval of the Treasurer pursuant to the terms of the *Industries Development Act 1941*. That approval provides, inter alia, that no such guarantees should be executed except on the recommendation of the Industries Development Committee. The Departmental Operating Account assumed the liability for any calls on certain existing guarantees pertaining to the IIAF. At 30 June 2000, the total amount guaranteed under these arrangements was \$15.0 million.

25. Targeted Voluntary Separation Packages (TVSPs)

In accordance with government policy to reduce the public sector workforce, 4 employees of the Department were paid TVSPs during the period.

As at 30 June 2000 payments amounted to \$324 000. In addition to this \$110 000 was paid in accrued annual leave and long service leave entitlements to those employees who received a TVSP. These payments were met by the Department and have been recovered from the Department of the Premier and Cabinet.

ATTORNEY-GENERAL; MINISTER FOR CONSUMER AFFAIRS; MINISTER FOR JUSTICE; MINISTER FOR POLICE, CORRECTIONAL SERVICES AND EMERGENCY SERVICES

PORTFOLIO – JUSTICE

INTRODUCTION

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

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

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

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

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
- South Australian Metropolitan Fire Service

DEPARTMENT OF JUSTICE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

As part of the agency restructure implemented by the Government in October 1997, a Justice Portfolio was created to coordinate the provision of justice services to the community and the Government of South Australia.

At the same time, the Department of Justice was established as an administrative unit pursuant to the *Public Sector Management Act 1995*.

The Chief Executive is the only appointee to the Department of Justice. The Department was up to 30 June 1999 assigned no functions and this still remains the same at 30 June 2000 with the exception of the following.

In the 1999-2000 Budget, appropriation arrangements for a number of agencies within the Justice Portfolio were changed. In prior years appropriations were paid directly to the Attorney-General's Department, Courts Administration Authority, Department for Correctional Services, Police Department and State Electoral Office. From 1 July 1999, appropriations for these agencies were provided to the Department of Justice.

The Treasurer approved in June 1999 the establishment of a Special Deposit Account for the Department of Justice to:

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

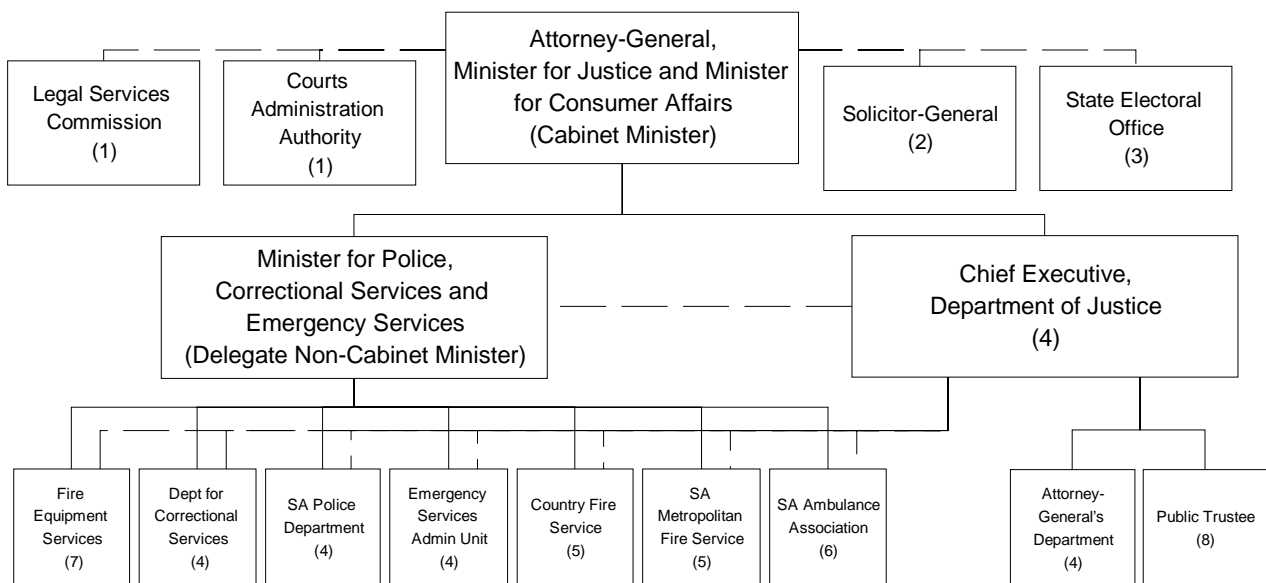
The Department does not control revenue and expenses in relation to this arrangement but is simply responsible for coordinating the funding process for the abovementioned agencies.

Given that the Department does not have a staffing structure, the activities of this Special Deposit Account are administered by the Attorney-General's Department. For further details, refer to Attorney-General's Department Financial Statements - Schedule of Administered Expenses and Revenues for the year ended 30 June 2000.

The Justice Portfolio

Since the creation of the Justice Portfolio, each of the agencies in the portfolio have continued to operate as separate administrative units and no changes have been made to the Chief Executives of any of the agencies. Consequently, the agencies have prepared separate financial statements for financial reporting purposes.

The following shows the organisational structure of the Justice Portfolio.



Notes:

- (1) Separate statutory authority independent of Executive Government
- (2) The Office of Solicitor-General (the second Law Office of the Crown) is constituted under the *Solicitor-General Act 1972*
- (3) The Electoral Commissioner and Deputy Electoral Commissioner are directly appointed by Parliament pursuant to the *Electoral Act 1985*
- (4) Administrative Unit under the *Public Sector Management Act 1995*
- (5) Statutory Authority
- (6) Incorporated Association
- (7) Public Corporation
- (8) Public Trading Entity

Cabinet approved on 26 October 1998 the establishment of the Emergency Services Administrative Unit (ESAU). The unit has brought together from 1 July 1999, administrative personnel from the South Australian Metropolitan Fire Service (SAMFS), Country Fire Service (CFS) and State Emergency Service SA (SES). The unit is responsible for providing all corporate and support services for emergency services and enabled joint strategic and business planning across the emergency services.

The Chief Executive of the unit is responsible for the management and administration of the unit, while the Country Fire Service Board and existing heads of the CFS, SAMFS and SES (a division of ESAU effective from 1 July 1999) will retain and continue to exercise their operational and statutory powers, as required.

FINANCIAL STATEMENTS

As mentioned above the:

- Chief Executive is the only appointee to the Department of Justice. The Chief Executive is also the Chief Executive of the Attorney-General's Department. That Department discloses related remuneration payments;
- activities of the Department's Special Deposit Account are disclosed in the Attorney-General's Department Financial Statements under administered transactions.

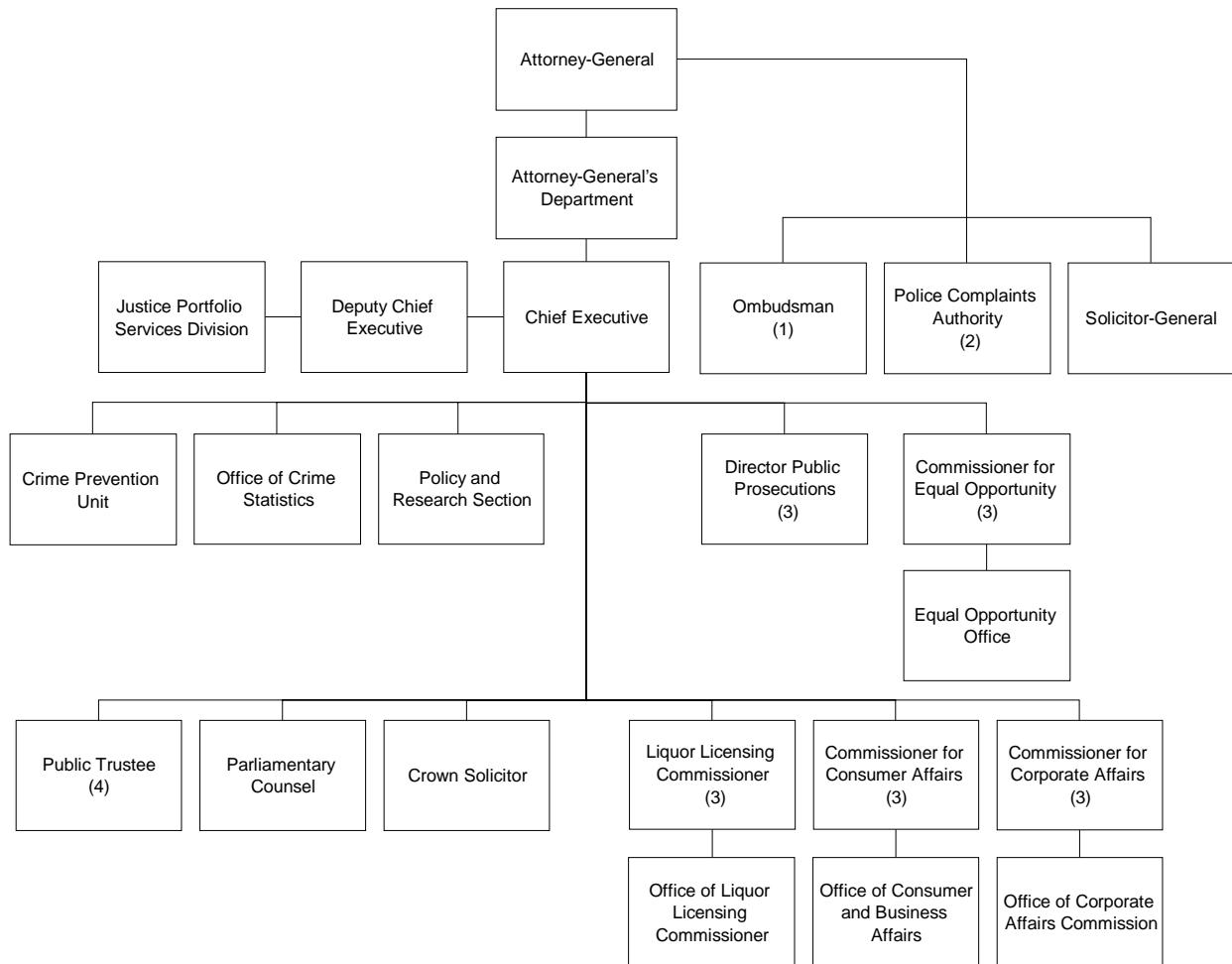
As a consequence no financial statements in respect to the Department of Justice have been prepared.

ATTORNEY-GENERAL'S DEPARTMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*, and is responsible for the provision of professional, legal and associated services to the Ministers of the Crown and government agencies. It also services the people of South Australia by upholding their legal and property rights and maintaining community and business standards.

The structure of the Department and its relationship with the Minister is shown in the following diagram:



- (1) Statutory officer reporting to Parliament: all other staff appointed under the *Public Sector Management Act 1995*.
- (2) Statutory officer: all other staff appointed under the *Public Sector Management Act 1995* or *Police (Complaints and Disciplinary Proceedings) Act 1985*.
- (3) Statutory office holder: all other staff appointed under the *Public Sector Management Act 1995*.
- (4) The Public Trustee is a separate legal entity for financial reporting purposes.

SIGNIFICANT FEATURES

- The Department's 'net cost of services' increased by \$11.2 million (35 percent) to \$42.7 million. Refer to 'Interpretation and Analysis of Financial Statements' - Operating Statement for details.
- Administered expenses and revenues increased by \$640.9 million to \$924.9 million (226 percent) and \$642 million to \$938.7 million (216 percent) respectively. The increases were the result of changed appropriation arrangements and the administration of the Community Emergency Services Fund.

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

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 the following Head Office functions were the subject of audit attention:

- budgetary control and management reporting
- general ledger
- accounts receivable
- receipting and banking
- accounts payable
- salaries and wages
- asset register
- suspense and working accounts
- criminal injuries compensation fund.

The audit also incorporated a review of the financial activities of the following divisions of the Department:

- Office of Consumer and Business Affairs
- Office of the Liquor and Gaming Commissioner
- Crown Solicitor's Office
- Office of the Ombudsman
- Equal Opportunity Commission.

In addition, Audit reviewed the following areas that affect both the Department and the Justice Portfolio:

- Financial Management Framework
- Procurement Reform
- Goods and Services Tax developments
- Administration of the *Emergency Services Funding Act 1998*.

Audit Communications to Management

A number of management letters communicating the issues arising from the audit were forwarded to the Chief Executive and responses have been received. Comments on material issues referred to management are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Financial Management Framework

Background

The Financial Management Framework (FMF) became operative in July 1998 under mandate of the Treasurer's Instructions. Each Chief Executive is responsible for developing, implementing and documenting policies, procedures and systems which are consistent with the prescribed principles set out in the FMF.

Given that 1999-2000 is the second year of operation of the Financial Management Framework (FMF), the status of its implementation for the Justice Portfolio was reviewed. In this regard, Audit assessed compliance with the guidance provided by the FMF on financial management practices and, in particular, some strategic mandatory elements across the Justice Portfolio. It is important to note the following commentary is based primarily on the findings from the review of four of the key agencies within the Portfolio, that being the Attorney-General's Department, Public Trustee Office, Courts Administration Authority and the Department for Correctional Services.

Audit Observations

Implementation Progress

Audit reported in the 1998-99 Auditor-General's Report to Parliament that the Portfolio had initiated a number of developments that align with certain prescribed elements of the FMF, that being the:

- formulation of a Risk Management Framework;
- establishment of financial policies and procedures for eight major systems. This was to be finalised by May 2000.

The approach was to involve representatives from each agency in establishing policies and procedures in line with the FMF which were to be generic in nature, however, agencies could then develop them further to take into account the individual needs of their organisation and structure;

- establishment of an Internal Audit function.

Developments During 1999-2000

Audit follow up during 1999-2000 revealed that while the Portfolio has commenced work on the various aspects of the framework, the level of achievement varies.

Risk Management

The area in which the Portfolio has, in Audit's opinion, made satisfactory progress is with respect to Risk Management. While the Risk Management Plan had not as at 30 June 2000 been finalised, the Portfolio had made progress towards achieving this in that it has finalised the Risk Management Framework.

Financial Policies and Procedures

With respect to the establishment of financial policies and procedures in line with the prescribed elements of FMF, the Portfolio had not as at 30 June 2000 finalised these for all systems with the exception of one system which was finalised prior to 30 June 1999. Audit does acknowledge that the Portfolio has had to redirect resources during the 1999-2000 year to establish policies and procedures relating to the introduction of the Goods and Services Tax.

Where audit has identified improvements that could be made with respect to the policies, procedures and systems in place or where non-compliance has been noted against at least the prescribed elements of the FMF, these issues have been reported to the Chief Executive of each agency within the Portfolio.

In its response, the Department has advised that the Portfolio has recommenced the process of developing the other financial policies and that it is intended to give priority, during 2000-2001, to developing financial policies for the accounts payable, payroll and purchasing systems.

Internal Audit

The Portfolio had not as at 30 June 2000 established an Internal Audit function, however, the intention is to still do so.

Strategic Plans

During the 1998-99 audit review, Audit was advised that a Strategic Plan would not be prepared for the Justice Portfolio due to the diversity of the activities within it. Instead each agency was responsible for preparing their own Strategic Plans.

The FMF requires that each Chief Executive provide effective planning and analysis processes which will assist management in making decisions to achieve an agency's objectives. Planning and analysis is an important process in setting the direction, goals and values of an organisation and assisting in decision making.

The Department advised Audit that the Portfolio was in the process of completing a Strategic Directions paper for the Justice Portfolio and that this was to be used by agencies across the Portfolio when establishing and reviewing their own Strategic Plans.

The Department has advised that further work has been carried out on the Strategic Directions document for the Portfolio and that it planned to release this in December 2000. The Department has also advised that the agencies within the Portfolio will be responsible for developing their own strategic plans and that they will link to the Portfolio Strategic Directions. In addition, a Strategic Plan for the Attorney-General's will be developed during 2000-2001 which will link the divisional strategic plans for the Department.

General Comments

The Justice Portfolio has, in the main, taken the approach of working together with the agencies within the Portfolio to implement the FMF. While Audit has acknowledged that there are likely benefits in the Portfolio working together through this process, it has pointed out to the Portfolio that it is important that the responsibility of each Chief Executive to implement the FMF within their agency is recognised. Further, each agency within the Portfolio is different in nature and the degree of compliance/non-compliance with the prescribed elements of the Framework will also be different. In working together as a Portfolio, these differing factors need to be taken into account.

The audit review revealed that the Portfolio did not have a plan outlining the implementation process and agencies did not have their own plans in place as to how and when they were going to implement the elements of the Framework. In Audit's opinion, the Portfolio and agencies need to establish a plan which clearly outlines the direction, structure, approach, timeframes and responsibility of those involved in the implementation process.

The Department has in its response acknowledged that the each Chief Executive within the Portfolio is responsible for developing and implementing the FMF within their agencies. The Justice Portfolio intends to use the Justice Portfolio Agency Financial Committee as the steering committee in assisting and supporting agencies with the implementation of the FMF. In addition, the steering committee will monitor and report to the Justice Portfolio Leadership Group on the implementation progress of the FMF.

Audit will review the developments regarding the implementation of the FMF across the Justice Portfolio during 2000-01.

Commentary on General Financial Controls

The review of the specific auditable areas involved 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 identified a number of instances where internal control procedures either required improvement or were not applied consistently during the year. The main issues raised by Audit related to the need to:

- make procedural changes to enhance the general financial controls over a number of key financial systems;
- ensure key reconciliations are performed on a timely basis;

- establish proper reporting mechanisms for the management of the Community Emergency Services Fund; formalise Service Level Agreements with the service providers, namely, RevenueSA; establish controls and monitoring systems which will ensure monies related to the Fund are captured and correctly credited to it in accordance with the Act; and establish adequate reporting processes to enable the Department to ensure compliance with the Act and effectively administer the Fund.

While there were a number of control issues raised by Audit, substantive testing of transactions by the Department did not reveal any material errors in the sample of transactions tested.

Gaming Operations

Last year's Report referred to a review of some aspects of the Office of Liquor and Gaming Commissioner's (OLGC) administrative role with respect to monitoring the Independent Gaming Corporation (IGC) monitoring system, inspection activities and operations at licensed hotels and clubs, and taxation revenue collections.

An Audit management letter outlining Audit observations and comments was forwarded to OLGC in September 1999.

The main matters referred to in the letter were :

- Audit suggested that OLGC review their ongoing review strategy with respect to IGC following the implementation by the Corporation of the new Advanced Gaming System;
- Audit noted that OLGC was considering a risk based approach to venue inspections. Audit considered that OLGC should formally appraise the adoption of a risk based policy and strategy with respect to the frequency and nature of inspection activity.

Other matters raised, included the need to review data management backup and business continuity arrangements in respect to OLGC operations.

During the year OLGC provided written responses to the matters raised by Audit. Those responses were of a satisfactory and detailed nature.

Regarding OLGC administrative responsibility of reviewing IGC's new gaming system, OLGC has formally considered and actioned this matter through amendment of the gaming machine monitor licence.

In relation to the risk based approach to venue inspections, the Attorney General's Department is implementing a risk based program and the venue inspection program is also being considered a part of that overall program.

The OLGC has also communicated that business continuity issues were being addressed.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Attorney-General's Department 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 Attorney-General's Department in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, except 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 Statement

Operating Expenses

Total Operating Expenses for the year amounted to \$82.3 of which \$49.1 (59.7 percent) comprised employee entitlements and related expenses.

Revenues

Revenues comprise funds provided by Parliamentary appropriations \$48.7 million (55.2 percent), fees and charges for services provided \$30.4 million (34.4 percent), and other revenues \$9.2 million (10.4 percent).

Administered Items

Administered revenues increased by \$642 million to \$938.7 million and administered expenses increased by \$640.9 million to \$924.9 million.

These increases are in the main attributed to the Department being responsible for administering from 1 July 1999:

- Appropriations received by the Department of Justice. For further details on this arrangement, refer to Department of Justice.

Appropriations received totalled \$483.5 million which were forwarded to agencies within the Justice Portfolio. Refer to Schedule of Administered Expenses and Revenues for the year ended 30 June 2000 and Note 5.

- The Community Emergency Services Fund. Details are provided under General Commentary on Operations below.

Amounts credited to the Fund for the year totalled \$135.7 million and payments from the Fund totalled \$135.3 million. Refer to Schedule of Administered Expenses and Revenues for the year ended 30 June 2000 and Notes 5 and 10.

GENERAL COMMENTARY ON OPERATIONS

Emergency Services Levy

Alternative funding arrangements for emergency services was approved by Cabinet with the introduction of legislation for the establishment of an Emergency Services Levy. The levy came into force from 1 July 1999 under the *Emergency Services Funding Act 1998*.

The new levy replaced existing funding methods for emergency services based on insurance levies and State and Local Government contributions.

The aim of the new levy is that an equitable and transparent contribution to the cost of emergency services be made by all service sectors that have the potential to benefit from those services.

Contributions, by way of levies, are made by all owners (including both State and Local Government) of both fixed and mobile property to fund the provisions of emergency services. The levy receipts are paid into a fund titled the Community Emergency Services Fund, from which services are funded.

The levy on fixed property applies to capital values adjusted for location and land use and is collected by RevenueSA.

The mobile property levy is collected by the Department for Transport, Urban Planning and the Arts using the vehicle registration system.

The Attorney-General's Department is responsible for administering the Community Emergency Services Fund. Monies collected by RevenueSA and the Department for Transport, Urban Planning and the Arts are credited to the Fund from which the Department makes payment to the emergency services and the Fund meets the cost of collecting the levies and operating the Fund.

The revenue from the emergency services levy for 1999-2000 was budgeted at \$141.5 million, comprising \$106.6 million from fixed property and \$34.9 million from the mobile component.

The amount credited to the Fund during 1999-2000 was \$135.7 million and comprised:

Levy collected by:	\$'000
RevenueSA	89.2
Department of Transport	33.4
Levy paid by State Government	12.6
Interest	0.5
	135.7

Outstanding levies on fixed property as at 30 June 2000 totalled \$7.7 million, of which \$1.7 million relates to remissions due from the State Government. The remaining \$6.3 million has not been recognised in the Department's financial statements.

Payments totalling \$135.3 million were made from the Fund as follows:

	\$'000
Emergency Services Administrative Unit ⁽¹⁾	94
SA Police	16
Department for Administrative and Information Services	13.0
Department for Environment and Heritage	1.9
SA Ambulance	0.8
Surf Lifesaving	0.3
Levy collection fees:	
RevenueSA	8.3
Department of Transport	0.2
Administration costs - Attorney-General's Department	0.8
	135.3

(1) The Emergency Services Administrative Unit distributed these funds to the:

- Country Fire Services
- SA Metropolitan Fire Services
- State Emergency Services.

The emergency services levy budget for 2000-2001 is \$141 million.

Gaming Machine Legislation and Administration

The *Gaming Machines Act 1992* provides for the Liquor and Gaming Commissioner to be responsible to the Gaming Supervisory Authority for the constant scrutiny of the operations of all licensees under the Act.

Pursuant to the Act the Commissioner is responsible for the approval, issue and administration of five different types of licence namely: the Gaming Machine Licence, the Gaming Machines Dealers Licence, the Gaming Machine Suppliers Licence, the Gaming Machine Service Licence and, the Gaming Machine Monitoring Licence.

Under the Act and appropriate schedules and regulations, the operations of gaming machines in licensed premises result in the average return to patrons being not less than 85 percent and a prescribed percentage of net gambling revenue (NGR) approved by the Treasurer, being paid into the Consolidated Account.

The Government has introduced a new tax structure for licensed clubs and hotels operating gaming machines in South Australia, effective from the 1998-99 financial year.

The prescribed percentage of NGR to be paid into the Consolidated Account is as follows:

Tax Threshold on Annual NGR	Tax Rate
Non-profit business:	
\$1 - \$399 000	30 percent
\$399 000 - \$945 000	\$119 000 plus 35 percent of the excess NGR over \$399 000
\$945 000 and over	\$310 800 plus 40 percent of the excess NGR over \$945 000
Other:	
\$1 - \$399 000	35 percent
\$399 000 - \$945 000	\$139 650 plus 43.5 percent of the excess NGR over \$399 000
\$945 000 and over	\$377 160 plus 50 percent of the excess NGR over \$945 000

Independent Gaming Corporation Limited

Pursuant to the *Gaming Machine Act 1992* (the Act), the Liquor and Gaming Commissioner granted the monitoring licence, in accordance with section 25, to a body corporate known as the Independent Gaming Corporation Limited (IGC).

The IGC is an unlisted public company owned by the Hotel and Clubs Industry and is controlled by a Board of Management made up of two representatives from each of the Australian Hotels' Association (SA Branch) and Licensed Clubs' Association of South Australia and, three independent directors.

The IGC, in discharging its responsibilities with respect to monitoring of gaming machine operations in licensed venues has, with the Treasurer's approval, set a charge on licensed gaming machines operators to provide for the ongoing cost recovery of its operations.

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

With respect to the 1999-2000 operations, the audit of the IGC has been completed and an unqualified audit opinion issued.

Gaming Revenue

Gaming Revenue is reported as an administered item in the financial statements of the Department.

Revenue from gaming machine activity has continued to increase since operations went live in licensed premises on 25 July 1994. In the reporting period, receipts credited to the Consolidated Account totalled \$210 million (\$188.3 million in 1998-99).

Other statistics which illustrate the sustained growth in gaming machine operations, with turnover continuing to rise, area provided in the following table:

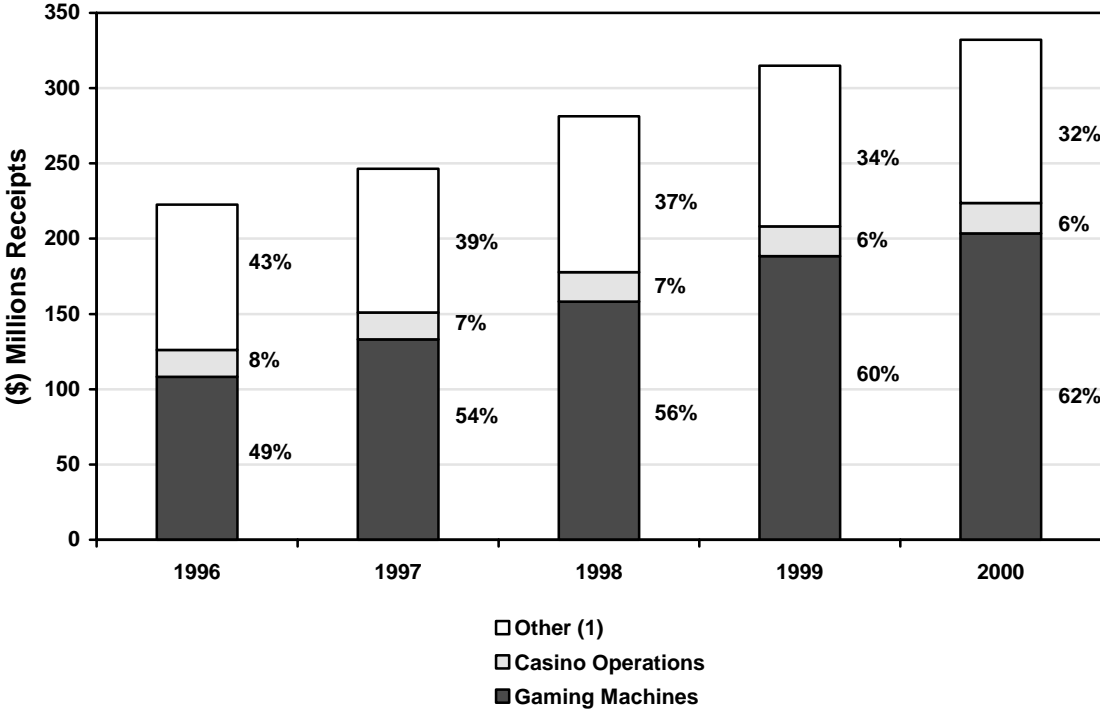
	2000	1999	1998	1997
Sites	565	539	514	485
Machines	12 778	11 944	10 938	10 491
Turnover (\$'billion)	4.1	3.7	3.3	3.0

Total Revenue to Government from all Forms of Gambling

Revenue from total gambling activities increased by \$24.4 million to \$339 million.

The following graph highlights revenue credited to the Consolidated Account from gambling activities over the past five years and reflects a significant increase in contributions from gaming machines in comparison to the Casino Operations and other forms of gambling:

Gambling Revenue



(1) Other includes:

- Lotteries Commission
- South Australian Totalizator Agency Board
- On-course totalizators, bookmakers and small lotteries.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Employee entitlements and related expenses	4	49 133	41 770
Goods and services	5	28 033	20 459
Legal and other professional costs	6	1 357	1 376
Depreciation and amortisation	7	2 190	2 076
Other expenses	8	1 570	926
Total Operating Expenses		82 283	66 607
OPERATING REVENUES:			
Fees and charges	9	30 388	28 578
Other revenues	10	9 225	6 532
Total Operating Revenues		39 613	35 110
NET COST OF SERVICES		42 670	31 497
REVENUES FROM GOVERNMENT			
Recurrent appropriations		47 957	41 050
Capital appropriations		754	245
Total Revenues from Government		48 711	41 295
NET (LOSS) GAIN ON DISPOSAL OF NON-CURRENT ASSETS	11	(178)	13
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	23	5 863	9 811

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash on hand and on deposit	12	29 508	22 844
Receivables	13	4 218	3 628
Other current assets	14	527	315
Total Current Assets		34 253	26 787
NON-CURRENT ASSETS:			
Property, plant and equipment	15	10 831	11 324
Total Non-Current Assets		10 831	11 324
Total Assets		45 084	38 111
CURRENT LIABILITIES:			
Payables	16	2 193	3 027
Provision for employee entitlements	17	3 395	4 052
Finance leases	22	26	55
Other current liabilities	18	1 993	911
Total Current Liabilities		7 607	8 045
NON-CURRENT LIABILITIES:			
Payables	16	1 151	997
Provision for employee entitlements	17	8 165	7 010
Finance Leases	22	18	44
Other non-current liabilities	18	1 191	1 579
Total Non-Current Liabilities		10 525	9 630
Total Liabilities		18 132	17 675
NET ASSETS		26 952	20 436
EQUITY:			
Accumulated surplus	23	26 104	20 041
Asset revaluation reserve	23	848	395
TOTAL EQUITY		26 952	20 436

Statement of Cash Flows for the year ended 30 June 2000

		2000 Inflows (Outflows) \$'000	1999 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee entitlements and related expenses		(48 683)	(41 410)
Goods and services (including legal)		(29 788)	(19 778)
Workers compensation		(199)	(141)
RECEIPTS:			
Fees and charges		29 676	27 534
Interest		729	699
Other		8 108	5 787
CASH FLOWS FROM GOVERNMENT:			
Recurrent appropriations		47 957	41 050
Capital appropriations		754	245
Net Cash provided by Operating Activities	25	<u>8 554</u>	<u>13 986</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of non-current assets		127	100
Payments for property, plant and equipment		(1 833)	(1 691)
Net Cash used in Investing Activities		<u>(1 706)</u>	<u>(1 591)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
PAYMENTS:			
Principal repayments under finance leasing		(184)	(89)
Net Cash used in Financing Activities		<u>(184)</u>	<u>(89)</u>
NET INCREASE IN CASH HELD		<u>6 664</u>	<u>12 306</u>
CASH AT 1 JULY		<u>22 844</u>	<u>10 538</u>
CASH AT 30 JUNE	12	<u>29 508</u>	<u>22 844</u>

Output Schedule of Revenues, Expenses, Assets and Liabilities for the year ended 30 June 2000

Outcomes (refer Note 3)								General		Total
	1.1	1.2	1.5	2.8	2.10	3.1	4.1	Portfolio Overhead	Not Attributed	
ASSETS:										
Current:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash on hand and on deposit	-	-	-	-	-	-	-	-	29 508	29 508
Receivables	89	272	96	18	16	181	3 344	202	-	4 218
Other current assets	17	48	41	6	38	133	149	95	-	527
Non-Current:										
Property, plant and equipment	677	3 124	716	117	214	2 017	2 522	1 444	-	10 831
Total	<u>783</u>	<u>3 444</u>	<u>853</u>	<u>141</u>	<u>268</u>	<u>2 331</u>	<u>6 015</u>	<u>1 741</u>	<u>29 508</u>	<u>45 084</u>
LIABILITIES:										
Current:										
Payables	67	265	173	52	30	467	590	419	130	2 193
Provision for employee entitlements	146	510	413	48	45	484	1 158	591	-	3 395
Finance leases	7	5	1	-	-	6	5	2	-	26
Other current liabilities	3	94	22	4	505	144	112	44	1 065	1 993
Non-Current:										
Payables	63	230	61	13	9	284	347	144	-	1 151
Provision for employee entitlements	442	1 592	442	95	67	2 030	2 464	1 033	-	8 165
Finance leases	8	8	-	-	-	2	-	-	-	18
Other non-current liabilities	8	306	90	17	8	288	297	177	-	1 191
Total	<u>744</u>	<u>3 010</u>	<u>1 202</u>	<u>229</u>	<u>664</u>	<u>3 705</u>	<u>4 973</u>	<u>2 410</u>	<u>1 195</u>	<u>18 132</u>
EXPENSES:										
Employee entitlement and related expenses	1 501	5 539	4 933	673	835	11 179	18 555	5 892	26	49 133
Goods and services	742	5 338	1 269	1 994	753	6 311	4 663	6 921	42	28 033
Legal and other professional costs	117	213	555	-	-	81	379	12	-	1 357
Depreciation and amortisation	27	528	161	49	64	538	547	273	3	2 190
Other expenses	14	126	80	14	10	659	507	160	-	1 570
Total	<u>2 401</u>	<u>11 744</u>	<u>6 998</u>	<u>2 730</u>	<u>1 662</u>	<u>18 768</u>	<u>24 651</u>	<u>13 258</u>	<u>71</u>	<u>82 283</u>
REVENUES:										
Fees and charges	15	3 405	23	1	1	16 010	10 082	851	-	30 388
Other revenue	478	3 064	292	119	540	890	1 945	1 894	3	9 225
Recurrent appropriation	214	5 940	7 458	2 429	1 100	7 031	13 086	10 699	-	47 957
Capital appropriation	21	135	48	21	16	254	259	-	-	754
Net revenue disposal non-current Assets	-	(1)	(2)	-	-	(8)	(14)	(3)	(150)	(178)
Total	<u>728</u>	<u>12 543</u>	<u>7 819</u>	<u>2 570</u>	<u>1 657</u>	<u>24 177</u>	<u>25 358</u>	<u>13 441</u>	<u>(147)</u>	<u>88 146</u>
Increase in Net Assets Resulting from Operations	(1 675)	799	821	(160)	(5)	5 409	(707)	183	(218)	5 863

Schedule of Administered Assets and Liabilities as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
ADMINISTERED ASSETS:			
Current:			
Cash on hand and on deposit	1(iv)	11 809	10 235
Receivables	13	36 714	30 616
Investments	1(iv)	2 052	625
Other current assets		12	17
Non-Current:			
Investments	1(iv)	20 170	14 903
Property, plant and equipment		260	244
Total Administered Assets		71 017	56 640
ADMINISTERED LIABILITIES:			
Current:			
Payables	16	691	574
Provision for employee entitlements	17	79	103
Other current liabilities		102	162
Non-Current:			
Payables	16	33	24
Provision for employee entitlements	17	227	160
Total Administered Liabilities		1 132	1 023

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

	Note	2000 \$'000	1999 \$'000
ADMINISTERED EXPENSES:			
Employee entitlements and related expenses		3 135	2 303
Goods and services	5	919 733	275 452
Legal and other professional costs		325	180
Depreciation and amortisation		136	70
Other expenses		1 541	5 920
Total Administered Expenses		924 870	283 925
ADMINISTERED REVENUES:			
Fees and charges		11 794	11 971
Other revenue	10	393 351	256 746
Recurrent appropriation		533 550	27 917
Net revenue disposal non-current assets		-	16
Total Administered Revenues		938 695	296 650
REVENUES LESS EXPENSES		13 825	12 725

Output Schedule of Administered Assets and Liabilities as at 30 June 2000

Outcomes (refer Note 3)	2000						Justice Portfolio Overhead \$'000	General Not Attributed \$'000	Total \$'000
	1.1 \$'000	1.2 \$'000	1.3 \$'000	1.5 \$'000	3.1 \$'000	4.1 \$'000			
ADMINISTERED ASSETS:									
Current:									
Cash on hand and on deposit	-	-	-	-	751	10 322	-	736	11 809
Receivables	-	-	-	-	19 692	16 057	-	965	36 714
Investments	-	-	-	-	2 052	-	-	-	2 052
Other current assets	-	-	-	-	-	1	-	11	12
Non-Current:									
Investments	-	-	-	-	20 170	-	-	-	20 170
Property, plant and equipment	-	-	-	-	-	260	-	-	260
Total Administered Assets	-	-	-	-	42 665	26 640	-	1 702	71 017
ADMINISTERED LIABILITIES:									
Current:									
Payables	112	2	-	-	83	494	-	-	691
Provision for employee entitlements	-	-	-	-	-	79	-	-	79
Other current liabilities	-	-	-	-	-	101	-	1	102
Non-Current:									
Payables	-	18	-	-	-	15	-	-	33
Accruals	-	122	-	-	-	105	-	-	227
Total Administered Liabilities	112	142	-	-	83	794	-	1	1 132

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

Outcomes (refer Note 3)	2000						Justice	General Not	Total
	1.1	1.2	1.3	1.5	3.1	4.1	Portfolio O/H	Attributed	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED EXPENSES:									
Employee entitlement and related expenses	-	196	-	166	-	2 567	206	-	3 135
Goods and services	26 088	20	6 537	212	254 601	13 051	450	618 774	919 733
Legal and other professional costs	-	-	-	1	84	240	-	-	325
Depreciation and amortisation	-	-	-	-	-	136	-	-	136
Other expenses	-	-	-	-	(27)	1 568	-	-	1 541
Total Administered Expenses	26 088	216	6 537	379	254 658	17 562	656	618 774	924 870
ADMINISTERED REVENUES:									
Fees and charges	-	-	-	-	-	11 794	-	-	11 794
Other revenue	8 962	-	(6)	-	246 400	866	-	137 129	393 351
Recurrent appropriation	16 972	201	4 924	385	13 699	13 559	656	483 154	533 550
Total Administered Revenues	25 934	201	4 918	385	260 099	26 219	656	620 283	938 695
REVENUES LESS EXPENSES	(154)	(15)	(1 619)	6	5 441	8 657	-	1 509	13 825

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

Objectives

The Attorney-General's Department (the Department) serves the Government and through it, the people of South Australia by achieving excellence in the provision of legal and consumer law-related and regulatory services.

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

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

Financial Arrangements

The Department is funded by Parliamentary appropriations and the collection of revenue for some services provided. These services include:

- the provision of legal services to various agencies;
- collection of license and registration fees from Acts of Parliament;
- recovery of administration expenses from various funds allowed under the Acts of Parliament;
- other fees including monies paid by the Commonwealth Government, other sundry recoveries and sundry fees and charges.

The financial activities of the Department are conducted through a Special Deposit Account held at the Reserve Bank of Australia pursuant to section 8 of the *Public Finance and Audit Act 1987*. The Special Deposit Account is used for funds provided by Parliamentary appropriation together with revenues from services provided.

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

Administered Items

The Department is responsible for the administration of the funds described below on behalf of other State Government Departments and/or the Department of Treasury and Finance. These funds are not recorded in the Department's Operating Statement or Statement of Financial Position, as the Department does not have any control over how these funds are to be spent. Administered revenues, expenses, assets and liabilities are detailed separately within these statements and are shown in the Schedule of Administered Items. The main administered items are:

(i) *Administered Funds/Miscellaneous Receipts and Payments*

These funds/items include:

- Compensation Companies Regulation (formerly Companies Code Fees)
- Companies Liquidation Account
- Co-operative Liquidation Account
- Consumer Credit Fund
- Criminal Injuries Compensation Fund
- Community Emergency Services Fund
- Emergency Services Communication Program
- Expiation Fees

Attorney-General's

(i) *Administered Funds/Miscellaneous Receipts and Payments (continued)*

- Justice Portfolio Appropriations
- Indemnity Fund
- Inter-agency Child Abuse Assessment Panel
- Legal Aid
- Legal Practitioners Act Fund
- Liquor Licensing Refunds
- Liquor Licensing Subsidy
- Native Title Unit
- Penalty Management Unit
- Private Plated Vehicle Contributions
- Pilot Court Diversion Program
- Remission - Fees and charges, Legal Services Commission
- Second Hand Vehicles Compensation Fund
- Snowtown Case
- Special Act Payments (Minister, Ombudsman, Solicitor-General)
- Taxation Receipts (Casino, Gaming, Liquor)
- Unclaimed Salaries and Wages.

(ii) *Revenue*

The Department receives revenues from taxation on Casino, gaming machines and liquor licensing jurisdictions, expiation fees, compensation companies regulations and private plated vehicle contributions, which the Department passes direct to the Department of Treasury and Finance Consolidated Account.

The Department receives revenue that is then disbursed to other government departments/agencies. Example, Justice Portfolio Appropriations and Emergency Services Levies for distribution to agencies within the Justice Portfolio.

In addition, the Department receives revenue for reimbursement of expenses relating to the Inter-agency Child Abuse Assessment Panel from the Department of Treasury and Finance. The Department administers this fund on behalf of Department of Treasury and Finance and is therefore reimbursed for expenses incurred.

(iii) *Expenses*

The Department makes payments direct from a special 'Miscellaneous Allocation' Treasury line for specific expenses incurred by the Legal Services Commission and for the Inter-agency Child Abuse Assessment Panel as detailed above. This is in addition to the Commonwealth legal aid disbursement, detailed above.

The Department also makes payments direct from a separate Treasury Special Act provision, pursuant to the *Remuneration Tribunal Act*, for salary expenses of the Attorney-General, the Solicitor-General and the Ombudsman.

The Department refunds amounts previously recorded as 'administered revenue' for circumstances such as overpayment of liquor licensing taxation or refunds for incorrect breaches of an act.

(iv) *Assets*

Cash on hand includes petty cash and cash and cheques in transit. Cash on deposit represent funds held in a Special Deposit Account with the Reserve Bank. Investments represent funds deposited with the Public Trustee Office.

Trust Accounts

The Department receive funds which are held in trust pending the outcome of a future event or settlement. The Department does not have direct control over these funds and acts in the capacity of trustee. Beneficiaries includes other government departments and/or the Department of Treasury and Finance for the sale of government property, claims from individuals and amounts authorised by the Courts for a claim on particular trust funds.

The trust accounts which the Department acts in the capacity of trustee are:

- Crown Solicitor's Trust Account – used to record the receipts and disbursement of monies pertaining to the financial settlement of legal transactions between parties.
- Equal Opportunities Trust Account – used to record receipts and payments pertaining to claims from individuals suffering pecuniary loss and amounts authorised by the Courts to individuals.
- Residential Tenancies Fund – used to record receipts and payments pertaining to security bonds lodged under residential tenancy agreements.
- Retail Shop Leases Fund – used to record the receipt and payment of security bonds lodged in relation to commercial and retail shop leases.
- Gaming and Casino Bonds – used to record the receipt and payment of monies pertaining to an inquiry of a complaint from an individual about the operation of gaming or casino machines.

These items are not recorded in the Department's Operating Statement or Statement of Financial Position and are separately disclosed in Note 28.

2. **Significant Accounting Policies**

(a) ***Basis of Accounting***

The financial report is a general purpose financial report which has been drawn up in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views and other Professional Mandatory Reporting requirements, Department of Treasury and Finance Accounting Policy Statements and Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*.

(a) Basis of Accounting (continued)

The financial report, including administered items, has 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 items include the Department's licence and regulatory revenue such as, payment for renewal of licences applicable under the various acts, payment for legal services and administered items such as taxation, Legal Aid Contributions, Companies Code Fees, Expiation Fees, certain Private Plated Vehicle Contributions and administered trust revenues (with the exception of the Criminal Injuries Compensation Fund).

The financial report has 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 or deprival value, in accordance with the Department of Treasury and Finance Accounting Policy Statements.

The financial report sets out the revenues, expenses and financial position of the Department as a single entity and accordingly intra-entity transactions and balances have been eliminated.

Accrual accounting was adopted by the Department on 1 July 1996. When first accounting for the Department's assets and liabilities, adjustments were made to the accumulated surplus.

(b) Non-Current Assets

The Statement of Financial Position includes all plant and equipment controlled by the Department.

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.

Land, buildings, infrastructure, fixtures and fittings, furniture, mobile transport assets, specialised plant and equipment, artwork and the library collection are recorded at valuation. All other non-current assets are recorded at cost.

An independent valuation of the Department's land, buildings, infrastructure, mobile assets and specialised plant and equipment located at the Thebarton Laboratory was completed as at 30 June 2000. The valuation was undertaken by the Australian Valuation Office in accordance with Australian Accounting Standards and the Department of Treasury and Finance directives. The value is calculated on the basis of replacement cost.

As a consequence of the valuation, undertaken during 1999-2000, previously unidentified items of plant and equipment have been recognised for the first time. An adjustment has been made direct to accumulated surplus in accordance with the transitional arrangements of the Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments'.

Valuations of works of art and antiques were performed by Peter F Scammell & Associates in June 1999.

Valuations of the Department's library collections were performed by Michael Treloar, Antiquarian Booksellers in March 1999. The valuation identified two types of assets within the Library - Monographs (Text Books and Departmental Reports) and Serials (Journals and Law Reports), with the former being a depreciable asset.

All classes of physical non-current assets are revalued within three years in accordance with the Australian Accounting Standard AAS 10 'Accounting for the Revaluation of Non-Current Assets'.

Assets donated, gifted or bequeathed are recorded as an asset at their deprival value at the time control passes to the Department. Assets received in this way are disclosed as revenue in the Operating Statement.

(c) Depreciation and Amortisation of Non-Current Assets

All items of non-current assets, with the exception of land and certain categories within collections and artwork, 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.

The major asset categories are subject to straight line depreciation over the following periods:

	Years
Buildings and other structures	20-50
Building fixtures and fittings	25
Plant and equipment	10
Information technology	3-5
Mobile transport assets	5-10
Library collections	10 to infinite

(d) Repairs and Maintenance

Repairs and maintenance costs are expensed as incurred.

(e) Revenue Recognition

All revenue, including capital appropriations, is recorded in the Operating Statement. 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.

Licence and registration fees, where the period of the licence is greater than one reporting period, are recorded in their entirety as revenue in the period in which they are received. This is due to the fact that licence fees are non-reciprocal.

2. **Significant Accounting Policies (continued)**

(f) **Receivables**

Receivables in respect of fees and charges 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.

The administered funds receivable balance recorded in the Schedule of Administered Items only contains amounts due in respect of Criminal Injuries Compensation reimbursements and certain private plated vehicle contributions. At the end of each reporting period these balances are reviewed and a provision is raised in respect of any balance where recoverability is considered doubtful. The remaining administered receivables are not recorded in the Schedule of Administered Items due to the uncertainty of the amounts to be received by the Department and are recognised only upon receipt.

(g) **Provision for Employee Entitlements**

A provision is raised at the end of the reporting period to reflect employee entitlements to annual leave and long service leave. In addition, a provision is raised to reflect the liability for any outstanding (unsettled) workers compensation claims for lump sum payments.

The annual leave entitlement is calculated by multiplying each employee's entitlement by the remuneration rate current at the reporting date. The entitlement includes leave loadings paid to employees.

In calculating long service leave entitlements the Department takes into account 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 calculation is consistent with the Department's experience of employee retention and leave taken.

The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries - refer Note 17.

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.

Employment on-costs relating to employee entitlements owing, are recognised as liabilities under the heading 'Payables' in the Statement of Financial Position.

Employee entitlements and employment on-costs accruing during the reporting period are treated as an expense in the Operating Statement.

(h) **Leases**

The Department has entered into lease agreements for plant and equipment.

Where the lessors effectively retain all of the risks and 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 commitments under operating leases are disclosed in Note 21.

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 22.

(i) **Superannuation**

The Department made contributions of \$4.9 million to the Department of Treasury and Finance towards the accruing government liability in respect of its employees. The Department retains no liability to employees for superannuation payments.

(j) **Databases and Licensing Records**

The Department has developed and maintains databases for the maintenance of records such as Retail Shop Leases, Births, Deaths and Marriages, Business Names Registrations, Occupational Licensing and Incorporation of Associations. These databases are not included as assets as their values cannot be measured reliably, thereby failing the asset recognition test, in accordance with Statements of Accounting Concepts SAC 4, 'Definition and Recognition of the Elements of Financial Statements'.

(k) **Current and Non-Current Components of the Statement of Financial Position**

Current components of the Department's Statement of Financial Position will be consumed, converted into cash or paid within 12 months of the reporting period. Non-current means all components other than current components.

(l) **Rounding**

All amounts are rounded to the nearest thousand dollars.

(m) **Comparative Figures**

Where applicable, comparative figures have been adjusted to conform with changes in the current year.

3. Output Classes of the Department

(a) **General**

Information about the Department's outputs and the expenses, revenue, assets and liabilities which are reliably attributable to those outputs is set out in the Outputs Schedule.

Information about expenses, revenues, assets and liabilities administered by the Department are given in the schedule of Administered Expenses and Revenues and the schedule of Administered Assets and Liabilities (see also Note 1(i)-(ii)).

(b) **Description**

The Departments contributes towards all four of the outcomes for which the Justice Portfolio is responsible. These outcomes are as follows:

- Outcome 1* *A community in which Justice is accessible and the rights of citizens are assured.*
This will be achieved through:
- a fair and protective legislative framework;
 - community confidence in the dispute resolution mechanisms of the State;
 - the timely and efficient disposition of matters before the State's courts and tribunals;
 - timely and independent prosecution services;
 - discouragement of discriminatory practices.
- Outcome 2* *A community in which people, property and the environment are protected and public safety is enhanced.*
This will be achieved through:
- the effective prevention, investigation and detection of crime;
 - reducing the rate of criminal behaviour in the community;
 - minimising the effects of criminal behaviour on victims;
 - protection from, and rehabilitation of, people under the supervision of the State's correctional service providers.
- Outcome 3* *A community in which fair trading for consumers and business is a priority.*
This will be achieved through:
- the efficient administration of regulations which exists only to the extend necessary to protect citizens;
 - reducing levels of dispute between consumers and traders;
 - informing and protecting the community from unsafe consumer products;
 - an equitable, competitive, informed and socially responsible marketplace;
 - the accurate maintenance of civil registers.
- Outcome 4* *A public sector which contributes strongly to the effective and efficient provision of services to the South Australian community.*
This will be achieved through:
- valuing staff and an on-going commitment to increasing the skills base of all employees;
 - effective, high quality legal and prudential advice to government;
 - high quality support to the members of the legislature and executive government in fulfilling their parliamentary responsibilities and ministerial functions;
 - increased cooperation between the Justice agencies which enhances the effectiveness and efficiency of government services.

Information about the Departments outputs which contribute towards these outcomes are summarised below. Outputs themselves are defined as goods and services produced, provided to or acquired for external customers. Financial information relating to each output is reported in the Output Schedule of Expenses and Revenues, and in the Output Schedule of Assets and Liabilities.

- Output 1.1* *Court and Tribunal Case Resolution Services*
The resolution of criminal, civil, appellate, coronial and probate matters in the State's courts and tribunals.
- Output 1.2* *Alternative Dispute Resolution Services*
Services for resolving disputes between citizens, and disputes between citizens and the State; as well as the education, training, information and advice processes which aim to prevent disputes.
- Output 1.3* *Enforcement Services*
The management of penalties arising from court orders, the enforcement of court orders as well as the recovery of debts, and the administration and execution of warrants.
- Output 1.5* *Prosecution Services*
The management and conduct of prosecutions and associated services.
- Output 2.8* *Community Crime Prevention Programs*
Community based crime prevention programs, crime reduction strategies and community policing programs.
- Output 2.10* *Crime Management Services*
Investigation and management by police of crimes against the person, property offences, drug related offences and other crimes in the community.

(b) **Description (continued)**

Output 3.1 Regulation and Information Services
Regulatory services which include the provision of information and education, licensing and regulatory services to citizens, businesses and governments and the maintenance of civil registers.

Output 4.1 Legal Service to Government
Legal advice to the Crown on constitutional and other legal matters and a full range of dispute, prosecutorial, commercial and property legal services on behalf of client Departments and agencies. Legal policy advice to the Minister and a legislation advice and drafting service for government.

Justice Portfolio Overhead
To provide effective and timely advisory and consultancy services in the areas of administration, finance, human resources management, information technology and clerical support to the Justice Portfolio.

General - Not attributable
Information about the Department's expenses, revenue, assets and liabilities that are not attributable to the above outputs.

4. Employee Entitlements and Related Expenses		2000	1999
	Employee entitlements and related expenses for the reporting period comprised:	\$'000	\$'000
	Salaries and wages	39 506	34 140
	Payroll tax and superannuation expenses	7 293	6 447
	Long service leave expenses	2 179	936
	Other employee related expenses	155	247
	Total Employee Entitlements and Related Expenses	49 133	41 770
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5. Goods and Services			
	Goods and services expenses for the reporting period comprised:		
	Administration expenses	11 236	7 757
	Computing and communications	2 559	2 503
	Accommodation expenses	6 546	5 507
	Consultancies	2 628	839
	Departmental grants	4 844	3 558
	Other	220	295
	Total Goods and Services	28 033	20 459
<hr/>			
	Administered Items:		
	Administration expenses	25 829	29 601
	Accommodation expenses	1 034	512
	Consultancies	230	387
	Departmental grants	24 575	17 141
	Justice appropriations	483 478	-
	Remission of State fees	280	341
	Fund balance transferred to Treasury	248 950	208 258
	Community Emergency Services Fund:		
	Payments to emergency services	126 781	-
	Emergency Services Levy collection fees	8 506	-
	Other	70	19 212
	Total Goods and Services	919 733	275 452
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6. Legal and Other Professional Costs			
	Legal and other professional costs for the reporting period comprised:		
	Legal fees	552	627
	Accounting expert fees	246	258
	Witness expenses	457	443
	Crown Solicitor's Office cross charging fees	102	48
	Total Legal and Other Professional Costs	1 357	1 376
<hr/>			
7. Depreciation and Amortisation			
	Depreciation and amortisation expenses for the reporting period comprised:		
	Buildings and other structures	16	16
	Buildings, fixtures and fittings	602	607
	Plant and equipment	520	494
	Information technology	964	885
	Library collections	5	2
	Mobile transport assets	34	23
	Plant and equipment under finance lease	49	49
	Total Depreciation and Amortisation	2 190	2 076
<hr/>			
8. Other Expenses			
	Other expenses for the reporting period comprised:		
	Workers compensation expenses	297	129
	Bad and doubtful debts	512	(47)
	Interest lease expense	129	80
	Auditor's remuneration*	148	131
	Revaluation decrement	484	633
	Total Other Expenses	1 570	926
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* The auditor provided no other services and received no other benefits.

9. Fees and Charges		2000	1999	
Fees and charges for the reporting period comprised:		\$'000	\$'000	
Legal services to various agencies		10 028	10 079	
Licence and regulatory fees		14 972	13 863	
Recovery of administration expenditure		4 385	3 506	
Other fees and charges		1 003	1 130	
Total Fees and Charges		30 388	28 578	
10. Other Revenues				
Other revenues for the reporting period comprised:				
Interest revenue		1 117	745	
Sundry recoveries		5 394	2 896	
Commonwealth specific purpose grants		2 445	2 481	
Other revenue		269	410	
Total Other Revenues		9 225	6 532	
Administered items:				
Interest revenue		3 333	1 332	
Sundry recoveries		668	16 041	
Commonwealth Specific Purpose Grants		19 070	18 960	
Taxation receipts		231 590	212 459	
Community Emergency Service revenue		134 961	-	
Agents Indemnity Fund revenue		2 870	-	
Other revenue		859	7 954	
Total Other Revenues		393 351	256 746	
11. Net (Loss) Gain on Disposal of Non-Current Assets				
Proceeds from disposal of non-current assets		127	100	
Less: Written down value of non-current assets		305	87	
Net (Loss) Gain on Disposal of Non-Current Assets		(178)	13	
12. Cash on Hand and on Deposit				
Cash on hand (including petty cash)		41	41	
Special Deposit Accounts with Reserve Bank		29 327	22 693	
Cash and cheques in transit		140	110	
Total Cash on Hand and on Deposit		29 508	22 844	
13. Receivables				
Current:				
Receivables in respect of fees and charges		4 259	3 483	
Provision for doubtful debts		(515)	(3)	
Accrued interest		464	76	
Other		10	72	
Total Receivables		4 218	3 628	
Administered items:				
Receivables in respect of fees and charges		59 367	54 658	
Provision for doubtful debts		(23 521)	(24 082)	
Accrued interest		868	40	
Total Receivables		36 714	30 616	
14. Other Current Assets				
Prepayments		78	86	
Work in progress		18	30	
Working accounts		431	199	
Total Other Current Assets		527	315	
15. Property, Plant and Equipment				
	Cost/ Valuation	Accumulated Depreciation/ Amortisation	Written Down Value	
	\$'000	\$'000	2000	1999
			\$'000	\$'000
Land at valuation ⁽¹⁾	314	-	314	250
Buildings and other structures at valuation ⁽¹⁾	1 116	107	1 009	585
Buildings, fixtures and fittings ⁽³⁾	6 765	3 063	3 702	4 792
Mobile transport assets at valuation ⁽²⁾	410	110	300	308
Information technology at valuation ⁽⁴⁾	5 477	3 452	2 025	1 726
Library collections at valuation ⁽⁵⁾	848	7	841	697
Plant and equipment at valuation ^{(2), (3) & (4)}	7 014	4 426	2 588	2 866
Collections and artworks at valuation ⁽⁵⁾	15	-	15	15
Plant and equipment under (finance) lease	113	76	37	85
	22 072	11 241	10 831	11 324

(1) Valuations of land, buildings and infrastructure were performed by Mervyn Booth, AAPI, Certified Practising Valuer of the Australian Valuation Office as at 30 June 2000.

15. Property, Plant and Equipment (continued)

- (2) Valuations of mobile transport assets and specialised plant and equipment located at the Thebarton Laboratory were performed by Simon B O'Leary AAPI, MSAA, Certified Practising Valuer - Plant and Machinery of the Australian Valuation Office as at 30 June 2000.
- (3) Valuations of buildings, fixtures and fittings and furniture were done internally by the Department on a square metre basis using valuation indices. These indices were provided by the Department for Administrative and Information Services.
- (4) Valuations of other plant and equipment and information technology were conducted internally by the Department based on current replacement costs, in accordance with Treasury's policy on valuations of non-current assets.
- (5) Valuations of collections and artwork were performed by Peter F Scammell MSAA, REISA of Peter F Scammell and Associates as at 30 June 1999.
- (6) Library collections at valuation represents valuation as per M Treloar as at 1 March 1999, plus purchases made from March 1999 to June 2000.

16. Payables	2000	1999
Current:	\$'000	\$'000
Creditors	1 331	1 356
Accruals - Employee on-costs	714	817
Accruals	148	854
Total Current Payables	2 193	3 027
Non-Current:		
Accruals - Employee on-costs	1 151	997
Administered items:		
Current:		
Creditors	680	563
Accruals	11	11
Total Current Payables	691	574
Non-Current:		
Accruals - Employee on-costs	33	24

17. Provision for Employee Entitlements

Current:		
Long service leave	795	646
Annual leave	2 443	2 205
Workers compensation*	117	124
Accrued salaries and wages	40	1 077
Total Current Employee Entitlements	3 395	4 052
Non-Current:		
Long service leave	7 808	6 759
Workers compensation*	357	251
Total Non-Current Employee Entitlements	8 165	7 010
Administered items:		
Current:		
Long service leave	1	4
Annual leave	75	56
Accrued salaries and wages	3	43
Total Current Employee Entitlements	79	103
Non-Current:		
Long service leave	227	160

* 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 claim 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 the 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 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 provision required for later years).

18. Other Liabilities	2000	1999
Current:	\$'000	\$'000
Unearned revenue	13	23
Lease incentive	388	406
Control and working account balances	1 592	482
Total Other Current Liabilities	1 993	911
Non-Current:		
Lease incentive	1 191	1 579

19. Remuneration of Employees		2000	1999
The number of employees whose remuneration received or receivable falls within the following bands:		Number of Employees	Number of Employees
\$100 001 - \$110 000		12	6
\$110 001 - \$120 000		9	6
\$120 001 - \$130 000		3	4
\$130 001 - \$140 000		13	16
\$140 001 - \$150 000		6	5
\$150 001 - \$160 000		7	1
\$160 001 - \$170 000		1	4
\$170 001 - \$180 000		8	7
\$180 001 - \$190 000		3	3
\$190 001 - \$200 000		1	-
\$200 001 - \$210 000		2	4
\$220 001 - \$230 000		2	2
\$230 001 - \$240 000		1	-
\$240 001 - \$250 000		2	-
\$250 001 - \$260 000		1	1
\$270 001 - \$280 000		1	1
Total remuneration received or due and receivable by these employees was \$10.9 million (\$9.1 million).			
20. Targeted Voluntary Separation Packages (TVSPs)		2000	1999
		\$'000	\$'000
TVSPs paid to employees during the reporting period		413	508
Recovery from the Department of the Premier and Cabinet in respect of TVSPs		413	508
Annual and Long Service Leave accrued over the period of employment for employees who received TVSPs		185	216
The number of employees who were paid TVSPs during the reporting period totalled 6 (8) employees.			
21. 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.			
Payable no later than one year		4 698	4 866
Payable later than one year but not later than five years		17 031	17 643
Payable later than five years		6 621	10 567
Total Operating Leases		28 350	33 076
The accommodation and office equipment obligations are payable monthly in advance.			
22. 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):			
Payable no later than one year		30	64
Payable later than one year but not later than five years		19	49
Total Finance Leases		49	113
Minimum lease payments		49	113
Less: Future finance charges		5	14
Lease Liability		44	99
Classified as:			
Current		26	55
Non-Current		18	44
		44	99
23. Equity			
Equity represents the residual interest in the Department's net assets. The South Australia Government holds the equity interest in the Department on behalf of the community. Equity comprises:			
Accumulated Surplus:			
Balance as at 1 July		20 041	10 230
Previously unidentified assets recognised for the first time		200	-
Increase in net assets resulting from operations		5 863	9 811
Balance as at 30 June		26 104	20 041
Asset Revaluation Reserve:			
Balance as at 1 July		395	351
Revaluation Adjustments:			
Land and buildings		504	-
Fixtures and fittings		-	(194)
Furniture		(81)	-
Plant and equipment		30	(76)
Library		-	314
Balance as at 30 June		848	395
Balance as at 30 June is made up of:			
Land and buildings		504	-
Furniture		-	81
Plant and equipment		30	-
Library		314	314
		848	395

24. Contingent Obligations

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

Administered Items

The Agents Indemnity Fund has an estimated contingent obligation to pay \$1 million relating to current and expected claims against the Fund.

The Second Hand Vehicles Compensation Fund has an estimated contingent obligation to pay \$100 000 relating to current and expected claims against the Fund.

25. Reconciliation of Net Cash from Operating Activities to Net Cost of Services	2000	1999
For the purposes of the Statement of Cash Flows, cash includes cash on hand and deposit accounts.	\$'000	\$'000
Net cash from operating activities	8 554	13 986
Less: Items not included in Operating Activities:		
Cash flows from government	(48 711)	(41 295)
Less: Items classified as Investing Activities:		
Interest expense	(129)	(80)
Add: Non-cash items:		
Depreciation and amortisation	(2 190)	(2 076)
Provision for doubtful debts	(512)	47
Revaluation decrement	(484)	(633)
Change in assets and liabilities:		
(Increase) in employee entitlements and related payments	(450)	(360)
Decrease (Increase) in payables	731	(879)
(Increase) Decrease in other liabilities	(793)	406
Increase in receivables	714	1 104
Increase (Decrease) in other assets	600	(1 717)
Net Cost of Services	(42 670)	(31 497)

26. Financial Instruments

The following disclosure has been provided to satisfy the requirements of Australian Accounting Standard AAS 33, 'Presentation and Disclosure of Financial Instruments'.

(a) Terms, Conditions and Accounting Policies

Financial Assets

- Cash and Deposits (Note 12) are available at call and are recorded at cost. Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance.
- Receivables (Note 13) are reported at amounts due to the Department. Receivables are due within 30 days of an invoice being raised.

Financial Liabilities

- Payables and Accruals (Note 16) are raised from amounts unpaid and are settled within the normal terms of payment of 30 days, unless otherwise agreed.

(b) Interest Rate Risk

	2000				1999			
	Floating Interest Rate	Non-Interest Bearing	Total Carrying Amount	Weighted Average Interest Rate	Floating Interest Rate	Non-Interest Bearing	Total Carrying Amount	Weighted Average Interest Rate
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:								
Cash on hand	-	41	41	-	-	41	41	-
Cash at bank	29 327	-	29 327	4.97	22 693	-	22 693	4.88
Cash and cheques in transit	-	140	140	-	-	110	110	-
Receivables	-	4 218	4 218	-	-	3 628	3 628	-
Total	29 327	4 399	33 726		22 693	3 779	26 472	
Financial Liabilities								
Payables	-	1 331	1 331		-	1 356	1 356	
Accruals	-	148	148		-	854	854	
Total	-	1 479	1 479		-	2 210	2 210	

(c) Net Fair Values

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

27. **Consultants****Consultancies less than \$10 000**

The Attorney-General's Department authorised 82 consultancies below \$10 000. The total value of the consultancies below \$10 000 was \$294 000.

Consultancies \$10 000 - \$50 000

Consultant	Details of Consultancy	2000 \$'000
Arthur Anderson	Assist with purchase of CFS appliances	25
Arthur Anderson	Strategic advice for the Emergency Services Levy and trust	11
Arthur Anderson	GRN Pager Internal Equipment and Services Contract	18
Australian Bureau of Statistics	Provide consolidation of crime data	25
Australian Business Enterprise Development	Development of business plans for Surf Lifesaving Association of SA and Volunteer Marine Rescue	19
C3Plus Pty Ltd	SA CFS Operational Management Requirements Review	14
Centre for Economic Studies	Impact on Emergency Services Levy on Insurance premiums	31
Chorley, Jan	National Anti-Crime Strategy Early Intervention Project	13
Crown Solicitors' Office	To provide legal and administrative advice for Computer Aided Despatch project	15
Culture Shift	National Anti-Crime Strategy Best Practice Project	13
DMR Consulting Group	Business process documentation	17
Gibson Quai & Associates	Specialist technical assessment in review of current despatch systems	27
Hall, Andrew	Review of Land Acquisition Legislation and Commonwealth <i>Native Title Act 1993</i> (NTA) in light of 1998 NTA requirements	27
LawMaster	Lawmaster evaluation	11
Intec Consulting Group	IT Project	18
Interface Consultants	To assist workshop group prepare report for the Premier's Taskforce on Policing, in particular develop performance indicators	22
Interface Consultants	Government Management Framework	18
Jenny Pearson & Associates	Review of Community Corrections program and the youth court community service program	27
Jo McDonald Cultural Heritage	Archaeological investigation re: De Rose Hill	11
KPMG	Undertake business analysis of DPP requirements and produce user requirements document as a basis for tender	26
Maddock, Kenneth	Native Title issues	18
Maloney Field Services	To transfer CFS assets to Minister for Police, Correctional Services and Emergency Services	49
Maloney Field Services	Survey Country Fire Services and State Emergency Services land and buildings	41
McLachlan, Hodge Mitchell	GST Project	11
OH&S Management Services	Assist with implementation of RecFind	40
Peter R Day Resource Strategies Pty Ltd	Preparation of project plan for ILUA. Main-table and project monitoring. Preparation of issues papers for ILUA Main-table	13
Platypus Systems	Develop data base to support new court initiative	19
PSI Consultants	Probity Advisory Services - CFS Fire Appliances	36
RIM International Pty Ltd	Executive Communications Project	15
Ryan Spargo	Consulting with staff to develop a strategic plan for CSO	11
Search Select International	Assist with recruitment for Project Manager, CAD	14
Standezy Solutions Pty Ltd	Consulting CAD Project	16
Tomato Consortium	To produce the CPU data base	10

27. Consultancies (continued)

Consultancies over \$50 000		\$'000
<i>Consultant</i>	<i>Details of Consultancy</i>	
Ernst & Young	Develop a requirements definition for the Practice Management System project	52
KPMG	Review of SA Ambulance Service	200
Donovan & Associates	Native Title issues	154
Ernst & Young	GST Project	252
Flinders Consulting Pty Ltd	Research into the increase in listings in the Residential Tenancies Tribunal	58
Broadleaf Capital Inc Pty Ltd	Provision of advice and assistance on the development of the CICADA emergency despatch capability	296
C3Plus Pty Ltd	To assist in undertaking a tendering process for a new computer aided despatch system; and technical support for associated sub-systems	87
DAIS - Building Management	Police Headquarters - Relocation of Major Crime Unit	586
DAIS - Valuer-General	Supply of valuation data necessary for modelling the emergency services levy for 2000-01	200

The total expenditure on all consultancies for the year 1999-2000 was \$2.858 million. This is made up of \$2.628 million relating to the Attorney-General's Department and its economic entities and \$230 000 relating to its administered items.

Funds Held in Trust		2000	1999
A summary of the transactions in trust accounts which the Department acts in the capacity of trustee are:		\$'000	\$'000
Crown Solicitor's Trust Account:			
Balance as at 1 July		1 534	3 654
Receipts		50 266	35 063
		<u>51 800</u>	<u>38 717</u>
Less: Payments		50 913	37 183
Balance as at 30 June		<u><u>887</u></u>	<u><u>1 534</u></u>
Equal Opportunities Trust Account:			
Balance as at 1 July		-	4
Receipts		127	49
		<u>127</u>	<u>53</u>
Less: Payments		127	53
Balance as at 30 June		<u><u>-</u></u>	<u><u>-</u></u>
Residential Tenancies Fund:			
Balance as at 1 July		41 732	41 427
Receipts		25 561	24 446
		<u>67 293</u>	<u>65 873</u>
Less: Payments		24 058	23 521
		<u>43 235</u>	<u>42 352</u>
Increase (Decrease) in investments		552	(620)
Balance as at 30 June		<u><u>43 787</u></u>	<u><u>41 732</u></u>
Retail Shop Leases Fund:			
Balance as at 1 July		1 389	1 270
Receipts		460	398
		<u>1 849</u>	<u>1 668</u>
Less: Payments		263	263
		<u>1 586</u>	<u>1 405</u>
Increase (Decrease) in investments		15	(16)
Balance as at 30 June		<u><u>1 601</u></u>	<u><u>1 389</u></u>
Gaming and Casino Bonds:			
Balance as at 1 July		149	63
Receipts		409	432
		<u>558</u>	<u>495</u>
Less: Payments		392	346
Balance as at 30 June		<u><u>166</u></u>	<u><u>149</u></u>

RESIDENTIAL TENANCIES FUND

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

Financial Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
FUNDS HELD AT 1 JULY		41 732	41 427
RECEIPTS:			
Security bonds lodged		21 697	20 745
Rent received pursuant to tribunal direction		4	7
Interest	2	3 292	3 161
Proceeds from sale of goods		3	1
Salary cost recoups		86	22
SAHT Cost recoups		374	405
Aboriginal Housing Authority Cost Recoups		5	-
Other		106	105
Total Receipts		25 567	24 446
PAYMENTS:			
Security bonds refunded		20 545	19 795
Rent paid pursuant to tribunal direction		5	10
Compensation payments	4	4	5
Administration costs		3 510	3 711
Total Payments		24 064	23 521
NET INCREASE IN FUNDS		1 503	925
Non-Cash movements in investments	3	552	(620)
FUNDS HELD AT 30 JUNE	6	43 787	41 732
THIS BALANCE WAS REPRESENTED BY:			
Deposits lodged with the Treasurer*		(31)	(272)
Investment with Public Trustee	3	43 818	42 004
		43 787	41 732

* Represents deposits held in a Deposit Account less unrepresented cheques.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENT

- Accounting Policy**
The financial statement has been prepared predominantly on a cash basis, unless otherwise disclosed, and is in accordance with Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*.
- Interest**
Actual earnings on the portfolio of investments, that was credited to the investment of \$2.7 million (\$2.6 million) managed by the Public Trustee, was brought to account in 1999-2000 as interest received.

The remaining portion of interest received relates to deposits lodged with the Treasurer and Bond Guarantees lodged by the South Australian Housing Trust.
- Investments with Public Trustee**

	2000
	\$'000
Opening balance 1 July	42 004
Unrealised market movements	552
Withdrawals for operations	(1 500)
Interest earned	2 656
Other revenue	106
Balance at 30 June	43 818
- Compensation Payments**
Section 101(f) of the *Residential Tenancies Act 1995*, provides for compensation to be paid from the investment income of the Fund for the benefit of landlords and tenants as approved by the Minister.
- Guarantee Bond Scheme**
In February 1996, the South Australian Housing Trust replaced their Bond Assistance Programme with a Guarantee Scheme whereby only a guarantee is lodged with the Commissioner for Consumer Affairs rather than actual bond monies. At 30 June 2000, there were approximately 20 000 guarantees lodged totalling \$9.5 million.

6. The Residential Tenancies Fund comprises:	2000	
Monies held on behalf of landlords and tenants:	\$'000	\$'000
Security bonds lodged	34 530	
Unclaimed monies held in accordance with statutory requirements	594	
Sale of goods pursuant to section 97	12	
Rent held pursuant to tribunal direction	3	
	<hr/>	35 139
Earnings of the Fund:		
Balance at 1 July 1999	7 747	
Net earnings 1999-2000	901	
	<hr/>	8 648
		<hr/> <hr/>
		43 787

CRIMINAL INJURIES COMPENSATION

The *Criminal Injuries Compensation Act 1978*, provides for payment of compensation to persons who suffer injury as a result of criminal acts and the recovery of these amounts from the offenders. The maximum compensation that may be awarded under the Act is \$50 000. Payments made for the year through a Special Deposit Account titled 'Criminal Injuries Compensation Fund' totalled \$8.8 million (\$9.9 million) on account of 1173 (1196) compensation claims.

Recoveries from Offenders

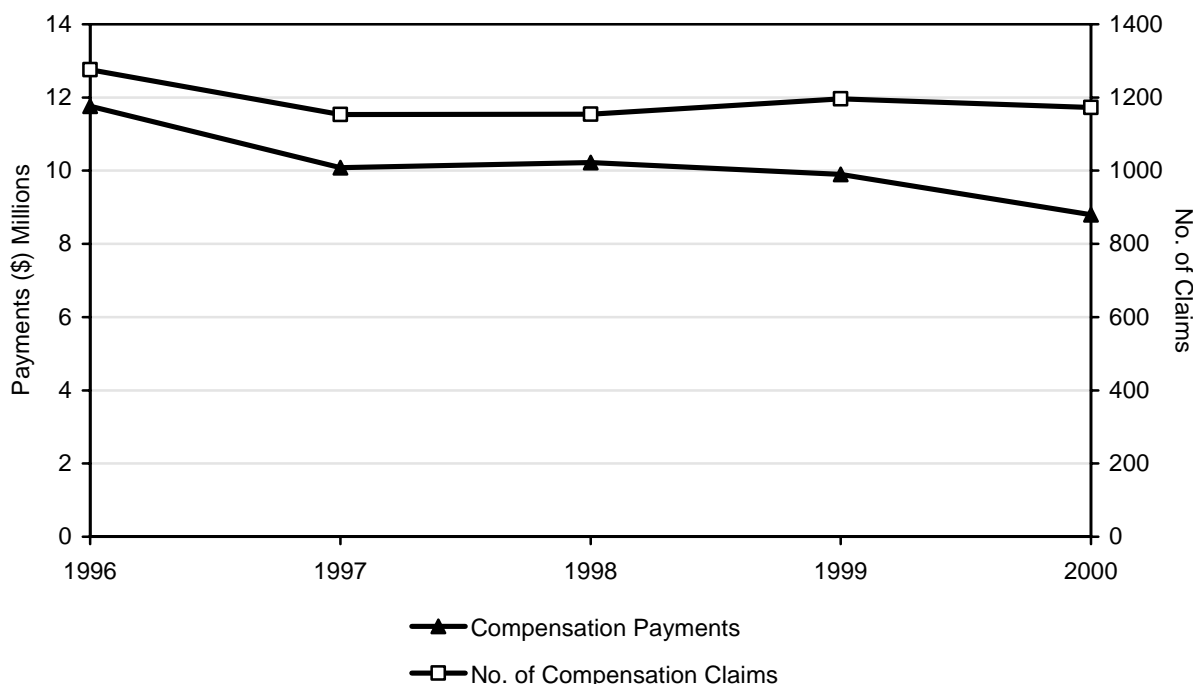
The Attorney-General can recover, as a debt, from an offender who has been convicted of an offence, the amount of any payment made by the Attorney-General pursuant to the *Criminal Injuries Compensation Act 1978*. Recovery of amounts is difficult as a large majority of compensation claims are for unknown offenders. This is demonstrated by the following:

- Outstanding amounts at 30 June 2000 were \$38.9 million (\$36.1 million).
- Write-offs for 1999-2000, relating to known offenders totalled \$2.6 million (\$5.9 million).

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

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

Compensation Payments and Claims Made



PUBLIC TRUSTEE SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Public Trustee Act 1995

The Public Trustee is a body corporate established pursuant to the provisions of the *Public Trustee Act 1995*. The duties and responsibilities of the Public Trustee which include administering the estates of deceased and protected persons are detailed in the Act. Those obligations include:

- To provide comprehensive, value added trustee, estate management, will-making and related services to clients;
- To ensure that clients have prudent investment strategies based on an effective funds management structure which optimises returns on those investments;
- To ensure that clients receive quality legal representation, advice and legal services in compliance with relevant legislation.

Trustee (Investment Powers) Amendment Act 1995

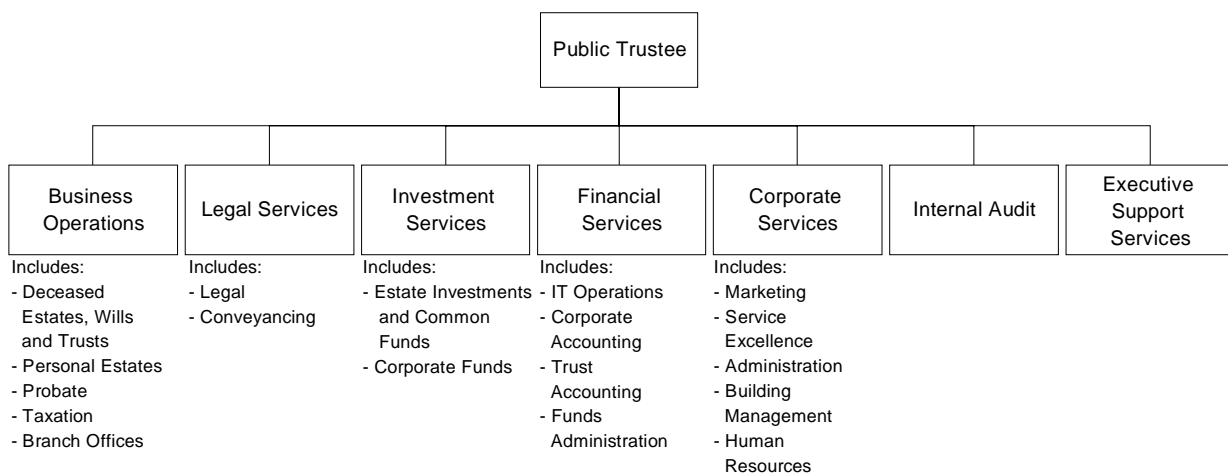
The Public Trustee has, in accordance with the *Trustee (Investment Powers) Amendment Act 1995*, a diversified funds management operation.

The Public Trustee has in place the following sector common funds investment structure:

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

Organisation Structure

The structure of the Public Trustee Office is shown in the following diagram:



SIGNIFICANT FEATURES

Corporate Operations

- The operating profit before notional tax was \$3.5 million (\$3 million).
- Total distributions available to the State Government were \$2.1 million (\$2.7 million).

Statement of Trusts

- Total trust funds under administration increased by \$47.6 million (8.4 percent) to \$614 million.
- Net investment in common funds increased by \$52 million (12.3 percent) to \$474 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsections 26(2), 30(2) and 50(2) of the *Public Trustee Act 1995*, provide for the Auditor-General to audit the accounts of the Public Trustee 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 controls.

During 1999-2000 the following areas were the subject of audit attention:

Corporate Operations:

- budgetary control
- accounts payable
- revenue, receipting and banking
- salaries
- investments
- general ledger
- fixed assets.

Estate Operations:

- revenue
- expenditure
- assets
- liabilities.

Common Funds:

- investments
- income
- expenditure
- distributions
- contributor funds.

In addition, Audit reviewed the:

- work undertaken by the Internal Audit division;
- implementation progress with respect to the Financial Management Framework.

Audit Communications to Management

A management letter communicating issues arising from the audit was forwarded to the Public Trustee and a satisfactory response was received. The main issues raised by Audit related to the need to make procedural changes to enhance general controls over a number of activities particularly within the Common Funds operations.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

An assessment of the extent and nature of the Public Trustee's internal control structure, conducted as part of the audit planning process, found the level of controls to be satisfactory. This assessment was made prior to the performance of audit testing and, was confirmed by the results of the audit for the 1999-2000 year. The assessment took into account the extent of coverage given by Internal Audit to Public Trustee operations.

For comments on the implementation progress of the Financial Management Framework, refer to the Attorney-General's Department, 'Audit Findings and Comments'.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Public Trustee 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 Public Trustee 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.

FINANCIAL STATEMENTS

The financial statements are divided into three separate reporting entities, being the:

- Corporate Statements
- Statement of Trusts being Administered
- Common Funds Statements.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Corporate Statements

Operating Result

The operating profit before tax increased by \$500 000 to \$3.5 million. This result reflects an increase in operating revenues of \$1.1 million and an increase in operating expenses of \$600 000.

Included in this year's operating result are the following:

- an increase in revenue from core operating activities of \$1 million (8.4 percent). This increase is attributable to the increase in funds being administered by the Public Trustee. Refer Note 2.1;
- an unrealised gain on investments of \$761 000. Refer Note 2.2;
- a payment of \$499 000 to SAICORP to meet the cost of an insurance payment relating to the incorrect transfer of funds as outlined in the 'Report of the Auditor-General for the year ended 30 June 1999', Part A.4, page 65. Also refer Note 11.

The after tax profit was \$2.5 million (\$1.8 million).

Of the \$11 million incurred on operating expenses, 64 percent of this represents salaries and related payments.

Equity

The following major adjustments were made against reserves:

- A transfer from reserves of \$580 000, \$499 000 of which was used to meet the insurance payment to SAICORP as outlined above under 'Operating Result'.
- A transfer to reserves of \$483 000. This reflects the revaluation increment as a result of land and buildings being revalued to recoverable amount at 30 June 2000.

Statement of Trusts Being Administered

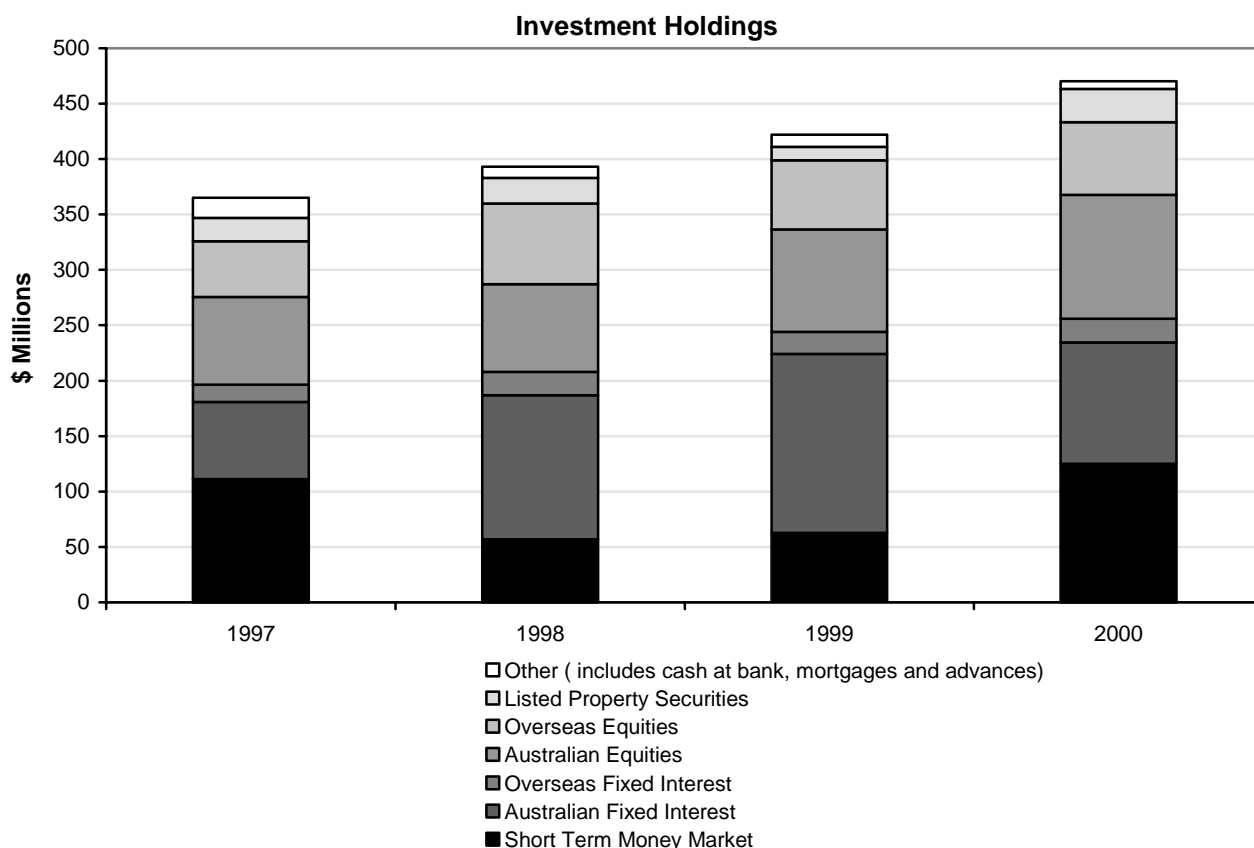
Trust funds administered by the Public Trustee increased to \$614 million (\$566 million), of which 43.3 percent (42.3 percent) relates to the administration of protected estates and aged and infirmed persons. Further, of the total trusts funds being administered, 77.3 percent (74.6 percent) were invested in the various common funds, the remaining 22.7 percent (25.4 percent) represent estate assets.

Common Funds

Under section 20 of the *Public Trustee Act 1995*, the Public Trustee now has the ability to accept investments from persons other than estates. Of the \$52 million increase in common funds investments from the previous year, \$11 million was from investors other than estates.

Financial assets comprising the common funds are valued at market value as disclosed in Note 1.3 to the financial statements.

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



CORPORATE STATEMENTS

Profit and Loss Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING REVENUE:			
Core operating activities	2.1	12 593	11 621
Other operating activities	2.2	1 983	1 793
Total Operating Revenue		14 576	13 414
OPERATING EXPENDITURE:			
Salaries and related payments	3.1,3.2,3.3	7 084	6 765
Goods and services	3.3, 3.4	3 079	2 239
Building expenses		287	326
Interest on advance		-	14
Depreciation and amortisation		573	676
Loss on disposal of investments		24	395
Total Operating Expenditure		11 047	10 415
OPERATING PROFIT BEFORE NOTIONAL TAX		3 529	2 999
Income tax equivalent	1.3	(997)	(1 222)
OPERATING PROFIT AFTER NOTIONAL TAX		2 532	1 777
RETAINED EARNINGS AT 1 JULY		5 589	5 328
TOTAL AVAILABLE FOR APPROPRIATION		8 121	7 105
Amounts transferred from (to) reserves	11	580	(16)
Special dividend provided for	1.3	(1 147)	(1 500)
RETAINED EARNINGS AT 30 JUNE		7 554	5 589

Balance Sheet as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash		2 034	2 436
Receivables	4	915	2 215
Investments	5	-	1 991
Total Current Assets		2 949	6 642
NON-CURRENT ASSETS:			
Investments	5	8 777	6 249
Property, plant and equipment	7	6 961	5 745
Other	8	14	14
Total Non-Current Assets		15 752	12 008
Total Assets		18 701	18 650
LIABILITIES:			
CURRENT LIABILITIES:			
Creditors and accruals	9	2 554	4 369
Provision for employee entitlements	10	563	537
Total Current Liabilities		3 117	4 906
NON-CURRENT LIABILITIES:			
Creditors and accruals	9	240	366
Provision for employee entitlements	10	1 543	1 556
Total Non-Current Liabilities		1 783	1 922
Total Liabilities		4 900	6 828
NET ASSETS		13 801	11 822
EQUITY:			
Reserves	11	6 247	6 233
Retained earnings		7 554	5 589
TOTAL EQUITY		13 801	11 822

Statement of Cash Flows for the year ended 30 June 2000

		2000	1999
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Fees and commissions received		12 712	12 128
Rent and sundry income received		898	746
Interest received		317	369
Dividend received		40	85
Payments to suppliers, clients and employees		(11 556)	(9 837)
Interest paid		-	(14)
Income tax equivalent paid to State Government		(630)	(786)
Net Cash provided by Operating Activities	12	1 781	2 691
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of equipment		1	5
Sale/redemption of shares and fixed interest securities		5 944	5 451
Payment for shares and fixed interest securities		(5 675)	(8 574)
Payment for plant and equipment		(1 306)	(488)
Net Cash used in Investing Activities		(1 036)	(3 606)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividend distribution to State Government		(1 147)	(1 544)
Net Cash used in Financing Activities		(1 147)	(1 544)
NET DECREASE IN CASH HELD		(402)	(2 459)
CASH AT 1 JULY		2 436	4 895
CASH AT 30 JUNE	13	2 034	2 436

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Principal Accounting Policies

1.1 **General**

The Public Trustee is a body corporate established pursuant to provision of the *Public Trustee Act 1995*. The duties and responsibilities of the Public Trustee, which include administering the estates of deceased and protected persons, are detailed in that Act.

1.2 **Basis of Accounting**

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

1.3 **Distribution to Government**

The *Public Trustee Act 1995*, through the provision of sections 47 and 48, provides for the payment to government of taxation equivalents and dividends. Under agreement with the Department of Treasury and Finance, the Public Trustee applies the Accounting Profits Tax Model which includes payment for an Income Tax Equivalent of \$997 000 (\$1 222 000) and a Wholesale Sales Tax Equivalent of \$87 000 (\$69 000).

1.4 **Basis of Valuation**

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

Property, Plant and Equipment

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

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

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

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

Financial Instruments:

Financial instruments are carried at net fair value determined as below:

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

1.4 Basis of Valuation (continued)

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

Other Non-Current Assets — are valued at net fair value based on the present value of expected future cash flows.

Receivables and Creditors — are valued on an historical cost basis and it is considered that carrying value approximates net fair value.

1.5 Employee Entitlements

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

Annual Leave

Provision has been made for the unused component of annual leave to balance date. The provision has been calculated at nominal amounts based on current salary rates.

Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by Public Trustee employees up to balance date. The liability has been calculated at nominal amounts based on current salary rates. The Department of Treasury and Finance have advised that a benchmark of eight years can be used for a shorthand estimation of long service leave liability in accordance with the provision of the Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. This advice has been adopted and the long service leave liability has been calculated on that basis. The current liability portion has been based on the past history of annual payments.

Sick Leave

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

2. Revenue

2.1	Core Operating Activities comprise:	2000	1999
		\$'000	\$'000
	Commissions ⁽¹⁾	6 901	6 472
	Fees and charges ⁽¹⁾	1 383	1 347
	Management fees ⁽²⁾	4 309	3 802
		12 593	11 621

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

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

2.2	Other Operating Activities comprise:	2000	1999
		\$'000	\$'000
	Rent and other building income	651	663
	Interest on operating and reserve accounts	124	227
	Interest on fixed term investments ⁽¹⁾	288	182
	Dividends ⁽²⁾	102	43
	Distributions from trusts	37	426
	Gains on disposal of fixed assets ⁽³⁾	1	2
	Gain on disposal of investments	19	250
	Unrealised gain investments ⁽⁴⁾	761	-
		1 983	1 793

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

(2) Dividend income is recognised on the date that shares are quoted as ex-dividend. Distributions from trusts are recognised on a present entitlement basis.

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

(4) An unrealised gain of \$812 000 resulted from the revaluation of financial assets at 30 June. An amount of \$761 000 has been brought to account to recover the losses recorded in prior years. The remaining \$51 000 was transferred to the Investment Revaluation Reserve.

3. Expenditure**3.1 Superannuation**

During 1999-2000 Public Trustee paid an amount of \$753 000 (\$685 000) to the Department of Treasury and Finance towards the accruing government liability for Superannuation in respect of its employees.

3.2 Remuneration of Employees

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

	2000	1999
	Number of	Number of
	Employees	Employees
\$100 001 - \$110 000	2	-
\$130 001 - \$140 000	-	1
\$140 001 - \$150 000	1	-

3.3 Targeted Voluntary Separation Packages (TVSPs)

TVSPs paid to employees during the reporting period
 Recovery from the Department of the Premier and Cabinet in respect of TVSPs
 Annual and long service leave accrued over the period of employment paid to the employee who received TVSPs

	2000	1999
	\$'000	\$'000
	193	-
	193	-
	59	-

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

3.4 Auditor's Remuneration

Amounts paid to auditors during the year for auditing the accounts

77	75
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3.5 Payments to Consultants

Amounts paid to consultants during the year

186	73
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4. Receivables Comprise

Debtors
 Accrued investment income
 Insurance claim
 Prepayments

720	541
162	480
-	1 129
33	65
915	2 215

5. Investments

Public Trustee is required pursuant to subsection 46(2)(c) of the *Public Trustee Act 1995* to obtain the Treasurer's approval as to the manner of investment of corporate funds.

Short term investments
 Australian fixed interest
 International equities
 Australian equities

	2000	1999
	\$'000	\$'000
	-	1 991
	3 966	5 054
	2 116	1 195
	2 695	-
	8 777	8 240

6. Financial Instruments**6.1 Net Fair Value of Financial Assets and Liabilities**

Financial instruments are carried at net fair value based upon the valuation policies set out in Note 1.4. The aggregate carrying amounts for each class of financial instrument are as disclosed within the notes to the financial statements.

Investments in Australian Fixed Interest are readily traded on organised markets in standardised form. The value of these investments is disclosed in Note 5.

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

6.2 Investment in Collective Investment Vehicles

In addition to holding financial instruments directly, Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and International Equities. The managers of such vehicles will have invested in a variety of financial instruments, including derivatives, which expose Public Trustee to investment risks, including market risk, credit risk, interest rate risk and currency risk. The Public Trustee has assessed the investment rules of these collective investments and determined their suitability as investments.

Disclosures in subsequent sub-sections of this note do not include exposures to financial instruments held within these collective investment vehicles.

6.3 Credit Risk

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

Public Trustee has no exposure to derivative instruments.

Credit risk arises primarily with the following classes of counterparties:

- * Banking Corporations

6. Financial Instruments (continued)**6.4 Interest Rate Risk**

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

	Weighted Average Interest Rate		Instruments Maturing or Re-pricing Within					
			1 Year or Less		1-5 Years		Over 5 Years	
	2000	1999	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Cash	4.97	4.40	2 034	2 436	-	-	-	-
Short Term Investments	-	4.96	-	1 991	-	-	-	-
Australian Fixed Interest	6.44	5.87	1 993	5 054	991	-	982	-

7. Property, Plant and Equipment Comprise

	2000 \$'000	1999 \$'000
Machines and equipment at historical cost	3 563	2 966
Less: Accumulated depreciation	2 499	2 081
	1 064	885
Office furniture and fittings at historical cost	1 222	812
Less: Accumulated depreciation	745	682
	477	130
Land at independent valuation as at 30 June	480	480
Building at independent valuation as at 30 June	4 940	4 250
Total Property, Plant and Equipment	6 961	5 745

During the year, the Public Trustee building was revalued to recoverable amount. The value of land and building was established by an independent valuation performed by Colliers Jardine as at 30 June 2000. This resulted in an increment to the valuation totalling \$483 000 (decrement \$661 000) which was adjusted against the Revaluation reserve.

8. Other Non-Current Assets

During 1995-96 an amount of \$14 000 became payable to Public Trustee from the State Superannuation Fund for superannuation held on behalf of an ex-employee, payable 12 January 2003.

9. Creditors and Accruals

	2000 \$'000	1999 \$'000
Current Liabilities:	\$'000	\$'000
Trade creditors	821	479
Client funds payable	-	1 129
Borrowings due and payable	-	248
Dividend due to State Government	1 147	1 500
Rent in advance	-	57
On-costs on employee entitlements	72	135
Wholesale sales tax equivalent due	87	69
Income tax equivalent due	427	752
	2 554	4 369
Non-Current Liability:		
On-costs on employee entitlements	240	366

10. Provision for Employee Entitlements

	2000 \$'000	1999 \$'000
Current Liabilities:		
Accrued salaries	115	166
Provision for long service leave	190	128
Accrued recreation leave	258	243
	563	537
Non-Current Liability:		
Provision for long service leave	1 543	1 556

11. Reserves

The balance of reserves, and the transfers to (from) reserves, which were brought through the Profit and Loss Statement in accordance with Australian Accounting Standards AAS 1 'Profit and Loss or other Operating Statement', is as follows:

	Balance 1.7.99 \$'000	Transfers to (from) 1999-2000 \$'000	Balance 30.6.00 \$'000
Reserve for deficits and other losses ⁽¹⁾	1 249	(580)	669
Workers Compensation reserve ⁽²⁾	276	60	336
Transfers through profit and loss	1 525	(520)	1 005
Revaluation reserve comprises:			
Land and building revaluation reserve ⁽³⁾	3 849	483	4 332
Machines and equipment revaluation reserve	859	-	859
Investment revaluation reserve	-	51	51
	6 233	14	6 247

(1) Payments amounting to \$580 000 (\$36 000) were made, \$81 000 to Estates and \$499 000 in settlement of the excess on a professional indemnity insurance claim, from the Reserve for Deficits and Other Losses.

11. Reserves (continued)

- (2) Public Trustee has established a reserve for workers compensation to cover the expenses incurred during the first two years of any claim, the balance being met by Government Workers Rehabilitation and Compensation Office. The yearly increment to the reserve is the nominal premium that would otherwise be paid to WorkCover. Workers Compensation reserve transfer represent the increment to the reserve of \$65 000 (\$63 000) less claims of \$5 000 (\$11 000).
- (3) Land and Building was revalued to recoverable amount as at 30 June 2000.

12. Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Notional Tax	2000	1999
	\$'000	\$'000
Operating profit after notional tax	2 532	1 777
Non-cash flows in operating profit after notional tax:		
Depreciation and amortisation	573	676
(Gain) Loss on sale of equipment	(1)	(2)
Unrealised (gain) loss on revaluation of investments	(761)	395
Net (gain) loss on sale of investments	5	(250)
Change in assets and liabilities:		
Decrease in sundry debtors	1 301	33
Increase in sundry creditors	(1 616)	(486)
Increase in premiums and discounts	-	1
Increase in provision for employee entitlements and on-costs	72	111
(Decrease) Increase in provision for income tax	(324)	436
Net Cash provided by Operating Activities	1 781	2 691

13. Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash comprises the Balance Sheet item of Cash.

STATEMENT OF TRUSTS BEING ADMINISTERED

Statement of Trusts being Administered as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
TRUST FUNDS UNDER ADMINISTRATION WERE:	3		
Deceased estates		79 424	78 222
Trusts		86 804	83 955
Administration matters		5 493	4 789
Court award orders		34 371	32 080
Protected estates		111 811	101 671
Aged and infirmed persons		153 952	137 695
Workers compensation awards		478	457
Powers of Attorney		55 273	52 156
Investors		85 985	74 984
Suspense		30	29
TOTAL FUNDS		613 621	566 038
THESE FUNDS WERE REPRESENTED BY:			
INVESTMENT IN COMMON FUNDS:	1.3, 2		
NON-CURRENT ASSETS:			
Australian equities		111 787	92 191
Overseas equities		65 524	62 559
Listed property securities		29 909	12 021
Australian fixed interest investments		82 419	161 448
Overseas fixed interest investments		19 986	18 764
Mortgages		175	181
		309 800	347 164
CURRENT ASSETS:			
Cash at bank		4 837	4 910
Short-term money market		125 023	62 775
Mortgages		-	3 275
Australian fixed interest investments		27 044	-
Overseas fixed interest investments		1 380	1 258
Advances to estates		2 010	2 623
Sundry debtors		6 717	5 049
Distributions chargeable against future income		69	7
		167 080	79 897
CURRENT LIABILITIES:			
Bank overdraft		724	2 071
Income distribution payable		1 480	2 007
Sundry creditors		476	759
		2 680	4 837
NET INVESTMENT IN COMMON FUNDS		474 200	422 224
ESTATE ASSETS:	1.2		
NON-CURRENT ASSETS:			
Real estate		93 932	96 064
Personal chattels		23 323	20 039
Australian equities		13 464	18 607
Fixed interest and cash assets		10 967	11 134
Mortgages		1 113	855
		142 799	146 699
CURRENT ASSETS:			
Sundry debtors		736	706
		736	706
CURRENT LIABILITIES:			
Sundry creditors		4 114	3 591
		4 114	3 591
NET ESTATE ASSETS		139 421	143 814
NET ASSETS		613 621	566 038

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENT

1. Statement of Principal Accounting Policies

1.1 Format of the Accounts

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

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

- AAS 1 Profit and Loss or Other Operating Statement
- AAS 28 Statement of Cash Flows

Statements required by these Standards are not prepared.

1.1 Format of the Accounts (continued)

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

1.2 Basis of Valuation for Estate Assets

Real Estate — For deceased estates, valuation as at date of death; in other matters, valuation as at date of Public Trustee being appointed manager, administrator or new trustee. As required by Treasurer's Instructions, Public Trustee revalues all real estate every three years wherever a current valuation is not held. Revaluations are determined by reference to valuations established by the Valuer-General. A revaluation of real estate was last carried out as at 30 June 1998.

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

Investment by Estates in Common Funds — Valuation of estate investment in common funds is based on the underlying net asset value of common funds as at balance date.

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

1.3 Basis of Valuation of Common Fund Assets and Liabilities

Australian Equities and Listed Property Trusts — are valued at market value based on the Australian Stock Exchange listed last sale price at the balance date.

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

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

International Fixed Interest Investments — are valued at market value by Public Trustee's external custodian using independently sourced prices and foreign exchange rates. These investments are discretely held by the relevant common fund.

Mortgage Investments — are valued at market value based on independently obtained market yields applying at the balance date. This asset class consists of loans on first mortgage securities as authorised by the *Trustee Act 1995*. A mortgage in default is valued by Public Trustee at the expected net realisable value of the underlying property as advised by an independent property valuer.

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

Advance for Building — is carried at its nominal amount. This asset represents an advance to the Public Trustee pursuant to section 43 of the *Public Trustee Act 1995* which had been originally authorised under now repealed provisions of the *Administration and Probate Act 1919*. Interest payable on the advance is reset annually to market rates.

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

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

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

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

2. Operation of the Common Fund

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

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

- Capital stable
- Balanced
- Balanced (tax exempt)
- Growth
- Growth (tax exempt)
- Equities

3. Trust Funds under Administration

	2000 Number	1999 Number	Value 2000 \$'000	1999 \$'000
Deceased Estates: Monies and assets held under the administration of the Public Trustee pursuant to the provision of the <i>Public Trustee Act 1995</i> .	1 393	1 535	79 424	78 222
Trusts: Monies and assets held under the administration of the Public Trustee pursuant to the terms of a Will or a Deed of Trust.	1 375	1 420	86 804	83 955
Administration Matters: Monies paid and assets transferred to the Public Trustee on account of minor beneficiaries pursuant to <i>Public Trustee Act 1995</i> .	149	154	5 493	4 789
Court Award Orders: Monies directed by the Court to be paid to the Public Trustee on behalf of clients and invested and applied by the Public Trustee as the Court directs.	724	718	34 371	32 080
Aged and Infirm Persons': Monies administered by the Public Trustee under the <i>Aged and Infirm Persons' Property Act 1940</i> .	228	218	153 952	137 695
Protected Estates: Monies administered by the Public Trustee under the <i>Guardianship and Administration Act 1993</i> .	2 397	2 273	111 811	101 671
Workers Compensation Awards: Monies directed by the Court to be paid to the Public Trustee on behalf of widows and minors and invested and applied by the Public Trustee as the Court directs.	17	20	478	457
Powers of Attorney: Monies and assets held on behalf of donors who have appointed the Public Trustee to act on their behalf.	714	737	55 273	52 156
Investors: Monies invested in common funds pursuant to section 29(1) of the <i>Public Trustee Act 1995</i> , by classes of persons approved by the Minister.	166	111	85 985	74 984
	7 163	7 186	613 591	566 009

4. Unclaimed Monies

During the reporting period, unclaimed monies totalling \$23 000 (\$275 000) in respect of estates were paid to the Consolidated Account pursuant to section 32(1) of the *Public Trustee Act 1995*.

COMMON FUNDS STATEMENTS

CASH COMMON FUND STATEMENTS

Statement of Income and Expenditure for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
INCOME:			
Interest	2	9 379	7 523
Net realised gain on disposal of investments	3	3	-
Sundry income		-	1
Total Income		9 382	7 524
EXPENDITURE:			
Public Trustee management fees	5	1 617	1 318
Government fees and charges		99	114
Legal and advisory expenses		15	10
Net realised loss on disposal of investments	3	-	204
Other expenses		44	43
Total Expenditure		1 775	1 689
Change in the net market value of investments	4	(191)	(641)
OPERATING SURPLUS		7 416	5 194
Undistributed income brought forward		(7)	1
Transfers from funds employed to determine distributable income	10	267	845
FUNDS AVAILABLE FOR DISTRIBUTION		7 676	6 040
Less: Distributions made	6	7 674	6 047
INCOME HELD AWAITING DISTRIBUTION		2	(7)

Statement of Assets and Liabilities as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash at bank		21	12
Short-term money market		125 023	62 775
Australian fixed interest investments		11 996	27 296
Advances to estates		2 010	2 623
Advances to other common funds		27	-
Distributions chargeable against future income		-	7
Sundry debtors		475	776
		139 552	93 489
NON-CURRENT ASSETS:			
Australian fixed interest investments		34 514	43 762
Total Assets		174 066	137 251
CURRENT LIABILITIES:			
Income distribution payable		2	-
Bank overdraft		724	2 072
Sundry creditors		449	318
Total Liabilities		1 175	2 390
NET ASSETS		172 891	134 861
FUNDS EMPLOYED:			
Contributors funds	10	138 646	121 526
Funds deposited by other common funds		34 735	13 558
Reserves		(490)	(223)
TOTAL FUNDS EMPLOYED		172 891	134 861

Statement of Cash Flows for the year ended 30 June 2000

		2000	1999
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received	Note	\$'000	\$'000
Payments for expenses		9 104	7 640
Net Cash provided by Operating Activities	11.1	<u>7 332</u>	<u>6 042</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net (payments for) repayments of advances to estates	11.4	613	(1 426)
Net repayments of (payments for) advances to other common funds		-	1 650
Payments for Australian fixed interest investments		(8 420)	(9 992)
Proceeds from realisations of Australian fixed interest investments		27 696	13 028
Payments for short term money market investments		(195 303)	(162 616)
Proceeds from realisations of short term money market investments		138 715	155 881
Net Cash used in Investing Activities		<u>(36 699)</u>	<u>(3 475)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net contributions from contributors	11.4	17 247	376
Net contributions from other common funds	11.4	21 151	847
Distributions paid		(7 674)	(6 047)
Net Cash provided by (used in) Financing Activities		<u>30 724</u>	<u>(4 824)</u>
NET INCREASE (DECREASE) IN CASH HELD		<u>1 357</u>	<u>(2 257)</u>
CASH AT 1 JULY	11.2	<u>(2 060)</u>	197
CASH AT 30 JUNE	11.2	<u>(703)</u>	<u>(2 060)</u>

SHORT-TERM FIXED INTEREST COMMON FUND STATEMENTS

Statement of Income and Expenditure for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
INCOME:			
Interest	2	2 533	2 633
Net realised gain on disposal of investments	3	-	73
Total Income		2 533	2 706
EXPENDITURE:			
Public Trustee management fees	5	348	383
Government fees and charges		7	5
Legal and advisory expenses		4	3
Net realised loss on disposal of investments	3	314	-
Other expenses		1	-
Total Expenditure		674	391
Change in the net market value of investments	4	(153)	(267)
OPERATING SURPLUS		1 706	2 048
Undistributed income brought forward		-	1
Transfers from funds employed to determine distributable income	10	467	306
FUNDS AVAILABLE FOR DISTRIBUTION		2 173	2 355
Less: Distributions made	6	2 172	2 355
INCOME HELD AWAITING DISTRIBUTION		1	-

Statement of Assets and Liabilities as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Deposits with other common funds		6 152	4 291
Australian fixed interest investments		13 048	2 022
Mortgages		175	3 275
Sundry debtors		661	928
		20 036	10 516
NON-CURRENT ASSETS:			
Australian fixed interest investments		12 979	36 097
Mortgages		-	181
		12 979	36 278
Total Assets		33 015	46 794
CURRENT LIABILITIES:			
Income distribution payable		1	-
Sundry creditors		2	-
Total Liabilities		3	-
NET ASSETS		33 012	46 794
FUNDS EMPLOYED:	10		
Contributors funds		33 672	46 987
Reserves		(660)	(193)
TOTAL FUNDS EMPLOYED		33 012	46 794

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		3 591	3 155
Payments for expenses		(357)	(414)
Net Cash provided by Operating Activities	11.1	3 234	2 741
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian fixed interest investments		(2 517)	(25 048)
Proceeds from realisations of Australian fixed interest investments		13 469	10 934
Proceeds from repayments of mortgages		3 162	2 380
Net Cash provided by (used in) Investing Activities		14 114	(11 734)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		(58 499)	18 659
Redemptions paid to contributors		45 184	(12 001)
Distributions paid		(2 172)	(2 355)
Net Cash (used in) provided by Financing Activities		(15 487)	4 303
NET INCREASE (DECREASE) IN CASH HELD		1 861	(4 690)
CASH AT 1 JULY	11.2	4 291	8 981
CASH AT 30 JUNE	11.2	6 152	4 291

LONG TERM FIXED INTEREST COMMON FUND STATEMENTS

Statement of Income and Expenditure for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
INCOME:			
Interest	2	3 770	2 880
Net realised gain on disposal of investments	3	-	161
Total Income		3 770	3 041
EXPENDITURE:			
Public Trustee management fees	5	541	427
Government fees and charges		7	4
Legal and advisory expenses		5	3
Net realised loss on disposal of investments	3	345	-
Total Expenditure		898	434
Change in the net market value of investments	4	(1)	(1 481)
OPERATING SURPLUS		2 871	1 126
Undistributed Income brought forward		1	-
Transfers from funds employed to determine distributable income	10	346	1 572
FUNDS AVAILABLE FOR DISTRIBUTION		3 218	2 698
Less: Distributions made	6	3 216	2 697
INCOME HELD AWAITING DISTRIBUTION		2	1

Statement of Assets and Liabilities as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Deposits with other common funds		25 655	4 432
Australian fixed interest investments		2 000	1 034
Sundry debtors		772	1 156
		28 427	6 622
NON-CURRENT ASSETS:			
Australian fixed interest investments		34 926	51 237
Total Assets		63 353	57 859
CURRENT LIABILITIES:			
Income distribution payable		2	1
Sundry creditors		5	-
Total Liabilities		7	1
NET ASSETS		63 346	57 858
FUNDS EMPLOYED:	10		
Contributors funds		63 753	57 919
Reserves		(407)	(61)
TOTAL FUNDS EMPLOYED		63 346	57 858

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		4 767	3 165
Payments for expenses		(543)	(464)
Net Cash provided by Operating Activities	11.1	4 224	2 701
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian fixed interest investments		(7 086)	(30 437)
Proceeds from realisations of Australia fixed interest investments		21 219	6 964
Proceeds from repayments of advance for building		248	210
Net Cash provided by (used in) Investing Activities		14 381	(23 263)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		11 654	35 824
Redemptions paid to contributors		(5 820)	(8 826)
Distributions paid		(3 216)	(2 697)
Net Cash provided by Financing Activities		2 618	24 301
NET INCREASE IN CASH HELD		21 223	3 739
CASH AT 1 JULY	11.2	4 432	693
CASH AT 30 JUNE	11.2	25 655	4 432

OVERSEAS FIXED INTEREST COMMON FUND STATEMENTS

Statement of Income and Expenditure for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
INCOME:			
Interest	2	661	1 329
Net realised gain on disposal of investments	3	188	1 019
Total Income		849	2 348
EXPENDITURE:			
Public Trustee management fees	5	151	251
Legal and advisory expenses		2	2
Other expenses		44	18
Total Expenditure		197	271
Change in the net market value of investments	4	383	(1 663)
OPERATING SURPLUS		1 035	414
Undistributed income brought forward		7	1
Transfers from (to) funds employed to determine distributable income	10	(571)	3 198
FUNDS AVAILABLE FOR DISTRIBUTION		471	3 613
Less: Distributions made	6	471	3 606
INCOME HELD AWAITING DISTRIBUTION		-	7

Statement of Assets and Liabilities as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash at bank		3 310	1 867
Deposits with other common funds		776	325
Sundry debtors		468	1 006
		4 554	3 198
NON-CURRENT ASSETS:			
International fixed interest investments		19 986	18 764
Total Assets		24 540	21 962
CURRENT LIABILITIES:			
Income distribution payable		-	7
Sundry creditors		2	444
Total Liabilities		2	451
NET ASSETS		24 538	21 511
FUNDS EMPLOYED:	10		
Contributors funds		24 899	22 443
Reserves		(361)	(932)
TOTAL FUNDS EMPLOYED		24 538	21 511

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		1 067	1 591
Payments for expenses		(196)	(292)
Net Cash provided by Operating Activities	11.1	871	1 299
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian fixed interest investments		-	(12 023)
Proceeds from realisations of Australian fixed interest investments		-	12 018
Payments for international fixed interest investments		(50 555)	(35 277)
Proceeds from realisations of international fixed interest investments		50 298	35 516
Net Cash (used in) provided by Investing Activities		(257)	234
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		25 748	24 546
Redemptions paid to contributors		(23 292)	(21 800)
Distributions paid		(471)	(3 606)
Net Cash provided by (used in) Financing Activities		1 985	(860)
NET INCREASE IN CASH HELD		2 599	673
CASH AT 1 JULY	11.2	2 192	1 334
Effect of exchange rate changes of foreign cash holdings		(705)	185
CASH AT 30 JUNE	11.2	4 086	2 192

AUSTRALIAN SHARES COMMON FUND STATEMENTS

Statement of Income and Expenditure for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
INCOME:			
Dividends	2	2 813	2 677
Distributions	2	852	339
Interest	2	159	11
Net realised gain on disposal of investments	3	787	-
Sundry Income		16	15
Total Income		4 627	3 042
EXPENDITURE:			
Public Trustee management fees	5	946	789
Government fees and charges		15	16
Legal and advisory expenses		14	6
Net realised loss on disposal of investments	3	-	423
Total Expenditure		975	1 234
Change in net market value of investments	4	11 198	10 420
OPERATING SURPLUS		14 850	12 228
Undistributed income brought forward		2	5
Transfers (to) funds employed to determine distributable income	10	(6 553)	(10 153)
FUNDS AVAILABLE FOR DISTRIBUTION		8 299	2 080
Less: Distributions made	6	8 296	2 078
INCOME HELD AWAITING DISTRIBUTION		3	2

Statement of Assets and Liabilities as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Deposits with other common funds		-	186
Sundry debtors		1 151	680
		1 151	866
NON-CURRENT ASSETS:			
Australian equities		111 787	92 191
Total Assets		111 787	92 191
CURRENT LIABILITIES:			
Income distribution payable		3	2
Borrowings from other common funds		27	-
Sundry creditors		7	1
Total Liabilities		37	3
NET ASSETS		112 901	93 054
FUNDS EMPLOYED:	10		
Contributors funds		84 485	71 192
Reserves		28 416	21 862
TOTAL FUNDS EMPLOYED		112 901	93 054

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:			
Dividends and distributions received	11.3	2 025	1 415
Interest received		159	11
Payments for expenses		(960)	(905)
Net Cash provided by Operating Activities	11.1	1 224	521
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian equities		(35 790)	(24 351)
Proceeds from realisations of Australian equities		29 355	22 769
Proceeds from realisations of listed property trusts		-	128
Net Cash used in Investing Activities		(6 435)	(1 454)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		32 389	20 132
Redemptions paid to contributors		(19 095)	(17 562)
Distributions paid		(8 296)	(2 077)
Net Cash provided by Financing Activities		4 998	493
NET DECREASE IN CASH HELD		(213)	(440)
CASH AT 1 JULY	11.2	186	626
CASH AT 30 JUNE	11.2	(27)	186

OVERSEAS SHARES COMMON FUND STATEMENTS

Statement of Income and Expenditure for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
INCOME:			
Dividends	2	555	693
Distributions	2	1 926	492
Interest	2	109	188
Net realised gain on disposal of investments	3	2 246	-
Sundry income		75	11
Total Income		4 911	1 384
EXPENDITURE:			
Public Trustee management fees	5	685	554
Government fees and charges		4	3
Legal and advisory expenses		6	6
Other expenses		85	48
Net realised loss on disposal of investments	3	-	2 491
Total Expenditure		780	3 102
Change in the net market value of investments	4	12 889	5 326
OPERATING SURPLUS		17 020	3 608
Undistributed income brought forward		1	1
Transfers from (to) funds employed to determine distributable income	10	(6 006)	3 764
FUNDS AVAILABLE FOR DISTRIBUTION		11 015	7 373
Less: Distributions made	6	11 084	7 372
INCOME HELD AWAITING DISTRIBUTION		(69)	1

Statement of Assets and Liabilities as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash at bank		1 506	2 805
Deposits with other common funds		394	2 391
International fixed interest investments		1 380	1 258
Distributions chargeable against future income		69	-
Sundry debtors		2 770	565
		6 119	7 019
NON-CURRENT ASSETS:			
International equities		65 524	62 559
Total Assets		71 643	69 578
CURRENT LIABILITIES:			
Income distribution payable		-	1
Sundry creditors		10	5
Total Liabilities		10	6
NET ASSETS		71 633	69 572
FUNDS EMPLOYED:			
Contributors funds	10	51 170	55 116
Reserves		20 463	14 456
TOTAL FUNDS EMPLOYED		71 633	69 572

Statement of Cash Flows for the year ended 30 June 2000

		2000	1999
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Dividends received	Note	\$'000	\$'000
Interest received		1 059	1 370
Sundry income		110	187
Payments for expenses		5	8
Net Cash provided by Operating Activities	11.1	<u>(774)</u>	<u>(674)</u>
		<u>400</u>	<u>891</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for international equities		(15 768)	(22 787)
Proceeds from realisations of international equities		26 858	36 379
Payments for international fixed interest investments		(1 260)	(1 314)
Proceeds from realisations of international fixed interest investments		1 332	1 266
Net Cash provided by Investing Activities		<u>11 162</u>	<u>13 544</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		20 746	15 355
Redemptions paid to contributors		(24 691)	(17 242)
Distributions paid		(11 084)	(7 372)
Net Cash used in Financing Activities		<u>(15 029)</u>	<u>(9 259)</u>
NET (DECREASE) INCREASE IN CASH HELD		<u>(3 467)</u>	<u>5 176</u>
CASH AT 1 JULY	11.2	5 196	184
Effect of exchange rate changes on foreign cash holdings		171	(164)
CASH AT 30 JUNE	11.2	<u>1 900</u>	<u>5 196</u>

LISTED PROPERTY SECURITIES COMMON FUND STATEMENTS

Statement of Income and Expenditure for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
INCOME:			
Distributions	2	1 846	1 652
Interest	2	187	54
Net realised gain on disposal of investments	3	127	595
Sundry income		-	2
Total Income		2 160	2 303
EXPENDITURE:			
Public Trustee management fee	5	192	233
Government fees and charges		3	12
Legal and advisory expenses		1	2
Total Expenditure		196	247
Change in the net market value of investments	4	1 114	(270)
OPERATING SURPLUS		3 078	1 786
Undistributed income brought forward		2 001	1 364
Transfers from (to) funds employed to determine distributable income	10	(1 200)	1 280
FUNDS AVAILABLE FOR DISTRIBUTION		3 879	4 430
Less: Distributions made	6	2 406	2 429
INCOME HELD AWAITING DISTRIBUTION		1 473	2 001

Statement of Assets and Liabilities as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Deposits with other Common Funds		1 758	1 933
Sundry debtors		420	174
		2 178	2 107
NON-CURRENT ASSETS:			
Listed property securities		29 909	12 021
Total Assets		32 087	14 128
CURRENT LIABILITIES:			
Income distribution payable		1 473	2 001
Sundry creditors		1	1
Total Liabilities		1 474	2 002
NET ASSETS		30 613	12 126
FUNDS EMPLOYED:	10		
Contributors funds		29 049	11 762
Reserves		1 564	364
TOTAL FUNDS EMPLOYED		30 613	12 126

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:			
Dividends and distributions received		1 488	1 722
Interest received		187	54
Sundry income		-	2
Payments for expenses		(193)	(272)
Net Cash provided by Operating Activities	11.1	1 482	1 506
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for listed property trusts		(19 475)	(6 541)
Proceeds from realisations of listed property trusts		2 937	17 867
Net Cash (used in) provided by Investing Activities		(16 538)	11 326
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		19 176	4 875
Redemptions paid to contributors		(1 889)	(14 743)
Distributions paid		(2 406)	(2 429)
Net Cash provided by (used in) Financing Activities		14 881	(12 297)
NET (DECREASE) INCREASE IN CASH HELD		(175)	535
CASH AT 1 JULY	11.2	1 933	1 398
CASH AT 30 JUNE	11.2	1 758	1 933

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Statement of Principal Accounting Policies**1.1 **Format of the Accounts**

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

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

1.2 **Operation of the Common Funds**

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

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

The Inflation Linked Investments Common Fund was again dormant throughout 1999-2000, has nil assets and liabilities and has not been reported.

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

- Capital Stable
- Balanced
- Balanced (tax exempt)
- Growth
- Growth (tax exempt)
- Equities.

Management of common fund investments is undertaken by Public Trustee. External advisers have been appointed to assist with the management of some common fund assets. The following advisers were employed at 30 June 2000:

<i>Adviser</i>	<i>Assets on which advice is taken:</i>
Dresdner Bank	International Equities
Alliance Capital Management Corporation	International Fixed Interest Investments

Australian and international equity investments have also been made using Australian domiciled pooled funds. At 30 June 2000, the following pooled fund investments were held:

- Mercantile Mutual Wholesale Emerging Companies Trust
- Dresdner RCM International Equities Fund

Chase Manhattan Bank has been appointed custodian for discretely held international investments to 31 January 2000. National Australia Bank Custodial Services was appointed as the replacement custodian as at 1 February 2000 and provides accounting and settlement services in relation to those international investments.

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

Australian Equities and Listed Property Securities — are valued at market value based on the Australian Stock Exchange listed last sale price at the balance date.

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

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

International Fixed Interest Investments — are valued at market value by Public Trustee's external custodian using independently sourced prices and foreign exchange rates. These investments are discretely held by the relevant common fund.

Mortgage Investments — are valued at market value based on independently obtained market yields applying at the balance date. This asset class consists of loans on first mortgage securities as authorised by the *Trustee Act 1995*. A mortgage in default is valued by Public Trustee at the expected net realisable value of the underlying property as advised by an independent property valuer.

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

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

Advance for Building — is carried at its nominal amount. This asset represents an advance to the Public Trustee pursuant to section 43 of the *Public Trustee Act 1995*, which had been originally authorised under now repealed provisions of the *Administration and Probate Act 1919*. Interest payable on the advance is reset annually to market rates.

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

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

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

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

1.4 Common Fund Foreign Exchange Gains and Losses

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

2. Recognition of Revenue

Dividend income is recognised on the date that shares are quoted as ex-dividend. Distributions from trusts are recognised on a present entitlement basis. Interest income is recognised on a time proportionate basis that takes into account the amortisation of acquisition discounts and premiums on interest bearing investments. For foreign denominated securities, the discount or premium on acquisition is translated at the exchange rate prevailing at the acquisition date. Subsequent changes in the Australian dollar equivalent of the maturity value of securities arising from movements in exchange rates are not taken into account for amortisation purposes, but are brought to account as part of Change in the Net Market Value of Investments.

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

3. Net Realised Gains (Losses) on Disposal of Investments

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

4. Recognition of Unrealised Gains and Losses

Assets of the common funds have been measured at net market values after allowing for the costs of realisation. The Australian Accounting Standard AAS 10 'Accounting for the Revaluation of Non-Current Assets' provides that public sector borrowing/financing entities may recognise unrealised gains or losses arising from the measurement of financial assets at market values as revenues or expenses in the periods in which the changes occur. Public Trustee has brought changes in the net market value of assets to account in the Statements of Income and Expenditure in the periods in which they occur. Unrealised gains are not distributed and are transferred to Reserves.

5. Management Fees

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

6. Distributions

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

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

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

7. Taxation

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

8. Financial Instruments**8.1 Net Fair Value of Financial Assets and Liabilities**

All assets and liabilities of the common funds are financial instruments as defined by the Australian Accounting Standard AAS 33, 'Presentation and Disclosure of Financial Instruments'. All assets and liabilities of the common funds are carried at net fair value based upon the valuation policies set out in Note 1.3. The aggregate carrying amounts for each class of financial instrument are as disclosed in the Statement of Assets and Liabilities.

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

- Short Term Money Market
- Australian Fixed Interest Investments
- International Fixed Interest Investments
- Australian Equities other than investments of \$8 490 000 (\$7 198 000) in a collective investment vehicle, disposal of which is by means of redemption by the vehicle manager
- Listed Property Securities
- International Equities other than investments of \$21 457 000 (\$13 816 000) in collective investment vehicles, disposals of which are by means of redemption by the vehicle managers.

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

8.2 Investment in Collective Investment Vehicles

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

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

8.3 Credit Risk

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

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

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

Sovereign debt of the Australian Commonwealth and State Government
Sovereign debt of foreign governments
Banking corporations
Corporate debt of investment grade
Loans secured by first mortgage on commercial property located within South Australia
Futures contracts conducted on recognised exchanges.

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

8.4 Interest Rate Risk

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

	Weighted Average Interest Rate		Instruments Maturing or Re-pricing Within					
	2000 Percent	1999 Percent	1 Year or Less		1 - 5 Years		Over 5 Years	
			2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Cash Common Fund:								
Cash at bank	-	-	21	12	-	-	-	-
Short-term deposits	5.97	4.70	2 100	1 400	-	-	-	-
Bank bills	6.14	4.83	122 923	61 375	-	-	-	-
Floating rate notes	6.64	5.26	34 514	40 620	-	-	-	-
Australian fixed interest	6.18	5.19	11 996	18 279	-	12 159	-	-
Advances to Common Funds	5.20	-	27	-	-	-	-	-
Advances to estates	8.50	7.25	2 010	2 623	-	-	-	-
			173 591	124 309	-	12 159	-	-
Bank overdraft	7.20	6.95	724	2 072	-	-	-	-
Short-Term Fixed Interest Common Fund:								
Deposits with other Common Funds	5.20	4.50	6 152	4 291	-	-	-	-
Australian fixed interest	6.25	5.65	13 048	2 022	12 979	30 416	-	5 681
Mortgages	6.84	7.18	175	3 275	-	181	-	-
			19 375	9 588	12 979	30 597	-	5 681
Long-Term Fixed Interest Common Fund:								
Deposits with other Common Funds	5.20	4.50	25 655	4 432	-	-	-	-
Australian fixed interest	6.35	6.00	2 000	1 034	22 547	25 880	12 379	25 357
			27 655	5 466	22 547	25 880	12 379	25 357

8.4 Interest Rate Risk (continued)

	Weighted Average Interest Rate		Instruments Maturing or Re-pricing Within					
	2000 Percent	1999 Percent	1 Year of Less		1 - 5 Years		Over 5 Years	
			2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Overseas Fixed Interest Common Fund:								
Deposit with other Common Funds	5.20	4.50	776	325	-	-	-	-
Cash at bank	0.01	1.81	3 310	1 867	-	-	-	-
International fixed interest	5.66	4.59	948	-	4 399	6 291	14 639	12 473
			5 034	2 192	4 399	6 291	14 639	12 473
Australian Shares Common Fund:								
Deposits with other Common Funds	5.20	4.50	-	186	-	-	-	-
Borrowings from Common Funds	5.20	-	27	-	-	-	-	-
Overseas Shares Common Fund:								
Deposits with other Common Funds	5.20	4.50	394	2 391	-	-	-	-
Cash at bank	1.47	1.15	1 506	2 805	-	-	-	-
International fixed interest	5.93	4.64	1 380	1 258	-	-	-	-
			3 280	6 454	-	-	-	-
Listed Property Securities Common Fund:								
Deposits with other Common Funds	5.20	4.50	1 758	1 933	-	-	-	-

8.5 Derivative Instruments

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

At the balance date, the Overseas Shares Common Fund held open futures contracts creating a notional exposure to market risk of \$56 000 (\$nil). The market value of the open contracts was (\$34 000) (\$nil).

In accordance with the valuation policy for derivative instruments, the net fair value of derivatives are brought to account in the Statements of Assets and Liabilities against the asset classes they are replicating. Unrealised gains or losses arising from the holding of derivative instruments are included as part of Change in the Net Market Value of Investments in the Statements of Income and Expenditure.

8.6 Forward Exchange Contracts

The Overseas Shares and Overseas Fixed Interest Common Funds utilise forward exchange contracts to manage currency exposure.

The investment objectives of the Overseas Shares Common Fund provide for the fund to normally operate in an unhedged manner, that is, there is an intended exposure to exchange rate movements between the Australian dollar and other currencies. The Overseas Fixed Interest Common Fund is normally operated as a partly hedged fund, that is, an investment objective of the fund is that the Fund be exposed to only 50 percent of the exchange rate movements between the Australian dollar and other currencies. Within each fund, forward exchange contracts may be used to manage currency exposures between foreign currencies, for example between the United States dollar and the Japanese yen.

At the balance date, the following forward exchange exposures were in place:

Currency	2000			1999		
	Gross Exposure	Forward Rate Agreements	Net Exposure	Gross Exposure	Forward Rate Agreements	Net Exposure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Overseas Shares Common Fund</i>						
USD	25 341	-	25 341	28 898	(108)	28 790
JPY	6 662	-	6 662	6 664	-	6 664
GBP	4 363	-	4 363	5 299	-	5 299
EUR	9 056	-	9 056	9 158*	-	9 158
Other	2 496	-	2 496	2 743*	107	2 850
	47 918	-	47 918	52 762	(1)	52 761
<i>Overseas Fixed Interest Common Fund</i>						
USD	8 655	(5 341)	3 314	3 721	(141)	3 580
JPY	3 010	(459)	2 551	3 291	(2 206)	1 085
GBP	2 995	(1 748)	1 247	2 294	(1 359)	935
EUR	5 229	(1 360)	3 869	5 964*	(3 146)*	2 818
CAD	473	377	850	1 304	(1 089)	215
Other	-	173	173	3 222*	(2 593)*	629
	20 362	(8 358)	12 004	19 796	(10 534)	9 262

* Adjusted to separately disclose Euro currency exposures.

Key to currency Codes:

USD	United States Dollar	JPY	Japanese Yen
GBP	Great Britain Pound	EUR	Euro Currencies
CAD	Canadian Dollar		

Terms to maturity of forward foreign exchange contracts are typically less than six months.

8.6 Forward Exchange Contracts (continued)

In accordance with the valuation policy for derivative instruments, the net fair value of forward exchange contracts are brought to account in the Statements of Assets and Liabilities and unrealised gains are included as part of Change in the Net Market Value of Investments in the Statements of Income and Expenditure.

9. Common Fund Unit Prices

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

	2000		1999	
	Purchase Price	Redemption Price	Purchase Price	Redemption Price
Common Fund Unit Prices at 30 June:	\$	\$	\$	\$
Short-term fixed interest	0.9994	0.9964	1.0037	1.0007
Long-term fixed interest	1.0161	1.0131	1.0225	1.0195
Overseas fixed interest	1.0327	1.0327	1.0072	1.0072
Australian shares	1.9680	1.9563	1.8376	1.8266
Overseas shares	1.4952	1.4848	1.3395	1.3302
Listed property securities	1.0261	1.0200	0.9729	0.9671

10. Movements in Funds Employed

	Common Fund							
	Cash		Short-Term Fixed Interest		Long-Term Fixed Interest		Overseas Fixed Interest	
	2000	1999	2000	1999	2000	1999	2000	1999
Contributor Funds:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	121 526	121 008	46 987	40 329	57 919	30 921	22 443	19 697
Contributions ⁽¹⁾	17 120	518	31 869	18 659	11 654	35 824	25 748	24 546
Redemptions	-	-	(45 184)	(12 001)	(5 820)	(8 826)	(23 292)	(21 800)
Closing Balance	138 646	121 526	33 672	46 987	63 753	57 919	24 899	22 443
Reserves:								
Opening balance	(223)	622	(193)	114	(61)	1 511	(932)	2 266
Net realised gains (losses)	3	(204)	(314)	73	(345)	161	188	1 019
Unrealised gains (losses)	(191)	(641)	(153)	(267)	(1)	(1 481)	383	(1 663)
Capital distribution paid/transferred	(79)	-	-	(113)	-	(252)	-	(2 554)
Closing Balance	(490)	(223)	(660)	(193)	(407)	(61)	(361)	(932)

	Australian Shares		Overseas Shares		Listed Property Securities	
	2000	1999	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contributor Funds:						
Opening balance	71 192	68 622	55 116	57 002	11 762	21 629
Contributions	32 388	20 132	20 746	15 355	19 176	4 875
Redemptions	(19 095)	(17 562)	(24 692)	(17 241)	(1 889)	(14 742)
Closing Balance	84 485	71 192	51 170	55 116	29 049	11 762
Reserves:						
Opening balance	21 862	11 710	14 456	18 221	364	1 644
Net realised gains (losses)	787	(423)	2 246	(2 491)	127	595
Capital distributions received ⁽²⁾	527	155	1 926	453	247	105
Unrealised gains	11 198	10 420	12 889	5 326	1 114	(270)
Capital distribution paid or payable	(5 958)	-	(11 054)	(7 053)	(288)	(1 710)
Closing Balance	28 416	21 862	20 463	14 456	1 564	364

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

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

11. Statement of Cash Flows

11.1	2000	1999
	\$'000	\$'000
Reconciliation of Net Cash provided by Operating Activity to Operating Surplus		
Cash Common Fund		
Operating surplus	7 416	5 194
Non-cash flows in operating surplus:		
Change in the net market value of investments	191	641
Net realised (gain) loss on disposal of investments	(3)	204
Amortisation of discounts and premiums	(576)	97
Change in assets and liabilities:		
Decrease in sundry debtors	301	19
Increase (Decrease) in sundry creditors	3	(113)
Net Cash provided by Operating Activities	7 332	6 042

11.1	Reconciliation of Net Cash provided by Operating Activity to Operating Surplus (continued)	2000	1999
		\$'000	\$'000
	<i>Short-Term Fixed Interest Common Fund</i>		
	Operating surplus	1 706	2 048
	Non-cash flows in operating surplus:		
	Change in the net market value of investments	153	267
	Net realised loss (gain) on disposal of investments	314	(73)
	Amortisation of discounts and premiums	792	929
	Change in assets and liabilities:		
	Decrease (Increase) in sundry debtors	267	(407)
	Increase (Decrease) in sundry creditors	2	(23)
	Net Cash provided by Operating Activities	3 234	2 741
	<i>Long-Term Fixed Interest Common Fund</i>		
	Operating surplus	2 871	1 126
	Non-cash flows in operating surplus:		
	Change in the net market value of investments	1	1 481
	Net realised loss (gain) on disposal of investments	345	(161)
	Amortisation of discounts and premiums	867	665
	Change in assets and liabilities:		
	Decrease (Increase) in sundry debtors	135	(385)
	Increase (Decrease) in sundry creditors	5	(25)
	Net Cash provided by Operating Activities	4 224	2 701
	<i>Overseas Fixed Interest Common Fund</i>		
	Operating surplus	1 035	414
	Non-cash flows in operating surplus:		
	Change in the net market value of investments	(383)	1 663
	Net realised gain on disposal of investments	(188)	(1 019)
	Amortisation of discounts and premiums	169	306
	Change in assets and liabilities:		
	Decrease (Increase) in sundry debtors	237	(44)
	Increase (Decrease) in sundry creditors	1	(21)
	Net Cash provided by Operating Activities	871	1 299
	<i>Australian Shares Common Fund</i>		
	Operating surplus	14 850	12 228
	Non-cash flows in operating surplus:		
	Change in the net market value of investments	(11 198)	(10 420)
	Net realised (gain) loss on disposal of investments	(787)	423
	Dividends and other income reinvested and not received in cash	(1 176)	(1 397)
	Change in assets and liabilities:		
	Increase in sundry debtors	(471)	(228)
	Increase (Decrease) in sundry creditors	6	(85)
	Net Cash provided by Operating Activities	1 224	521
	<i>Overseas Shares Common Fund</i>		
	Operating surplus	17 020	3 608
	Non-cash flows in operating surplus:		
	Change in the net market value of investments	(12 889)	(5 326)
	Net realised (gain) loss on disposal of investments	(2 246)	2 491
	Distributions reinvested and not received in cash	(70)	(3)
	Change in assets and liabilities:		
	(Increase) Decrease in sundry debtors	(1 420)	182
	Increase (Decrease) in sundry creditors	5	(61)
	Net Cash provided by Operating Activities	400	891
	<i>Listed Property Securities Common Fund</i>		
	Operating surplus	3 078	1 786
	Non-cash flows in operating surplus:		
	Change in the net market value of investments	(1 114)	270
	Net realised gain on disposal of investments	(127)	(595)
	Distributions reinvested and not received in cash	(109)	(12)
	Change in assets and liabilities:		
	(Increase) Decrease in sundry debtors	(246)	78
	Increase (Decrease) in sundry creditors	-	(21)
	Net Cash provided by Operating Activities	1 482	1 506

11.2 Reconciliation of Cash

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

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

11. Statement of Cash Flows (continued)

11.3 Non-Cash Activities

Within the Cash Common Fund, realisations of financial securities with capital proceeds totalling \$493 731 000 (\$318 252 000) were rolled into other financial instruments without the exchange of cash.

Within the Australian Shares Common Fund, dividends totalling \$1 160 000 (\$1 382 000) were reinvested under dividend reinvestment plans. This common fund also participated in scrip based takeovers totalling \$nil (\$371 000). During 1998-99, shares with a market value of \$6 086 000 were transferred as an in-specie subscription to a pooled investment vehicle. Fee rebates of \$16 000 (\$15 000) from this vehicle were also re-invested without the exchange of cash.

Within the Listed Property Securities Common Fund, dividends totalling \$nil (\$11 000) were re-invested under dividend reinvestment plans. During the year, this common fund also participated in scrip based takeovers totalling \$nil (\$230 000).

11.4 Cash Flows presented on a Net Basis

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

- Contributor deposits and withdrawals from the Cash Common Fund
- Deposits and withdrawals from the Cash Common Fund made by other Common Funds
- Advances to estates made by the Cash Common Fund.

DEPARTMENT FOR CORRECTIONAL SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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

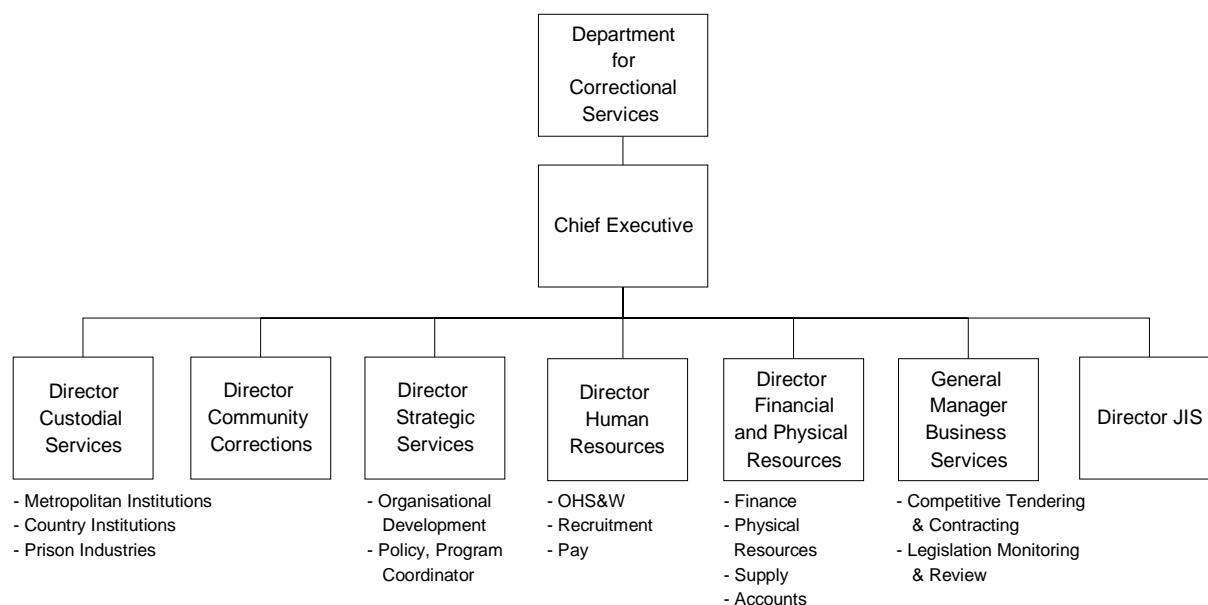
The Department has responsibility for the care and custody of adult offenders. These responsibilities are discharged by:

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

The Department is also responsible for the Justice Information System (JIS Services), a collaborative criminal justice and welfare administration system which provides computing facilities to a number of government agencies including the Department for Correctional Services.

The strategic management of JIS Services is the responsibility of a Board of Directors made up of the major agencies that participate in the System. JIS Services has, effective from 1 July 2000, been renamed 'Justice Technology Division' and is now a division of the Attorney-General's Department.

The structure of the Department is shown in the following diagram:



AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 31(l)(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 towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control.

An outline of the major areas of audit coverage under the relevant departmental responsibility area is provided hereunder:

Head Office

- accounts payable
- budgetary control and management reporting
- general ledger
- salaries and wages
- working accounts
- asset register
- contract administration
- revenue, receipting and banking
- sundry debtors
- capital works.

Institutions

- stores
- receipting and banking
- prisoner finances
- debtors.
- prison industries
- budgetary control
- fixed assets

In addition, the audit included a review of the operation of JIS Services.

Audit Communications to Management

A management letter communicating issues arising from the audit was forwarded to the Chief Executive and a satisfactory response was received. Comments on material issues referred to management are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The reviews of the specific auditable areas of coverage involved an assessment of the adequacy of accounting, record keeping and control, and the test verification of financial transactions processed and recorded during the year. Audit reviews identified a number of instances where internal control procedures either required improvement or were not applied consistently over the year. The areas of particular concern included the need to:

- minimise the number of workers compensation duplicate and inaccurate payments;
- improve controls so as to ensure that key reconciliations of various subsidiary systems are reconciled on a timely basis to the general ledger;
- improve the control structure at the Institutions particularly with respect to their Advance Account. The Audit review revealed that a number of Advance Accounts were being overdrawn on a consistent basis and not being reconciled in a timely manner.

The Department has advised that corrective action will be taken on the issues identified by Audit.

While there were a number of control issues raised by Audit, substantive testing of transactions processed by the Department did not reveal material errors in the sample of transactions tested.

Comments in relation to the implementation progress of the Financial Management Framework can be found under the Attorney-General's Department, 'Audit Findings and Comments'.

Renewal of the Agreement for the Provision of Services for the Management and Operation of the Mount Gambier Prison

The management and operation of the Mount Gambier prison was outsourced to the private sector in 1995.

The then Minister for Correctional Services entered into a contract with Group 4 Correction Services Pty Ltd (Group 4) on 13 May 1995 for the management and operation of the Mount Gambier Prison. This contract which expired on 27 June 2000 provided that the Minister, not later than six months prior to the end of the contract, advise the contractor in writing whether the Government wished to renew, extend or replace the contract.

During the latter half of 1999, the Department considered the various options available to it and at the same time analysed the performance and value-for-money of the existing contract. Options considered included:

- reverting the management of the prison to the public sector;
- replacing the existing contract through a process of competitive tender;
- extending the existing contract with Group 4;
- renewing the contract with Group 4.

Throughout the process the Department consulted with the Government's Prudential Management Group.

Upon finalisation of their review, the Department initiated an independent evaluation to:

- verify the information on which the Department based its conclusions;
- confirm the operational effectiveness and benefits of the existing contract;
- identify and evaluate key issues that have the potential to impact on the operation of the prison contract over the forthcoming five years.

The Evaluating Committee confirmed the Department's findings that the existing contract had been operationally effective and had resulted in a value-for-money outcome. The Committee also supported the Department's preferred option to renew the contract.

On 20 December 1999 Cabinet gave approval for the Minister to renew the contract with Group 4 for a period of up to five years.

The contract was renewed for a further five year period. The new contract was signed on 19 May 2000 and the terms of the contract became effective from 27 June 2000.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department for Correctional 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 Correctional Services 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 Department reported a higher 'net cost of services' in 1999-2000 (\$95.1 million) as compared to 1998-99 (\$92.8 million). Revenues from government increased by \$5.1 million (5.6 percent) to \$96.1 million.

Statement of Financial Position

Property, Plant and Equipment

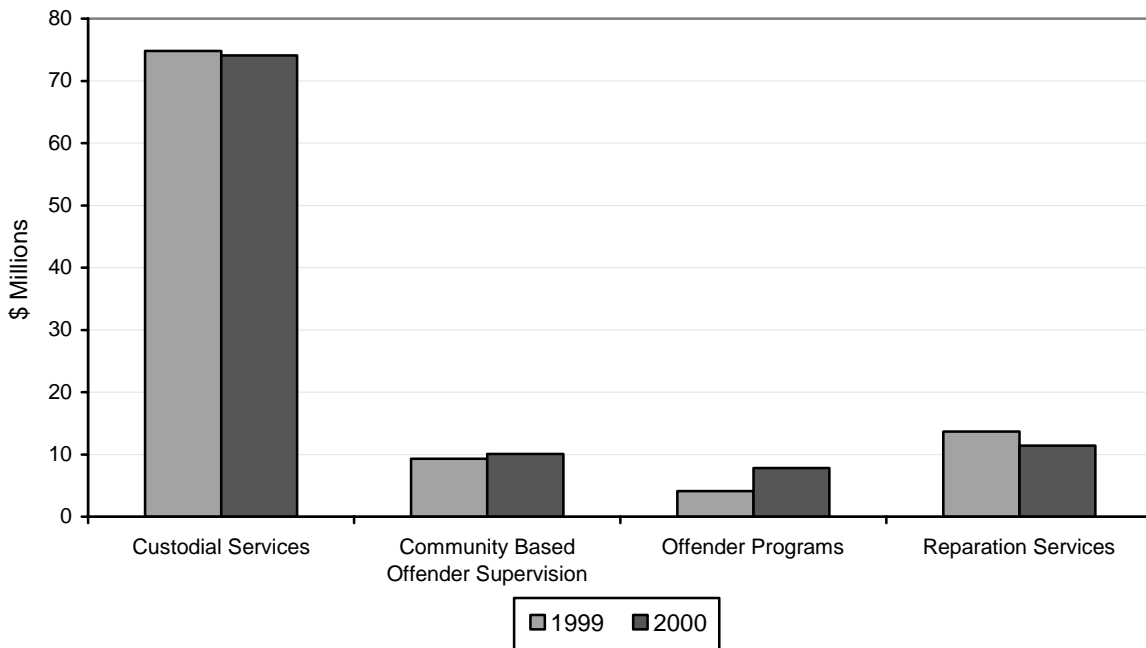
The written down value of property, plant and equipment increased by \$13.1 million to \$161.4 million. The main factor contributing to this increase is the revaluation increment of land and buildings of \$9.6 million. Refer Note 24.

Output Schedule of Expenses and Revenues

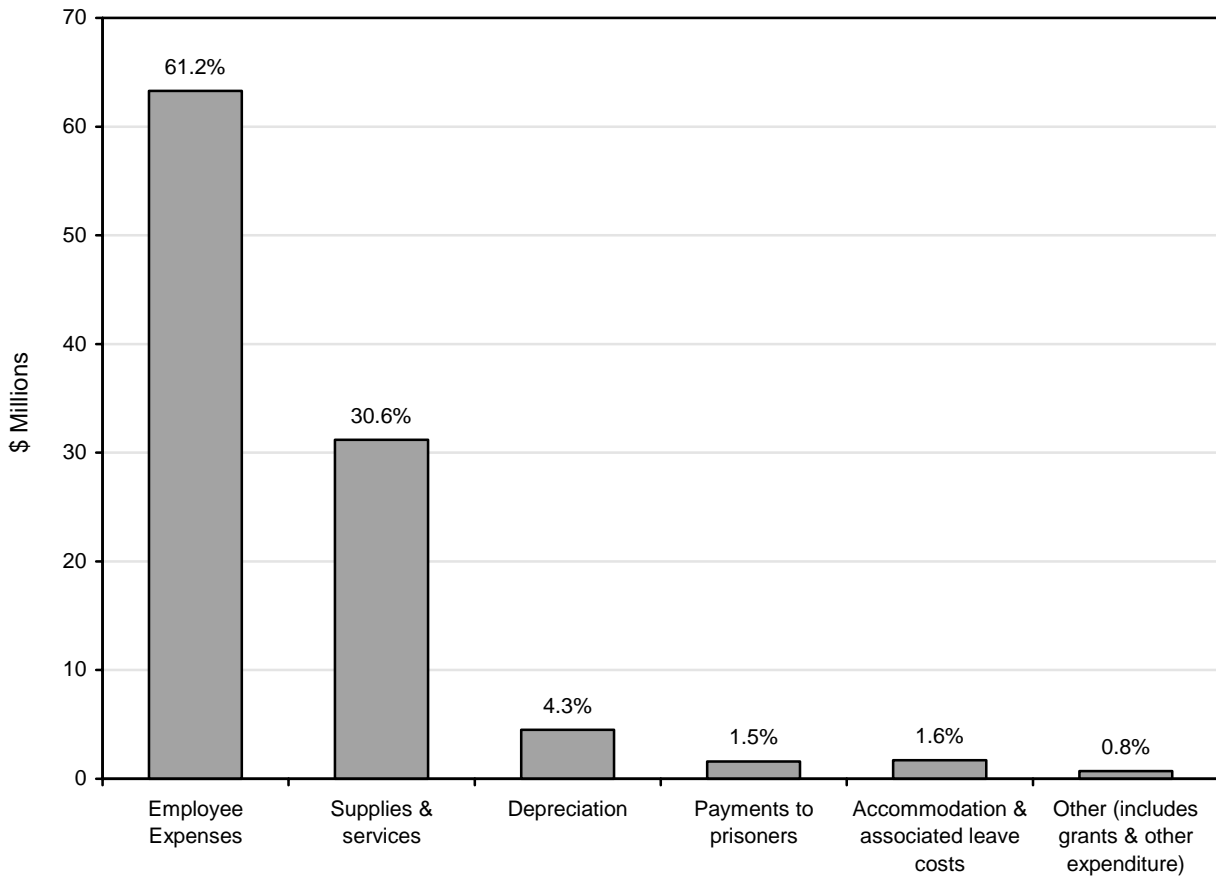
The outputs of the Department are identified and described in Note 3.

Total operating expenses for the year were \$103.4 million, of which \$74.1 million was spent on Custodial Services.

The following chart shows expenditure by output for the last two years.



The areas in which expenditure incurred in 1999-2000 was spent is depicted in the following chart.



Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Employee expenses	4(a)	63 261	59 181
Supplies and services	5	31 655	34 673
Depreciation	6	4 473	4 391
Payments to prisoners		1 571	1 629
Accommodation and associated lease costs		1 659	1 293
Grants		487	558
Other		259	163
Total Operating Expenses		103 365	101 888
OPERATING REVENUES:			
Revenues from prison labour	7	3 238	3 035
Salaries and goods and services recoups		1 730	2 248
Interest		326	629
Commonwealth and Northern Territory grants and recoups		106	384
Other	8	2 823	2 818
Total Operating Revenues		8 223	9 114
NET COST OF SERVICES		95 142	92 774
REVENUES FROM GOVERNMENT:			
Recurrent appropriation		93 013	87 933
Capital appropriation		3 136	3 131
Total Revenues from Government		96 149	91 064
NET REVENUES FROM DISPOSAL OF NON-CURRENT ASSETS	9	65	77
ABNORMAL REVENUE		-	409
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS		1 072	(1 224)

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash at bank and on hand	10	9 671	11 479
Receivables	11	521	633
Inventories	12	877	952
Other	13	5	285
Total Current Assets		11 074	13 349
NON-CURRENT ASSETS:			
Property, plant and equipment	14	161 366	148 221
Total Non-Current Assets		161 366	148 221
SELF GENERATING AND REGENERATING ASSETS:			
Livestock		63	82
Total Self Generating and Regenerating Assets		63	82
Total Assets		172 503	161 652
CURRENT LIABILITIES:			
Payables	15	4 021	5 035
Provision for employee entitlements	4(b)	5 040	5 388
Other	16	3 467	3 958
Total Current Liabilities		12 528	14 381
NON-CURRENT LIABILITIES:			
Payables	15	606	828
Provision for employee entitlements	4(b)	7 363	6 886
Other	16	10 116	8 472
Total Non-Current Liabilities		18 085	16 186
Total Liabilities		30 613	30 567
NET ASSETS		141 890	131 085
EQUITY:			
Accumulated surplus	17	130 358	129 156
Amenities fund reserve	18	102	57
Asset revaluation reserve	24	11 430	1 872
TOTAL EQUITY		141 890	131 085
Commitments for Expenditure	22		
Contingent Liabilities	23		

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:			
Employees wages and salaries		(61 149)	(57 384)
Suppliers		(34 938)	(33 587)
Prisoners		(1 571)	(1 629)
Grants paid		(487)	(558)
Other		(259)	(214)
RECEIPTS:			
From prison labour		3 347	3 198
Interest received		328	616
Other		4 659	5 969
CASH FLOWS FROM GOVERNMENT:			
Recurrent appropriation		93 013	87 933
Capital appropriation		3 136	3 131
Net Cash provided by Operating Activities	19	6 079	7 475
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		(7 950)	(4 816)
Proceeds from sale of property, plant and equipment		63	24
Net Cash used in Investing Activities		(7 887)	(4 792)
NET (DECREASE) INCREASE IN CASH HELD		(1 808)	2 683
CASH AT 1 JULY		11 479	8 796
CASH AT 30 JUNE		9 671	11 479

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

	2000				Total \$'000
	Custodial Services Output 2.1 \$'000	Community Based Offender Supervision Output 2.2 \$'000	Offender Programs Output 2.3 \$'000	Reparation Services Output 2.4 \$'000	
OPERATING EXPENSES:	Outputs (see Note 3)				
Employee expenses	44 656	7 169	5 154	6 282	63 261
Supplies and services	23 332	2 184	2 063	4 076	31 655
Depreciation	3 560	154	291	468	4 473
Payments to prisoners	1 274	-	11	286	1 571
Accommodation and associated lease costs	716	493	191	259	1 659
Grants	380	43	30	34	487
Other	191	28	22	18	259
Total Operating Expenses	74 109	10 071	7 762	11 423	103 365
OPERATING REVENUES:					
Revenues from prison labour	-	-	-	3 238	3 238
Salaries and goods and services recoups	870	133	75	652	1730
Interest revenue	221	41	29	35	326
Commonwealth and Northern Territory grants and recoups	106	-	-	-	106
Other	2 435	95	233	60	2 823
Net revenues from disposal of non-current assets	(1)	(1)	(1)	68	65
Revenues from Government	71 275	9 914	7 508	7 452	96 149
Total Operating Revenues	74 906	10 182	7 844	11 505	104 437
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	797	111	82	82	1 072

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Departmental Objectives

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

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

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

2. Significant Accounting Policies

(a) Basis of Accounting

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

2. Significant Accounting Policies (continued)

(b) The Reporting Entity

Controlled Resources

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

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

Administered Resources

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

	2000 \$'000	1999 \$'000
Balance as at 1 July	-	-
Add: Receipts	28	28
	<hr/> 28	<hr/> 28
Less: Payments	28	28
Balance as at 30 June	<hr/> <hr/> -	<hr/> <hr/> -

Trust Funds

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

	2000 \$'000	1999 \$'000
Balance as at 1 July	169	133
Add: Receipts	9 146	6 066
	<hr/> 9 315	<hr/> 6 199
Less: Payments	9 116	6 030
Balance as at 30 June	<hr/> <hr/> 199	<hr/> <hr/> 169

Justice Information System

The Department is also responsible for the Justice Information System (JIS), a collaborative criminal justice and welfare administration system which provides computing facilities to a number of government agencies including the Department for Correctional Services.

The strategic management of JIS is the responsibility of a Board of Directors made up of the major agencies that participate in the system. Control over JIS does not rest with the Department and so accordingly JIS operations are not included in these financial statements.

(c) Appropriations

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

(d) Non-Current Assets

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

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

All assets over \$10 000 including aggregate computing assets have been accounted for in the Financial Statements. The inclusion of aggregate computing assets in the Financial Statements is in accordance with Australian Accounting Standard AAS 5 'Materiality'.

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

(e) Revaluation of Non-Current Assets

Non-current assets are revalued in accordance with Australian Accounting Standard AAS 10 'Accounting for the Revaluation of Non-Current Assets' every three years. Property, plant and equipment are brought to account at cost or independent valuation. Valuations are based on deprival value.

During 1996-97, the Department engaged the services of a number of licensed property valuers to provide valuations for a number of land and buildings controlled by the Department as at 30 June 1996. Land and buildings controlled by the Department at 30 June 1996 which were not subject to these independent valuations have been recognised using Valuer-General's valuation.

(e) Revaluation of Non-Current Assets (continued)

In 1997-98 the Department engaged the services of Andrew J Lucas from Valcorp, to revalue the Mount Gambier Prison, Adelaide Women's Prison and the Adelaide Pre Release Centre.

During 1998-99 the Department engaged the services of Andrew James Robertson at Mason Gray Strange (through Nicholas Carr Consulting Services Pty Ltd) to value various plant and equipment over \$10 000 included on the asset register where there was no valuation documentation available. The Department also, in 1998-99 engaged the services of Andrew J Lucas from Valcorp Aust Pty Ltd to undertake valuations of Community Correction Centres at Adelaide, Mount Gambier, Murray Bridge, Noarlunga Centre and Holden Hill.

During 1999-2000 the Department engaged the services of Andrew J Lucas from Valcorp to revalue the Community Correction Centres at Marla and Coober Pedy, as well as the Adelaide Remand Centre, Cadell Training Centre, Mobilong Prison, Port Augusta Prison, Yatala Labour Prison and the Dog Squad.

The names, addresses and qualifications of those valuers are detailed below:

Colliers Jardine	Timothy P Dobney AVLE (Val) B App Sc (Valuation)	Level 3, 45 Pirie Street ADELAIDE SA 5000
Rawlinsons	Martin J Durden AAIQS ARICS	64 Hindmarsh Square ADELAIDE SA 5000
Valcorp	Martin Burns MBA B App Sc (Val) AVLE (Val) Andrew J Lucas MBA B App Sc (Val) Dip Acc AVLE (Val) ASA	20 Waymouth Street ADELAIDE SA 5000
Plant and Equipment Valuations	Andrew James Robertson MSAA (Master), API (P&M)	115 Carrington Street ADELAIDE SA 5000

(f) Depreciation of Non-Current Assets

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

Vehicles	Years 5-20
Plant and equipment	4-15
Buildings	30-60
Infrastructure	5-20
Prisons	30-60

(g) Employee Entitlements**(i) Salaries and Annual Leave**

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

(ii) Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by Department employees to balance date. The liability has been calculated at nominal rates based on current salary rates. Long service leave has been calculated from the records available on the Concept payroll system which accrues long service leave from seven years of service.

(iii) Sick Leave

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

(iv) Superannuation

The Department has no liability for superannuation benefits as these are assumed by the Superannuation Funds. The Department has made contributions of \$4.8 million (\$4.7 million) to Employer contribution accounts administered by the South Australia Superannuation Board in respect of future superannuation liabilities in 1999-2000.

(v) Unclaimed Salaries and Wages

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

(vi) Employment On-Costs

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

(h) Leases

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

The Department does not have any finance lease agreements.

(i) Provision for Doubtful Debts

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

2. Significant Accounting Policies (continued)

(j) Inventories

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

(k) Livestock

Livestock is valued at current market value. The Department has elected to account for this item in accordance with Australian Accounting Standard AAS 35 'Self Generating and Regenerating Assets'.

(l) Prisoner Amenities Fund

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

(m) Prisoner Payments

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

(n) Grants

The Department contributes to a small number of organisations by way of grant payments. For the year ended 30 June 2000, recipients included:

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

(o) Financial Instruments

The Department's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2000, are as follows:

(i) Financial Assets

Cash at Bank includes a Special Deposit Account with the Department of Treasury and Finance. Interest revenues are recognised as they accrue. Interest rates are based on the average of the 90 day bank bill and have fluctuated between 5.58 percent and 4.59 percent for the year ended 30 June 2000. The balance of Cash at Bank relates to Prison and Canteen bank advance accounts held at the various institutions. These are deposited in individual 'at call' bank accounts and as a result details of interest rates are not readily available.

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

(ii) Financial Liabilities

Creditors are raised for amounts payable by the Department as at 30 June 2000.

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

3. Outputs of the Department

The identity and purpose of each output produced by the Department is summarised below. Financial information relating to the Department's outputs is reporting in the Output Schedule.

Output 2.1 Custodial Services

The Department provides secure containment and supervision for adults on remand and those sentenced by the courts to serve a custodial sanction. The Custodial Services output includes costs associated with operating the State's prison system, the humane treatment of prisoners while in custody and the secure movement of prisoners.

Output 2.2 Community Based Offender Supervision

The Department case manages and supervises offenders in the community on probation, parole or under home detention and clients on supervised bail.

Output 2.3 Offender Programs

The Department provides a range of educational, vocational and rehabilitative programs designed to assist offenders to address their offending behaviour and provide them with the opportunities to lead law abiding and productive lives.

Output 2.4 Offender Reparation Services

The Department provides the opportunity for offenders to make reparation to the community through participation in community service programs, prison industries and prison services.

4. Employee Entitlements

(a) Employee Expenses

Salaries and wages	48 652	45 719
Superannuation and payroll tax expenses	7 940	8 884
Workers compensation salary payments	5 187	3 421
Annual and long service leave expenses	848	(768)
Termination payments	446	1 727
WorkCover levy payments	188	198
	63 261	59 181

4.	Employee Entitlements (continued)	2000	1999
	(b) Provision for Employee Entitlements	\$'000	\$'000
	Current:		
	Annual leave	3 006	2 756
	Long service leave	1 841	1 721
	Accrued salaries	190	908
	Unclaimed salaries and wages	3	3
		<hr/> 5 040	<hr/> 5 388
	Non-Current:		
	Long service leave	7 363	6 886
		<hr/> 7 363	<hr/> 6 886
	(c) Remuneration of Employees		
	Amounts received or receivable by employees of the Department whose remuneration is greater than \$100 000. The amounts include salaries and related payments, superannuation benefits and motor vehicle benefits.		
	The number of employees of the Department whose remuneration falls within the following bands:		
		2000	1999
		Number of	Number of
		Employees	Employees
	\$100 001 - \$110 000	2	-
	\$130 001 - \$140 000	1	1
	\$150 001 - \$160 000	1	-
	\$180 001 - \$190 000	1	1
	The aggregate remuneration for all employees referred to above was \$689 000. Remuneration includes salary and non-monetary benefits.		
	(d) Targeted Voluntary Separation Packages (TVSPs)	2000	1999
		\$'000	\$'000
	TVSPs paid to employees during the reporting period	-	1 017
	Recovery from the Department of the Premier and Cabinet	-	(956)
	Annual leave and long service leave accrued over the period of employment for those who received TVSPs	-	380
		<hr/> -	<hr/> 380
	The number of employees who were paid TVSPs during 1999-2000 totalled nil (32) employees.		
5.	Supplies and Services		
	Contracts	8 132	8 005
	Works and equipment costs	4 005	3 934
	Offender related costs	3 799	3 721
	Consumables/materials/stationery	1 886	1 741
	Utilities	2 700	2 605
	Cost of goods sold	2 649	2 515
	Maintenance land and buildings	1 169	1 088
	Staff related costs	2 118	4 931
	Workers compensation related payments	621	1 064
	JIS network charges	1 838	1 581
	Sundry other expenses	2 738	3 488
		<hr/> 31 655	<hr/> 34 673
6.	Depreciation		
	Depreciation was charged in respect of:		
	Buildings and improvements	3 656	3 601
	Plant and equipment	817	790
		<hr/> 4 473	<hr/> 4 391
7.	Revenue from Prison Labour		
	Yatala Labour Prison	1 548	1 572
	Cadell Training Centre	542	555
	Mobilong Prison	552	357
	Port Augusta Prison	256	201
	Port Lincoln Prison	95	111
	Adelaide Women's Prison	245	239
		<hr/> 3 238	<hr/> 3 035
8.	Other Revenue		
	Canteen and kitchen sales	1 562	1 576
	Grants - Other	372	482
	Prisoner telephone receipts	503	442
	Other revenues	386	318
		<hr/> 2 823	<hr/> 2 818
9.	Net Revenues from Disposal of Non-Current Assets		
	Proceeds from sale of non-current assets	108	145
	Less: Written down value	43	68
	Net Revenues from Disposal of Non-Current Assets	<hr/> 65	<hr/> 77

Correctional Services

10. Cash at Bank and on Hand		2000	1999
		\$'000	\$'000
Cash with the Department of Treasury and Finance		9 316	10 935
Prison general bank accounts		247	311
Prison canteen bank accounts		17	140
Head office imprest accounts		61	61
Prison imprest accounts		22	24
Petty cash		8	8
		9 671	11 479
11. Receivables			
Accounts receivable		648	764
Less: Provision for doubtful debts		179	182
		469	582
Accrued interest		52	51
		521	633
12. Inventories			
Raw materials and stores		679	709
Finished goods		169	215
Work in progress		29	28
		877	952
13. Other Current Assets			
Prepayments		5	285
14. Property, Plant and Equipment			
Land:			
Prison Land:			
At independent valuation 30 June 2000		6 046	-
At independent valuation 30 June 1998		5 547	5 547
At independent valuation 1 July 1996		100	2 621
At Valuer-General's valuation 1 July 1996		-	1 700
At historical cost		130	-
		11 823	9 868
Other Land:			
At independent valuation 30 June 2000		89	-
At independent valuation 30 June 1999		1 138	1 138
At independent valuation 1 July 1996		-	56
At Valuer-General's valuation 1 July 1996		300	304
		1 527	1 498
		13 350	11 366
Buildings:			
Prison Buildings:			
At independent valuation 30 June 2000		171 213	-
At independent valuation 30 June 1998		20 968	20 968
At independent valuation 1 July 1996		5 526	155 878
At cost		621	4 576
		198 328	181 422
Less: Accumulated depreciation		63 871	55 588
		134 457	125 834
Other Buildings:			
At independent valuation 30 June 2000		707	-
At independent valuation 30 June 1999		4 585	4 585
At independent valuation 1 July 1996		-	192
At Valuer-General's valuation 1 July 1996		-	51
At cost		31	125
		5 323	4 953
Less: Accumulated depreciation		1 206	1 142
		4 117	3 811
		138 574	129 645
Capital Works in Progress:			
Capital works in progress		6 207	4 180
Plant and Equipment:			
Plant and equipment at cost		7 882	7 195
Less: Accumulated depreciation		4 647	4 165
		3 235	3 030
		161 366	148 221
15. Payables			
Current:			
Supplies and services		1 593	2 972
Employee related expenses		2 428	2 063
		4 021	5 035
Non-Current:			
Employee related expenses		606	828

16. Other Liabilities	2000	1999
Current:	\$'000	\$'000
Workers compensation - Medical and other costs	1 560	2 042
Workers compensation - Income maintenance	1 907	1 916
	3 467	3 958
Non-Current:		
Workers compensation - Medical and other costs	3 646	4 581
Workers compensation - Income maintenance	6 470	3 891
	10 116	8 472

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 claim numbers and payments over the period 1 July 1987 to 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 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 PS300 '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 provision required for later years).

17. Accumulated Surplus	2000	1999
	\$'000	\$'000
Balance as at 1 July	129 156	128 484
Assets not previously reported	130	-
Adjustment for asset recognised under transitional provisions of AAS 29	-	1 896
Increase (Decrease) in net assets resulting from operations	1 072	(1 224)
Balance as at 30 June	130 358	129 156

18. Amenities Fund Reserve		
Balance as at 1 July	57	69
Add: Receipts	175	113
	232	182
Less: Payments	130	125
Balance as at 30 June	102	57

19. Reconciliation of Net Cost of Services to Net Cash provided by Operating Activities		
Net cost of services	(95 142)	(92 774)
Non-cash items:		
Depreciation expense	4 473	4 391
Loss on revaluation of plant and equipment	67	74
Change in operating assets and liabilities:		
Decrease in receivables	112	147
Decrease (Increase) in inventories	75	(20)
Decrease (Increase) in prepayments	280	(187)
Decrease (Increase) in livestock	17	(5)
(Decrease) Increase in payables	(1 234)	1 125
Increase in provision for employee entitlements	129	242
Increase in provision for workers compensation	1 153	3 090
Increase (Decrease) in accrued expenses	-	(70)
Abnormal revenue	-	409
Revenues from SA Government:		
Recurrent appropriation	93 013	87 933
Capital appropriation	3 136	3 131
Change in reserves:		
Decrease in prisoner amenities reserve	-	(11)
Net Cash provided by Operating Activities	6 079	7 475

20. Consultancy Fees	2000	1999
During the year the Department engaged 21 (17) consultants to assist in its operations. The cost of these consultancies was \$592 000 (\$327 000). The number of consultancies whose payments fell within the following bands were:	Number of	Number of
	Consultancies	Consultancies
\$0 - \$10 000	15	12
\$10 001 - \$50 000	3	4
\$50 001 and above	3	1

20. Consultancy Fees (continued)

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

Consultant	Purpose of Consultancy	2000 \$'000
Price Waterhouse Coopers	Business Continuity Planning	186
Myers-Holum International	GST Systems Implementation	33
Walmarrningin Pty Ltd	National Competency Standards Project	62
University of South Australia	Forensic Psychology Consultants	203
Black and White Consultancy	Aboriginal Programs	35
River Murray Training Pty Ltd	National Competency Standards	20

21. Remuneration of Auditors

	2000 \$'000	1999 \$'000
Amounts paid and payable to the Auditor-General's Department for auditing services	89	80

22. Commitments for Expenditure

(a) Operating Leases

At 30 June 2000, the Department had the following accommodation obligations under non-cancellable operating leases (these obligations are not recognised as liabilities in the Statement of Financial Position):

	2000 \$'000	1999 \$'000
Not later than one year	450	421
Later than one year and not later than five years	1 090	1 094
Later than five years	293	264
	1 833	1 779

The accommodation obligations are payable monthly in advance.

(b) Contracted Services

The contract for the management of Mount Gambier Prison and the Prisoner Movement and In-Court Management Contract extend beyond the 30 June 2000. These two contracts have provisions for termination by the Crown without penalty to the Crown. However, a termination for convenience by the Crown would attract variable payments and reimbursements specified in the contract depending on the circumstances and amount of termination notice. The ongoing cancellable commitments (which have not been recognised as liabilities) are as follows:

	2000 \$'000	1999 \$'000
Not later than five years	22 971	13 357
Later than five years	-	-
	22 971	13 357

The figures above are subject to an escalation based on indices not yet published by the Australian Bureau of Statistics, are not adjusted for inflation and are based on 1999-2000 prisoner populations.

The reporting of contracted services has been changed from that in previous years in order to preserve commercial in confidence contractual prices for the two contracts which previously, because of different timing, could not be separately identified. The cancellable commitments are consequently aggregated into one period.

23. Contingent Liabilities

The Department has a number of common law claims against it made by various claimants. The maximum exposure facing the Department in respect of these claims is \$107 000 (\$175 000). These contingent liabilities are not actual liabilities and have therefore not been included in the Financial Statements. They represent a potential financial obligation in circumstances which have been deemed to be possible not probable.

24. Asset Revaluation Reserve

The reserve includes the revaluation of Community Correction Centres at Marla and Coober Pedy and the revaluation of the Adelaide Remand Centre, Cadell Training Centre, Mobilong Prison, Yatala Labour Prison, Port Augusta Prison and the Dog Squad, which amounted to \$9.6 million.

JUSTICE INFORMATION SYSTEM SERVICES

DESCRIPTION OF OPERATIONS

The organisation objectives of JIS Services are set out in Note 1 of the Financial Statements.

EXTRACT FROM INDEPENDENT AUDIT REPORT

Qualification

As explained by the JIS Services in Note 2(b) to the Financial Statements, JIS Services has not been able to provide appropriate documentation to support with a considerable degree of certainty values attributed to the account items, Plant and Equipment.

The absence of an appropriate standard of supporting documentation relates to the absence of accrual based accounting systems in existence at the time of the purchase or development of the assets.

As a result Audit has not been able to determine with certainty the values of those account balances in the accounts and the associated quantifiable effect these values have on the Statement of Financial Position and Operating Statement for the year ended 30 June 2000.

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 JIS Services as at 30 June 2000, the results of its operations and its cash flows for the year then ended.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING REVENUES:			
Sale of goods and services	3	10 575	9 058
Interest revenue		146	193
Other	4	210	261
Total Operating Revenues		10 931	9 512
OPERATING EXPENSES:			
Direct operating	5	3 812	2 794
Employee expenses	6	1 857	1 740
Depreciation	7	52	106
Accommodation and related expenses		214	328
Administration		417	399
EDS processing		5 775	6 348
Total Operating Expenses		12 127	11 715
OPERATING LOSS		(1 196)	(2 203)
ACCUMULATED SURPLUS 1 JULY		1 453	3 656
ACCUMULATED SURPLUS 30 JUNE		257	1 453

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash		702	4 100
Receivables	8	881	945
Prepayments		-	5
Total Current Assets		1 583	5 050
NON-CURRENT ASSETS:			
Plant and equipment	9	68	120
Total Non-Current Assets		68	120
Total Assets		1 651	5 170
CURRENT LIABILITIES:			
Payables	10	700	3 148
Employee entitlements	11	208	178
Total Current Liabilities		908	3 326
NON-CURRENT LIABILITIES:			
Payables	10	65	41
Employee entitlements	11	421	350
Total Non-Current Liabilities		486	391
Total Liabilities		1 394	3 717
NET ASSETS		257	1 453
EQUITY:			
Accumulated surplus		257	1 453
TOTAL EQUITY		257	1 453
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:			
Receipts from customers		10 835	8 765
Payments to suppliers and employees		(14 393)	(10 131)
Interest received		160	198
Net Cash used in Operating Activities	12	(3 398)	(1 168)
NET DECREASE IN CASH HELD		(3 398)	(1 168)
CASH AT 1 JULY		4 100	5 268
CASH AT 30 JUNE		702	4 100

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Organisation Objectives**

The primary mission of the Justice Information System (JIS) Services is to facilitate improvements in the South Australia Government's Criminal Justice Administration processes through the core business of providing cost-effective information technology services.

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

The financial statements have been prepared in accordance with applicable Australian Accounting Standards and the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The financial statements have also 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. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

(b) Plant, Equipment and Applications*Cost and Valuation*

Certain items of Plant and Equipment are brought to account at historic cost where source documentation regarding its purchase price and date is available. For other items valuation has been based on the estimated purchase price together with an estimate of the purchase date. Given the material value and nature of the assets there is some uncertainty as to the reasonableness of the depreciation and amortisation charged to the Operating Statement.

Plant and Equipment with an acquisition cost of less than \$10 000 are not capitalised but are brought to account as an expense in the period in which they are incurred.

Depreciation and Amortisation

Depreciation and amortisation are charged on plant and equipment at rates which provide for the write-down from the cost or valuation over the expected period of their useful life. The straight line method of calculation has been used. The useful life of plant and equipment used for depreciation purposes is five years. The depreciation period for the office fit-out of the new accommodation occupied by JIS Services at Level 14, Wakefield House is three years which is the period of the office rental lease at the time the fitout was completed.

(c) Employee Entitlements

Provision has been made in the financial statements, where stated, for JIS Service's liability for employee entitlements arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees (viz payroll tax and superannuation) have been included in Payables - Refer Note 10.

Salaries and Annual Leave

Liabilities for salaries and annual leave are recognised and measured as the amount unpaid at the reporting date at current pay rates.

Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by JIS Services employees to balance date. The liability has been calculated at nominal rates based on current salary rates. The Department of Treasury and Finance has advised that a benchmark of eight years can be used as a shorthand estimation of long service leave liability in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. This advice has been adopted and the long service leave liability has been calculated on that basis.

Sick Leave

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

Superannuation

Contributions are made by JIS Services to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the Superannuation Funds. The only liability outstanding at balance date relates to any contribution due but not yet paid to the Superannuation Schemes.

(d) Leases

JIS Services has entered into an operating lease agreement for office accommodation where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating lease. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Operating Statement in the periods in which they are incurred.

3. **Sale of Goods and Services**

Revenues from sale of goods and services were derived from the following:

South Australia Police Department	2000	1999
Department for Transport, Urban Planning and the Arts	\$'000	\$'000
Department of Human Services	6 131	5 072
Department for Correctional Services	-	149
Attorney-General's Department	2 403	2 087
	1 838	1 581
	203	169
	<u>10 575</u>	<u>9 058</u>

Correctional Services

4. Other Revenues	Other operating revenues received during 1999-2000 were primarily as a result of applications development services provided to the various Justice agencies.	
5. Direct Operating	2000	1999
Direct operating expenses comprised the following:	\$'000	\$'000
Software maintenance	107	73
Contractors and consultants	1 376	1 143
Data communication	881	1 128
Hardware maintenance	5	7
Telecommunication charges	32	22
Transfers to JIS agencies	1 411	421
	3 812	2 794
6. Employee Expenses		
Employee expenses comprised the following:		
Salaries and related payments	1 463	1 403
Superannuation	205	162
Payroll tax	87	70
Annual and long service leave	102	105
	1 857	1 740
7. Depreciation		
JIS Services assets	52	106
8. Receivables		
Accounts receivable and accrued interest comprises:		
Accounts receivable	878	929
Less: Provision for doubtful debts	-	1
Accrued interest	3	17
	881	945
9. Plant and Equipment		
Site developments and sundries - At cost	1 055	1 055
Less: Accumulated depreciation	1 049	1 046
Written-down value	6	9
Wide area network - At cost or estimated cost	166	166
Less: Accumulated depreciation	166	164
Written-down value	-	2
Accommodation fit-out	230	230
Less: Accumulated depreciation	168	121
Written-down value	62	109
	68	120
10. Payables		
Current Liabilities:		
Creditors and accruals	684	3 122
Employee on-costs	16	26
	700	3 148
Non-Current Liability:		
Employee on-costs	65	41
11. Employee Entitlements		
Current Liabilities:		
Provision for annual leave	103	91
Provision for long service leave	105	87
	208	178
Non-Current Liabilities:		
Provision for long service leave	421	350
12. Reconciliation of Net Cash used in Operating Activities to to Operating Loss:		
Operating loss	(1 196)	(2 203)
Items not involving cash:		
Depreciation	52	106
Changes in operating assets and liabilities:		
Decrease (Increase) in receivables	64	(549)
Decrease in prepayments	5	6
(Decrease) Increase in payables	(2 424)	1 462
Increase in employee entitlements	101	10
Net Cash used in Operating Activities	(3 398)	(1 168)

13. Employee Remuneration		2000	1999
The number of JIS Services employees whose remuneration received or receivable falls within the following bands were:		Number of Employees	Number of Employees
\$130 001 - \$140 000		1	*1

* Adjusted to include Fringe Benefits Tax.

14. Auditor's Remuneration
The amount due and receivable to the Auditor-General's Department for auditing the accounts for the year was \$16 400 (\$16 000).

15. Consultancies
During the year JIS Services engaged a consultant to assist in its operations. The cost of this consultancy was \$98 000 (\$33 000). The number of consultancies whose payments fell within the following bands were:

	2000	1999
	Number of Consultancies	Number of Consultancies
\$0 - \$10 000	-	4
\$10 001 - \$20 000	-	1
\$90 001 - \$100 000	1	-

Consultant	Purpose of Consultancy	2000
		\$'000
Pricewaterhouse Coopers	Business Continuity Planning	98

16. Commitments for Expenditure		2000	1999
Operating Leases		\$'000	\$'000
Commitments under the JIS Service office accommodation lease are payable as follows:			
Not later than one year		132	141
Later than one year and not later than five years		528	-
Later than five years		616	-
		1 276	141

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

The accommodation lease is a non-cancellable lease, with rental payable monthly in advance.

17. Financial Instruments
JIS Services' accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2000, are as follows:

(i) Financial Assets
Cash comprises a Deposit Account with the Department of Treasury and Finance. Interest revenues are recognised as they accrue. Interest rates are based on the average of the 90 day bank bill rate and have fluctuated between 4.59 percent (4.63 percent) and 5.58 percent (5.22 percent) for the year ended 30 June 2000.

Receivables are recorded at the recoverable amount. At the end of each reporting period these receivable balances are reviewed and a provision is raised in respect of any balances where recoverability is considered doubtful.

(ii) Financial Liabilities
Creditors are raised for amounts payable by JIS Services as at 30 June 2000.

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

COUNTRY FIRE SERVICE BOARD

FUNCTIONAL RESPONSIBILITY

The Country Fire Service Board was established pursuant to the *Country Fires Act 1989*.

The Country Fire Service Board (the Board) is responsible to the Minister for Police, Correctional Services and Emergency Services for the administration of the *Country Fires Act 1989*. Its main functions are to:

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

The Board is a decentralised organisation supporting six regions.

CHANGES TO AGENCY ORGANISATIONAL STRUCTURE FROM 1 JULY 1999

During 1999-2000 there were external factors that influenced the financial operations and management of the Country Fire Service Board (the Board).

Principal among these was the establishment of the Emergency Services Administrative Unit (ESAU) from 1 July 1999. On that date there was an effective transfer of non-operations staff from the Board to ESAU.

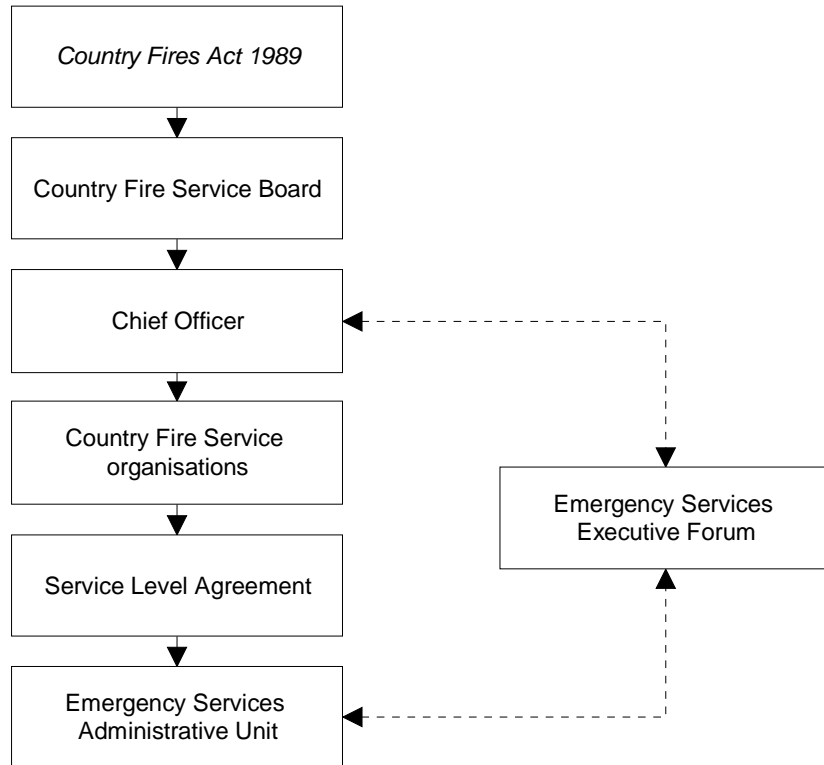
The concept was that ESAU would provide various services in support of the Board's primary functions, including strategic, risk management, financial management and accounting services. The provision of these services was subject to corporate service level agreements that existed in draft form during the latter months of the financial year, but which were not formally ratified by the Board until July 2000. Although a draft Memorandum of Understanding had been formulated earlier, it had not been accepted by the Board.

The advent of ESAU and the service level agreements resulted in a significant shift in the nature of control that the Board had over its financial management as it became reliant on information and reporting provided by ESAU.

The Emergency Services Executive Forum (the Forum) was established in response to the new agency interrelationships. The Forum comprised the chief executive officers of the Board, ESAU, South Australian Metropolitan Fire Service, and the Director, State Emergency Services (now a division of ESAU). Some of the key roles of the Forum were to ensure that emergency services operated in an integrated manner and that appropriate strategic and business plans consistent with the Government's priorities were established, maintained and implemented.

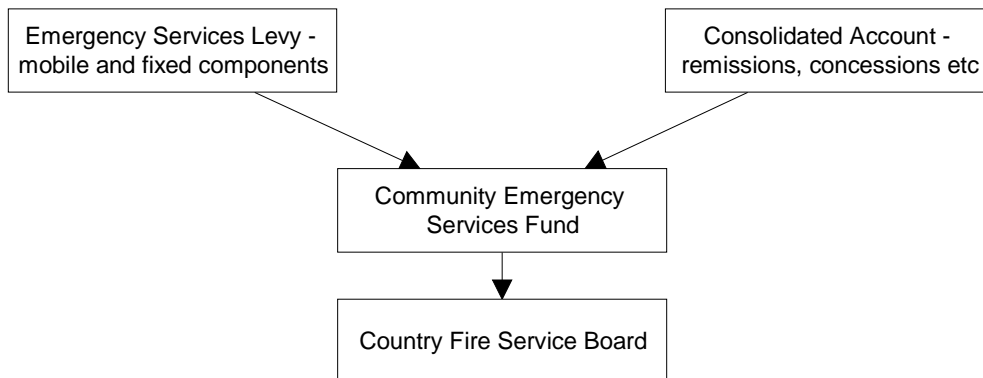
The Forum, through the Chief Executive Officer of ESAU, reported through to a (Department of) Justice Leadership Team. There was in turn a lineage of reporting responsibilities from the Justice Leadership Team to the Minister for Police, Correctional Services and Emergency Services.

A diagrammatic depiction of these major relationships is as follows:



CHANGES TO AGENCY FUNDING ARRANGEMENTS FROM 1 JULY 1999

The other major development impacting on Board operations during the year was the revised funding for operations arising from the introduction of the Emergency Services Levy. The Community Emergency Services Fund (the Fund) was established pursuant to section 28 of the *Emergency Services Funding Act 1998*. The relationship between the Board and the Fund is shown in the diagram hereunder:



STATUS OF FINANCIAL STATEMENTS

The Country Fire Service Board complied with the *Public Finance and Audit Act 1987* by submitting financial statements to the Auditor-General within 42 days of the end of the financial year. The audit, which involves the verification of accounts, has not been completed at the time of preparation of this Report. The audited financial statements of the Country Fire Service Board for the year ended 30 June 2000 will be included in a Supplementary Report to Parliament.

COURTS ADMINISTRATION AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

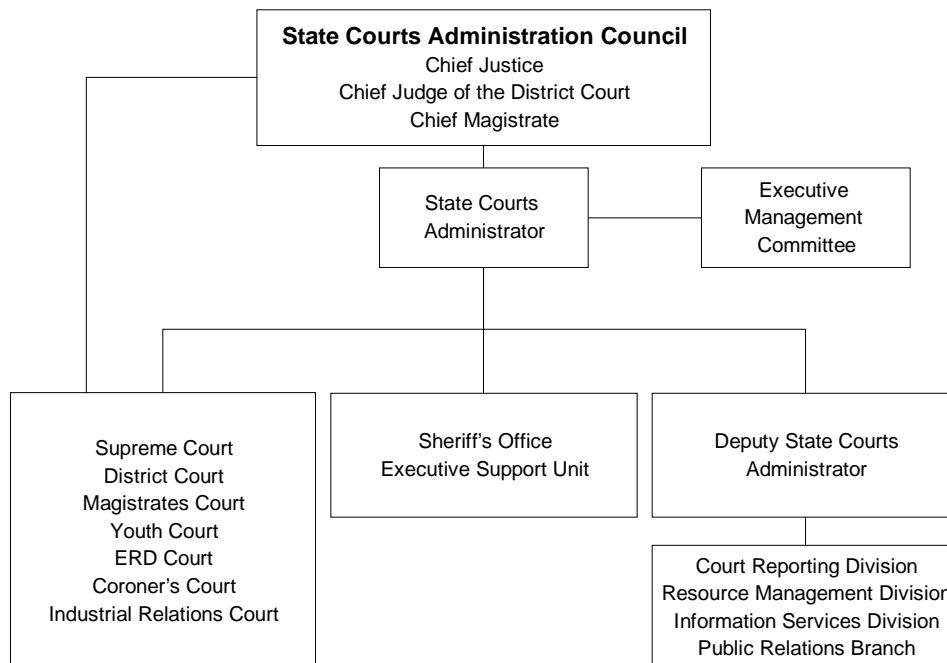
The Authority was established pursuant to the *Courts Administration Act 1993*.

The Authority is independent of the legislative and executive arms of government. It is the means by which the judiciary of this State, acting independently of the Executive Government, controls the provision of the administrative services and facilities that the courts of the State require to discharge their judicial functions.

The State Courts Administrator is responsible to the Council for the management of the Authority's assets and staff. The Council, Administrator and staff are collectively referred to as the 'Courts Administration Authority'.

The judiciary are not regarded as being part of the Authority. However, their salaries and some salary related payments are included under Administered Items.

The structure of the Authority is shown in the following diagram:



AUDIT MANDATE AND COVERAGE

Audit Authority

Section 27 of the *Courts Administration Act 1993* provides for the Auditor-General to audit the accounts of the Council 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, Head Office functions that were the subject of audit attention included:

- budgetary control and management reporting
- receipting and banking
- accounts payable
- accounts receivable
- payroll

- asset register
- revenue
- general ledger
- capital works.

The audit also incorporated a review of the:

- developments made with respect to the Courts Case Management System;
- financial systems at the Port Adelaide Magistrates Court;
- Suitor's Fund operations at the Supreme, Magistrates and District Courts and the Sheriff's Office trust account;
- Jury Election and Management Financial System;
- management and operation of the Court Circuits;
- progress made with respect to the implementation of the Financial Management Framework. Comments in relation to this can be found under the Attorney-General Department 'Audit Findings and Comments'.

Audit Communications to Management

A management letter communicating issues arising from the audit was forwarded to the State Courts Administrator and a satisfactory response was received. The main issues raised by Audit related to the need to make procedural changes to enhance general financial controls over a number of activities.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The reviews of the specific auditable areas of coverage involved 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 review identified a number of instances where internal control procedures either required improvement or were not applied consistently over the year.

While there were a number of control issues raised by Audit, substantive testing of transactions processed by the Authority did not reveal any material errors in the sample of transactions tested.

Commentary on Computer Information Systems (CIS) Environment

Courts Case Management System

Audit has over the past few years reported on the progress made by the Authority in respect to the implementation of its Courts Case Management System (CCMS) and in particular has commented on the significant delays that the Authority has experienced in implementing the system, problems experienced with the software and project costs. The project budget was increased from the original estimate of \$6.9 million to \$10.4 million. The authority spent an additional \$1.2 million on the project in 1999-2000 bringing the total expenditure as at 30 June 2000 to \$9.3 million.

Developments with respect to the two components of the system during 1999-2000 are summarised as follows:

Civil Component

The civil component of CCMS became operational in February 1998. However, the Authority has since its implementation had to conduct further work and incur additional costs to correct the programming faults and increase its functionality.

As reported last year, an independent review of the civil component of CCMS was undertaken by KPMG in February 1999 which identified a number of control weaknesses with respect to:

- Data integrity
- Appropriateness/deficiencies in checks and balances
- Auditability and traceability of financial transactions and records
- Reconciliation between general ledger and CCMS
- Change management
- Adequacy of documentation and training
- Security arrangements.

During the year the Authority finalised all enhancements to the civil component of the system. Costs capitalised for the year amounted to \$364 000.

Any additional work carried out in the future on the civil system should be in the form of maintenance.

Criminal Component

As reported last year, in view of the problems encountered with the development and implementation of the civil component, the Authority made a decision during 1998-99 to cease the development of the criminal component of CCMS at the end of the functional design and specification stage. The Authority entered into negotiations with DMR Consulting Group (Australia) Pty Ltd (DMR) to disengage from this project.

The Crown Solicitor's Office, on behalf of the Authority, established two Deeds of Settlement and Release. The first relates to the disengagement between the Authority and DMR and a settlement to reimburse DMR for the work undertaken on CCMS criminal component to date of cessation. The second is in relation to the termination of the relationship between the Authority and DMR regarding the sale and marketing of CCMS.

The Deeds of Settlement and Release were signed by the Authority and DMR in October 1999.

The Authority made a final payment of \$855 000 to DMR for work undertaken on the criminal component of CCMS and to terminate the agreement between them in relation to this project.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Courts Administration 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 Courts Administration 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

Government appropriation (\$61 million) to the Authority in 1999-2000 was 89 percent of the Authority's total funding sources as compared with 94 percent in the previous year. The Authority's operating expenses include the costs incurred to collect significant revenue on behalf of the Government with respect to Courts fines and fees, \$24.4 million in 1999-2000, which is directly credited to the Consolidated Account. This revenue is reported under Administered Revenues.

During 1999-2000, the Authority's operating expenses and operating revenues increased by \$2.8 million and \$4.1 million respectively resulting in the net cost of services for the year decreasing by \$1.3 million to \$51.6 million. This result is mainly attributable to the Authority receiving \$4.8 million (\$0.7 million) from the Attorney-General's Department Administered Account towards the costs of establishing the Fines Payment Unit to operate the new Fines Enforcement System. Further details with respect to this can be found under 'Administered Items' below.

Statement of Financial Position

The written down value of property, plant and equipment increased by \$9 million to \$122.7 million. The main factors contributing to the increase are:

- a revaluation increment of land and buildings of \$5.8 million (refer Note 21);
- recognition for the first time of plant and equipment to the value of \$668 000 (refer Note 20).

Administered Items

The Authority in cooperation with other Justice agencies established the Fines Enforcement System, the legislation for which was proclaimed on 6 March 2000, to improve the collection of outstanding fees and fines which at 30 June 2000 totalled \$65.1 million (\$60.7 million). Refer Note 2(g)(i).

A pilot call centre which was established in 1998 to trial the collection of outstanding warrants is now fully operational. The Authority has advised that revenue collected during 1999-2000 as a result of the follow up of outstanding warrants by the call centre was \$2.8 million (\$1.9 million).

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Salaries, wages and other employee entitlements	4	31 096	31 950
Goods and services	5	19 057	15 664
Depreciation and amortisation	6	4 488	4 231
Coronial charges		1 839	1 778
Jurors' expenses		961	1 087
Other expenses	7	2 077	2 034
Total Operating Expenses		59 518	56 744
OPERATING REVENUES:			
Fees for service	8	2 392	2 601
Recovery of goods and services	9	4 859	765
Interest		297	289
Other revenues	10	373	187
Total Operating Revenues		7 921	3 842
NET COST OF SERVICES		51 597	52 902
REVENUES FROM GOVERNMENT:			
Recurrent appropriations		53 745	51 697
Capital appropriations		7 225	6 225
Total Revenues from Government		60 970	57 922
NET REVENUES FROM DISPOSAL OF NON-CURRENT ASSETS	11	(10)	(57)
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	20	9 363	4 963

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash on hand and on deposit	12	14 845	8 591
Inventory		45	34
Receivables	13	184	66
Prepayments	14	509	548
Total Current Assets		15 583	9 239
NON-CURRENT ASSETS:			
Property, plant and equipment	15	122 664	113 660
Total Non-Current Assets		122 664	113 660
Total Assets		138 247	122 899
CURRENT LIABILITIES:			
Payables	16	2 055	2 052
Employee entitlements	17	1 998	2 472
Finance lease	18	587	556
Other	19	237	249
Total Current Liabilities		4 877	5 329
NON-CURRENT LIABILITIES:			
Payables	16	623	1 372
Employee entitlements	17	4 389	4 396
Finance lease	18	26 184	26 771
Other	19	722	510
Total Non-Current Liabilities		31 918	33 049
Total Liabilities		36 795	38 378
NET ASSETS		101 452	84 521
EQUITY:			
Accumulated surplus	20	95 645	84 521
Asset revaluation reserve	21	5 807	-
		101 452	84 521
Commitments	23		

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		(30 650)	(31 956)
Goods and services		(22 216)	(18 324)
Interest		(1 585)	(1 585)
Other		(482)	(452)
RECEIPTS:			
Fees for service		2 379	2 632
Recovery of goods and services		4 751	863
Interest		297	289
Other		373	187
CASH FLOWS FROM GOVERNMENT:			
Recurrent appropriations		53 745	51 697
Capital appropriations		7 225	6 225
Net Cash provided by Operating Activities	22	13 837	9 576
CASH FLOWS FROM INVESTING ACTIVITIES:			
Disposal of non-current assets		4	16
Purchase of non-current assets		(7 031)	(4 428)
Net Cash used in Investing Activities		(7 027)	(4 412)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal repayment of finance lease		(556)	(525)
Net Cash used in Financing Activities		(556)	(525)
NET INCREASE IN CASH HELD		6 254	4 639
CASH AT 1 JULY		8 591	3 952
CASH AT 30 JUNE	12	14 845	8 591

Output Class Schedule of Authority's Expenses and Revenues for the year ended 30 June 2000

	Output Class (Note 3)	2000			Total \$'000
		1.1 \$'000	1.2 \$'000	1.3 \$'000	
OPERATING EXPENSES:					
Salaries, wages and other employee entitlements		25 573	1 360	4 163	31 096
Goods and services		15 190	578	3 289	19 057
Depreciation and amortisation		4 155	75	258	4 488
Coronial charges		1 839	-	-	1 839
Jurors' expenses		961	-	-	961
Other expenses		1 957	61	59	2 077
Total Operating Expenses		49 675	2 074	7 769	59 518
OPERATING REVENUES:					
Fees for service		666	16	1 710	2 392
Recovery of goods and services		57	1	4 801	4 859
Interest		253	10	34	297
Other revenues		281	21	71	373
Total Operating Revenues		1 257	48	6 616	7 921
NET COST OF SERVICES		48 418	2 026	1 153	51 597
REVENUES FROM GOVERNMENT:					
Recurrent appropriations		50 431	2 111	1 203	53 745
Capital appropriations		6 776	286	163	7 225
Total Revenues from Government		57 207	2 397	1 366	60 970
Net Revenues from Disposal of Non-Current Assets		(9)	-	(1)	(10)
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		8 780	371	212	9 363

Administered Revenues and Expenses for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
ADMINISTERED REVENUES AND EXPENSES:			
Administered Revenues:			
Fines		12 640	12 740
Court Fees		11 727	12 131
Transfer revenues		4 562	3 546
Transcript fees		1 069	1 356
Total Administered Revenues		29 998	29 773
Administered Expenses:			
Judicial expenses	4	16 716	12 882
Transfer expenses		4 269	3 519
Other		791	587
Total Administered Expenses		21 776	16 988
REVENUES LESS EXPENSES		8 222	12 785

Administered Assets and Liabilities as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
ADMINISTERED ASSETS AND LIABILITIES:			
Administered Assets:			
Current:			
Cash	12	382	85
Receivables	13	498	687
Non-Current:			
Receivables	13	18	18
Total Administered Assets		898	790
Administered Liabilities:			
Current:			
Payables	16	1 109	404
Judicial entitlements	17	1 165	1 288
Non-Current:			
Payables	16	670	-
Judicial entitlements	17	3 344	3 658
Total Administered Liabilities		6 288	5 350

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

	Output Class (Note 3)	2000			Total
		1.1 \$'000	1.2 \$'000	1.3 \$'000	\$'000
ADMINISTERED REVENUES AND EXPENSES:					
Administered Revenues:					
Fines		4	-	12 636	12 640
Court fees		5 836	-	5 891	11 727
Transfer revenues		502	-	4 060	4 562
Transcript fees		1 069	-	-	1 069
Total Administered Revenues		7 411	-	22 587	29 998
Administered Expenses:					
Judicial expenses		16 716	-	-	16 716
Transfer expenses		431	-	3 838	4 269
Other		791	-	-	791
Total Administered Expenses		17 938	-	3 838	21 776
REVENUES LESS EXPENSES		(10 527)	-	18 749	8 222

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

Objectives

The Courts Administration Authority (the Authority) operates within the *Courts Administration Act 1993*.

Its principle objective is to provide quality administration to the judiciary and to ensure an effective and accessible courts system.

Currently, the major priorities of the Authority and the State Courts Administration Council are to:

- increase the community's understanding of the operations of the courts and provide new and increased avenues for community feedback into the operations of the courts;
- improve court facilities and other aspects of dealing with the courts;
- foster an environment and a management framework wherein judicial officers, staff and volunteers can contribute to improved performance of the courts system;

Objectives (continued)

- keep up to date with technological developments and apply those that are appropriate to the improved performance of the courts system;
- cooperate with other parts of the justice system to improve access to justice and to improve performance of the justice system overall.

Financial Arrangements

The Authority is predominantly funded by Parliamentary appropriations. However, some services are provided on a fee-for-service basis. The major activities conducted on a fee-for-service basis include:

- Sheriff's officer fees;
- reminder fees;
- sale of electronic information.

The financial activities of the Authority are primarily conducted through a Deposit Account with the Department of Treasury and Finance pursuant to section 21 of the *Public Finance and Audit Act 1987*. The Deposit Account is used for funds provided by Parliamentary appropriation together with revenues from fees-for-service.

Administered Funds

The Authority is responsible for the administration of the funds described below. These funds are not recorded in the Authority's Operating Statement or Statement of Financial Position as it does not have any control over how these funds are to be spent and merely acts as agent. Administered revenues, expenses, assets and liabilities are detailed separately within these statements. The main administered funds are:

- (i) *Judicial Expenses*
The Authority makes payments direct from a separate Treasury Special Act provision, pursuant to the *Remuneration Act 1990* for the judiciary. These expenses include judicial salaries and related on-costs, judicial vehicle expenses and Fringe Benefits Tax.
- (ii) *Fines*
The Authority receives revenue from infringements issued to offenders committing offences under various acts and regulations, principally the *Road Traffic Act 1961*. This revenue is directly credited to the Consolidated Account.
- (iii) *Court Fees*
The Authority processes revenue from fees charged under regulations to various acts. The majority of these revenues received by the Authority are directly credited to the Consolidated Account. Examples of these fees include lodgement fees in the various jurisdictions and sales of transcript and evidence.
- (iv) *Revenue Received on behalf of/for Other Government Agencies*
The Authority receives revenue on behalf of other government agencies, which it forwards to them on a regular basis. An example of this is revenue received in respect of the victims of crime levy which is paid to the Attorney-General's Department.

In addition, the Authority receives reimbursements from other government agencies for items such as witness expenses which it receives from the Attorney-General's Department.

Suitor Accounts

The Authority receives funds pending the outcome of court decisions. These funds are held in trust by the various court jurisdictions and are cleared to parties such as:

- Plaintiff (Crown or other parties);
- Defendants;
- Sheriff's officers;
- Other.

These trust funds are not recorded in the Authority's Operating Statement or Statement of Financial Position and are separately disclosed in Note 27.

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

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, Australian Accounting Standards, Treasurer's Instructions and Accounting Policy Statements issued by the Department of Treasury and Finance.

The financial report, including administered items, has been prepared on the accrual basis of accounting. Accordingly, revenues are recognised generally when they are earned or when the Authority 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 Authority be certain about the amounts to be collected. These items include administered revenues such as fines, revenues received on behalf of other government agencies and the Authority's fees for service revenue such as reminder notice fees attached to fine penalty notices.

The financial report has 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.

The financial report sets out the revenues, expenses and financial position of the Authority as a single entity and accordingly all intra-Authority transactions and balances have been eliminated.

2. Significant Accounting Policies (continued)

(b) Non-Current Assets

The Statement of Financial Position includes all non-current assets controlled by the Authority.

Minor non-current assets with an individual value of less than \$1 000 are expensed in the Operating Statement at the time they are acquired.

Land, buildings and improvements, office furniture and equipment, computing and library collections are measured at current cost, with assets other than land and library collections having a deduction to reflect the portion of economic benefits that had been consumed since the asset was acquired ie 'depreciated current cost'. Works of art and collections are measured at their market value and are not depreciated.

Land, buildings and improvements controlled by the Authority are recorded at amounts based on valuations prepared by Colliers Jardine, licensed valuers. Land, buildings and improvements are revalued every three years in accordance with Australian Accounting Standard AAS 10 'Accounting for the Revaluation of Non-Current Assets'. The valuations currently brought to account for land and buildings were made as at 30 June 2000.

Valuations of office furniture and equipment and computing equipment were conducted internally by the Authority based on current replacement costs, in accordance with the Department of Treasury and Finance policy on valuation of non-current assets.

Valuations of works of art and collections were performed by Theodore Bruce Auctions Pty Ltd., Licensed Valuers.

Heritage assets are not disclosed by a specific heritage type but form part of the aggregate value of property, plant and equipment and are included within the category 'Works of art and collections'.

Assets donated, gifted or bequeathed are recorded as an asset at their fair values at the time control passes to the Authority. Assets received in this way are disclosed as revenue in the Operating Statement.

(c) In-house Developed Computer Software

The Authority, through the Information Services Division, has developed a Courts Case Management System. This development is classified as a non-current asset as it is expected to provide future economic benefits to the Authority.

(d) Depreciation of Non-Current Assets

All non-current assets, with the exception of land, works of art and library collections, 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. The major asset categories are subject to straight line depreciation over the following periods:

	Years
Buildings and improvements	60
Computing	3 - 5
Office furniture and equipment	10
Library collections	Infinite
Leasehold improvements	10 - 25
In-house developed computer software*	10
Other (general equipment)	5 - 10

* Note that this asset is treated as a 'network asset' for depreciation purposes. As a result, monthly costs are capitalised and assigned a common date upon which the useful life of the entire asset is expected to expire.

(e) Repairs and Maintenance

Repairs and maintenance costs are expensed as incurred.

(f) Income Recognition

All revenue, including capital appropriations are recorded as income in the Operating Statement. Appropriations, grants, donations and other contributions are recognised as revenues when the Authority obtains control over the assets comprising the contributions. Control over appropriations and granted assets 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 nature of and amount pertaining to those undischarged conditions are disclosed.

(g) Financial Instruments

The Authority's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2000, are as follows:

(i) Financial Assets

Cash on deposit comprises a Deposit Account with the Department of Treasury and Finance. Interest revenues are recognised as they accrue. Interest rates are based on the average of the 90 day bank bill and have fluctuated between 4.59 percent and 5.58 percent for the year ended 30 June 2000.

Receivables in respect of fees for service 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.

(i) **Financial Assets (continued)**

The administered funds receivable balance, recorded in the Statement of Administered Funds, includes amounts due in respect of sales of transcript and evidence. At the end of each reporting period these balances are reviewed and a provision is raised in respect of any balance where recoverability is considered doubtful. The remaining administered receivables are not recorded in the Statement of Administered Funds due to the uncertainty of the amounts to be received by the Authority. Total administered receivables owing to the Authority, but not recorded totalled \$65.1 million (\$60.7 million). This amount includes outstanding court fees and fines which may be converted to community service orders, detentions served in lieu of payment and time payment options granted, therefore giving rise to the uncertainty of amounts to be collected. However, arrangements associated with the Fines Payment Unit will increase the percentage of revenue recovered in respect of this debt.

(ii) **Financial Liabilities**

Creditors are raised for amounts payable by the Authority as at 30 June 2000.

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

(h) **Inventories**

The Authority maintains a central stationery store from which items are disbursed throughout the organisation. The balance in this account reflects undisbursed items and are valued at their current purchase price.

(i) **Employee and Judicial Entitlements**

A provision is raised at the end of the reporting period to reflect employee entitlements to annual leave and long service 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.

In calculating long service leave entitlements the Authority 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.

The Authority'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.

The Authority made contributions of \$5.5 million (\$5.6 million) to Employer Contribution Accounts administered by the South Australian Superannuation Board, in respect of future superannuation liabilities.

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

Note that effective from 1 July 1999, all expenses and liabilities for on-costs relating to Special Acts salaries are recognised as an administered expense and liability of the Authority. These were previously treated as part of the Authority's operating activities.

(j) **Workers Compensation**

The Authority records a liability in respect of workers compensation claims based on an actuarial valuation of claims performed by Taylor Fry Consulting Actuaries and provided to the Public Sector Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet.

(k) **Leases**

The Authority has entered into a number of lease agreements for property, plant and equipment. Where the lessors effectively retain all of the risks and 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 commitments under non-cancellable operating leases are disclosed in Note 23(b).

The Authority's rights and obligations under finance leases, which are leases that effectively transfer to the Authority 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 Building under finance lease, and are amortised to the Operating Statement over the period during which the Authority 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 18.

(l) **Current and Non-Current Components of the Statement of Financial Position**

Current components of the Authority's Statement of Financial Position will be consumed, converted into cash or paid within 12 months of the reporting period. Non-current means all components other than current components.

(m) **Rounding**

All amounts are rounded to the nearest thousand dollars.

(n) **Comparative Figures**

Where applicable, comparative figures have been adjusted to conform with changes in the current year.

Courts Administration Authority

3. Outputs of the Authority

Information about the output classes to which the Authority contributes is provided as follows:

Output 1.1: Court and Tribunal Case Resolution Services
The resolution of criminal, civil, appellate, coronial and probate matters in the State's courts and tribunals.

Output 1.2: Alternative Dispute Resolution Services
Services for resolving disputes between citizens, and disputes between citizens and the State; as well as the education, training, information and advice processes which aim to prevent disputes.

Output 1.3: Enforcement Services
The management of penalties arising from court orders, the enforcement of court orders as well as the recovery of debts, and the administration and execution of warrants.

4. Salaries, Wages and Other Employee Entitlements	2000	1999
Salaries and wages expenses for the reporting period comprised:	\$'000	\$'000
Salaries and wages	24 939	22 542
Payroll tax and superannuation expenses	4 533	7 776
Long service leave expenses	965	1 068
Other related expenses	659	564
	31 096	31 950
Administered Items:		
Salaries and wages	12 355	12 251
Payroll tax and superannuation expenses	3 693	-
Long service leave expenses	647	631
Other related expenses	21	-
	16 716	12 882
5. Goods and Services		
Goods and services expenses for the reporting period comprised:		
Administration expenses	8 609	5 731
Accommodation expenses	6 821	6 184
Computing and communications	2 953	3 002
Bailliff fee reimbursements	674	747
	19 057	15 664
Consultancy Fees		
The Authority engaged consultants during the year and incurred expenses of \$332 000 (\$114 000) (refer Note 24).		
6. Depreciation and Amortisation		
Depreciation and amortisation expenses for the reporting period were charged in respect of:		
Buildings and improvements	1 370	1 372
Computing	1 088	1 376
Finance lease on building	830	830
In-house computer developed software	866	479
Office furniture and equipment	303	143
Leasehold improvements	31	31
	4 488	4 231
7. Other Expenses		
Other expenses for the reporting period comprised:		
Interest expense	1 579	1 585
Operating lease payments	387	348
Auditor's remuneration - Auditing services*	102	92
Other	9	9
	2 077	2 034
* The auditor provided no other services and received no other benefits.		
8. Fees for Service		
Fees and charges for the reporting period comprised:		
Sheriff's officer fees	846	968
Reminder notice fees	774	755
Rent recoups	163	215
Library levy	122	121
Sale of electronic information	120	117
Photocopying	95	77
Sheriff's fees	35	41
Coronial recoups	26	41
Other fees for service	211	266
	2 392	2 601
9. Recovery of Goods and Services		
Recovery of goods and services for the reporting period comprised:		
Recovery of costs associated with the Fines Payment Unit	4 790	702
Other recoveries	69	63
	4 859	765

10. Other Revenues		2000	1999
Other revenues for the reporting period comprised:		\$'000	\$'000
Grants		341	159
Miscellaneous commissions		16	18
Other revenue		16	10
		373	187
11. Net Revenues from Disposal of Non-Current Assets			
Proceeds from disposal of non-current assets		4	16
Less: Written down value of non-current assets		14	73
Net (Loss) on Disposal of Non-Current Assets		(10)	(57)
12. Cash on Hand and on Deposit			
Deposit accounts with the Department of Treasury and Finance		14 812	8 519
Cash on hand (including petty cash)		33	72
		14 845	8 591
Administered Items:			
Deposit account with the Department of Treasury and Finance		382	85
13. Receivables			
Current:			
Receivables in respect of fees for service, recoups etc		184	66
Administered Items:			
Current:			
Receivables		498	695
Less: Provision for doubtful debts		-	8
		498	687
Non-Current:			
Receivables		18	18
14. Prepayments			
Goods and services		509	548
15. Property, Plant and Equipment			
	Cost/	Accumulated	Written Down Value
	Valuation	Depreciation/	2000
	\$'000	Amortisation	1999
Buildings and improvements at valuation	102 456	31 332	71 124
Building under finance lease	33 191	14 106	19 085
Land at valuation	11 152	-	11 152
Library collections	10 831	-	10 831
In-house computer developed software	7 688	1 470	6 218
Computing	9 255	7 539	1 716
Office furniture and equipment	4 669	3 545	1 124
Building under construction ⁽¹⁾	488	-	488
Leasehold improvements at cost	509	81	428
Works of art and collections at valuation	498	-	498
	180 737	58 073	122 664
			113 660
(1) Represents capitalised costs relating to the Christies Beach Magistrates Court Development and Supreme Court upgrade.			
16. Payables		2000	1999
Current:		\$'000	\$'000
Creditors and accruals		1 742	1 298
On-costs on provision for employee entitlements*		313	754
		2 055	2 052
Non-Current:			
On-costs on provision for employee entitlements*		623	1 372
Administered Items:			
Current:			
Creditors and accruals		809	404
On-costs on provision for judicial entitlements*		300	-
		1 109	404
Non-Current:			
On-costs on provision for judicial entitlements*		670	-

* Refer Note 2 (i).

17. Provision for Employee and Judicial Entitlements	2000	1999
Current:	\$'000	\$'000
Accrued salaries and wages	-	775
Long service leave	810	648
Annual leave	1 188	1 049
	1 998	2 472
Non-Current:		
Long service leave	4 389	4 396
Administered Items:		
Current:		
Accrued salaries and wages	-	355
Long service leave	447	310
Annual leave	718	623
	1 165	1 288
Non-Current:		
Long service leave	3 287	3 604
Annual leave	57	54
	3 344	3 658

18. Finance Lease

At the reporting date, the Authority had the following obligation under a finance lease (the sum of which is recognised as a liability after deduction of future finance lease charges included in the obligation):

Payable no later than one year	4 237	4 092
Payable later than one year and not later than five years	16 948	16 367
Payable later than five years	76 265	77 742
Minimum lease payments	97 450	98 201
Less: Future finance charges and contingent rentals	70 679	70 874
Lease Liability	26 771	27 327
Classified as:		
Current	587	556
Non-Current	26 184	26 771
	26 771	27 327

19. Other Liabilities

Workers compensation liabilities advised by the Public Sector Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet comprised:

Current:		
Income maintenance	162	154
Other	75	95
	237	249
Non-Current:		
Income maintenance	549	309
Other	173	201
	722	510

These figures reflect an apportionment of the whole-of-government estimate of workers compensation liability of \$128 million, according to the Authority'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 Authority 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 the 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 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 provision required for later years).

20. Accumulated Surplus

Equity represents the residual interest in the Authority's net assets. The South Australia Government holds the equity interest in the Authority on behalf of the community.

	2000	1999
	\$'000	\$'000
Balance at 1 July	84 521	79 558
Increase in net assets resulting from operations of the period	9 363	4 963
Adjustment for assets brought to account for the first time*	668	-
Transfer of liabilities relating to judicial on-costs from operating to administered activities	1 093	-
Balance at 30 June	95 645	84 521

* Relates to computing and office furniture and equipment not previously brought to account.

21. Asset Revaluation Reserve		2000	1999
		\$'000	\$'000
Balance at 1 July		-	-
Revaluation increments on land and buildings		5 807	-
Balance at 30 June		5 807	-
<hr/>			
22. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services		13 837	9 576
Net cash provided by operating activities		(60 970)	(57 922)
Cash flows from Government		(4 488)	(4 231)
Depreciation and amortisation		(1 093)	-
Transfer of liabilities relating to judicial on-costs from operating to administered activities			
Changes in assets and liabilities:			
Increase (Decrease) in receivables		118	(135)
Increase (Decrease) in inventory		11	(8)
Decrease in prepayments		(39)	(15)
Decrease in payables		746	722
Decrease (Increase) in provisions		481	(674)
Increase in other liabilities		(200)	(215)
Net Cost of Services		(51 597)	(52 902)
<hr/>			
23. Commitments			
(a) Commitments for Capital Expenditures			
At the end of the reporting period the Authority had entered into contracts for the following capital expenditures which are not included in the financial statements.			
These amounts are due for payment:			
Not later than one year		5 372	3 919
<hr/>			
(b) Operating Leases			
Commitments under non-cancellable operating leases at the reporting date are payable as follows:			
Payable no later than one year		71	97
Payable later than one year and not later than five years		44	116
		115	213
<hr/>			
These operating lease payments are not recognised in the financial statements as liabilities.			
These leases are non-cancellable and relate to photocopiers used by the Authority. Rental is payable monthly in arrears. Lease terms are generally for a four year term with an option to renew at the end of the term.			
24. Consultancies			
Total expenditure on 16 consultancies in 1999-2000 amounted to \$332 000 (\$114 000).			
Individual consultancies costing more than \$50 000:			2000
Project:	Consultants:		\$'000
GST Systems Analysis	DMR Consulting		100
GST Project Management	McLachlan Hodge Mitchell		52
Individual consultancies costing between \$10 000 and \$50 000:			
Data Modelling – Court Resourcing	Clear Thinking		42
Systems Audit	KPMG		25
Security Review	IPP Consulting		24
Data Modelling – Court Resourcing	4DM Modelling		18
Purchasing Module Post Implementation Review	Ernst & Young		16
Revaluation of land and buildings	Colliers Jardine		13
Public Relations	B W Johns		13
Aboriginal Justice Officers Review	Advisory Planning		12
Total cost of consultancies less than \$10 000: 6 consultancies			17
<hr/>			
25. Remuneration of Employees and Judiciary		2000	1999
Remuneration includes salary, termination payments (excluding Targeted Voluntary Separation Packages) and non-monetary benefits. The number of employees whose remuneration received or receivable fell within the following bands were:		Number of Employees	Number of Employees
Recurrent Salaries:			
\$100 001 - \$110 000		1	1
\$110 001 - \$120 000		1	-
\$130 001 - \$140 000		-	*2
\$140 001 - \$150 000		-	1
\$150 001 - \$160 000		1	1
\$160 001 - \$170 000		1	-
\$170 001 - \$180 000		1	1
\$180 001 - \$190 000		1	-

* Includes employees who received accrued leave entitlements upon retirement.

The aggregate remuneration for all employees referred to above was \$905 000 (\$853 000).

25. Remuneration of Employees and Judiciary (continued)		2000	1999
		Number of	Number of
		Judicial	Judicial
		Officers	Officers
Administered Items			
Remuneration includes salary, termination payments (excluding Targeted Voluntary Separation Packages) and non-monetary benefits. The number of judicial officers whose remuneration received or receivable fell within the following bands were:			
Special Acts:			
\$100 001 - \$110 000	1	-	
\$120 001 - \$130 000	-	*1	
\$130 001 - \$140 000	2	11	
\$140 001 - \$150 000	*8	9	
\$150 001 - \$160 000	13	13	
\$160 001 - \$170 000	8	4	
\$170 001 - \$180 000	3	1	
\$180 001 - \$190 000	4	-	
\$190 001 - \$200 000	1	-	
\$210 001 - \$220 000	*1	16	
\$220 001 - \$230 000	9	*8	
\$230 001 - \$240 000	*13	-	
\$240 001 - \$250 000	-	6	
\$250 001 - \$260 000	2	*7	
\$260 001 - \$270 000	11	1	
\$280 001 - \$290 000	-	1	
\$290 001 - \$300 000	1	-	

* Includes officers who received accrued leave entitlements upon retirement.

The aggregate remuneration for all the judicial officers referred to above was \$15.3 million (\$14.9 million).

Related Party Disclosures

No transactions have been entered into by the Authority with any board/staff member of a company in which a board/staff member has either a direct or indirect pecuniary interest.

26. Targeted Voluntary Separation Packages (TVSPs)		2000	1999
TVSPs paid to employees during the reporting period were:		\$'000	\$'000
TVSP payments		406	79
Recovery from the Department of the Premier and Cabinet in respect of TVSPs		406	79
Annual and long service leave accrued over the period of employment paid to employees who received TVSPs		95	3
		2000	1999
		Number of	Number of
		Employees	Employees
The number of employees who received TVSPs		7	3

27. Funds held in Trust			
In addition, the Authority holds monies pending the outcome of court decisions. These monies are excluded from the financial statements as the Authority cannot use them for the achievement of its objectives. The following is a summary of the transactions in the various jurisdiction trust accounts.			
Supreme Court Suitor Account		2000	1999
		\$'000	\$'000
Balance at 1 July		8 151	8 666
Receipts		44 558	2 035
		<u>52 709</u>	<u>10 701</u>
Less: Payments		42 412	2 550
Balance at 30 June		<u>10 297</u>	<u>8 151</u>
District Court Suitor Account			
Balance at 1 July		782	366
Receipts		1 079	1 312
		<u>1 861</u>	<u>1 678</u>
Less: Payments		880	896
Balance at 30 June		<u>981</u>	<u>782</u>
Sheriff's Office Trust Account			
Balance at 1 July		147	49
Receipts		441	473
		<u>588</u>	<u>522</u>
Less: Payments		466	375
Balance at 30 June		<u>122</u>	<u>147</u>
Magistrates' Courts Suitor Accounts			
Balance at 1 July		1 007	862
Receipts		4 253	8 748
		<u>5 260</u>	<u>9 610</u>
Less: Payments		4 267	*8 603
Balance at 30 June		<u>993</u>	<u>1 007</u>

* Adjusted

EMERGENCY SERVICES ADMINISTRATIVE UNIT

FUNCTIONAL RESPONSIBILITY

The Emergency Services Administrative Unit (ESAU) is an Administrative Unit established pursuant to section 7(2) of the *Public Sector Management Act 1995*. It incorporates within its structure the State Emergency Service and most of the non-incident management services and staff of the Country Fire Service and the South Australian Metropolitan Fire Service.

The primary objectives of ESAU are:

- to provide strategic, corporate and support services to the South Australian emergency services, namely the South Australian Metropolitan Fire Service, the Country Fire Service and the State Emergency Service;
- through the State Emergency Service, to provide local incident emergency response service, and significant participation in State Disaster emergency management, planning and training. The State Emergency Service was previously an Administrative Unit in its own right during the period 1 July 1996 to 30 June 1999.

AGENCY FUNDING FROM 1 JULY 1999

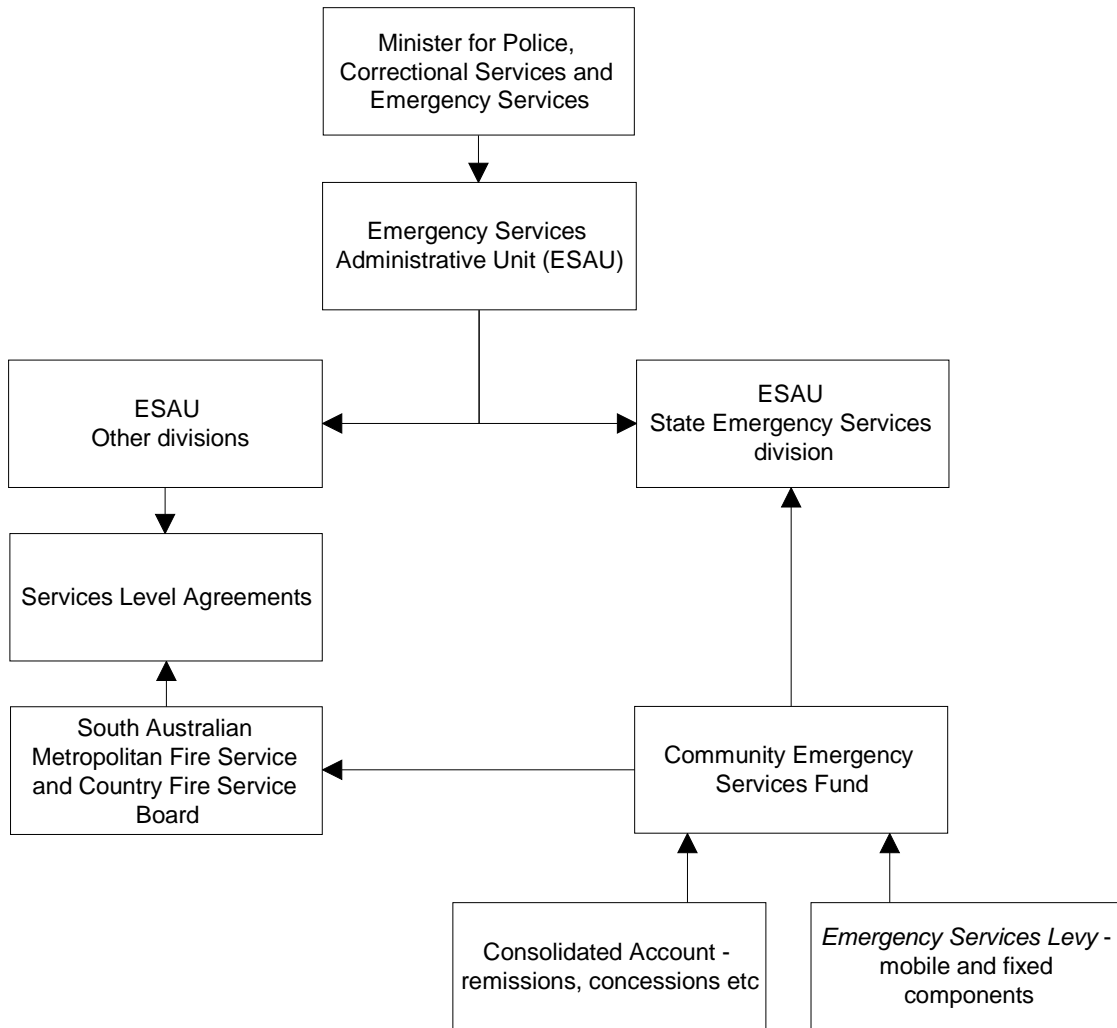
The funding of ESAU is derived through recharges to the South Australian Metropolitan Fire Service and the Country Fire Service Board for services rendered. The Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998* (the Act), assented to in September 1998, provides funding direct to those organisations.

The Act replaces the former arrangements for funding the emergency services agencies through insurance premiums and State and Local Government contributions, with a new system that provides for the collection of a levy on fixed and mobile property, which applied on 1 July 1999. The funds collected from the levy are credited to the Fund.

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

The strategic and administrative services delivered by ESAU include financial, human resources, asset management and procurement, risk management, volunteer management, occupational health, safety and prevention and strategic and knowledge management services. These deliverables are funded by the Country Fire Service Board and South Australian Metropolitan Fire Service under service level agreements.

The organisation structure and funding arrangements are overviewed in the following diagram:



STATUS OF FINANCIAL STATEMENTS

The Emergency Services Administrative Unit complied with the *Public Finance and Audit Act 1987* by submitting financial statements to the Auditor-General within 42 days of the end of the financial year. The audit, which involves the verification of accounts, has not been completed at the time of preparation of this Report. The audited financial statements of the Emergency Services Administrative Unit for the year ended 30 June 2000 will be included in a Supplementary Report to Parliament.

LEGAL SERVICES COMMISSION

FUNCTIONAL RESPONSIBILITY

The Legal Services Commission is a body corporate established pursuant to subsection 6(1) of the *Legal Services Commission Act 1977*. As determined by subsection 6(3) of the Act the Commission is not an instrumentality of the Crown and is independent of the Government.

The Commission provides legal assistance throughout the State to people who, in matters arising under either Commonwealth or State laws, are in need of legal assistance. Assistance is provided both by Commission staff, and by referrals to private practitioners.

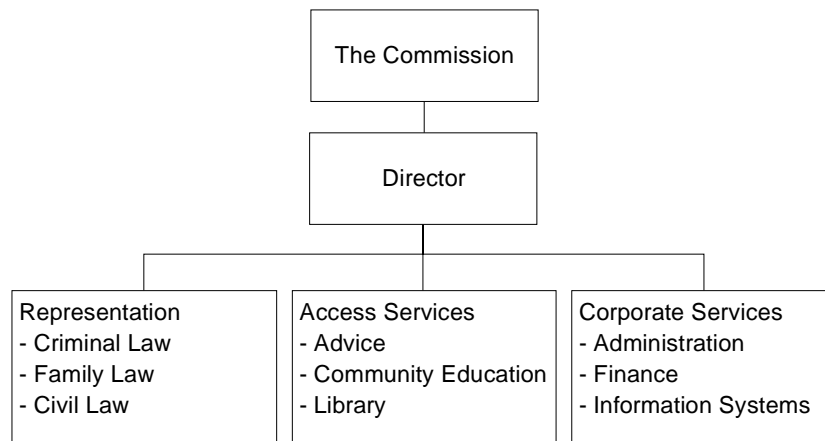
In meeting the cost of providing legal aid, the Commission is funded by the Commonwealth in accordance with an agreement between the Commonwealth and State Governments. This agreement commenced on 1 July 1997 and was due for review by 30 June 2000. At the time of this Report, a new agreement covering the four year period from 1 July 2000 had not yet been signed. The level of funding provided by the Commonwealth to the Commission over the three year period to 30 June 2000 pursuant to the agreement was \$9.0 million per annum.

The funding provided by the State is determined through the budgetary process for the South Australian Government.

The Commonwealth grants received by the Commission are expended in accordance with the agreement between the Commonwealth and State Governments. Legal assistance is only to be provided within South Australia for matters arising under Commonwealth or State law, and being a matter of priority. The matters of priority are predominantly in the areas of family law, criminal law, and certain civil matters.

The State grants received by the Commission are expended in a similar manner.

The structure of the Commission is:



SIGNIFICANT FEATURES

- Operating grants increased by \$2.0 million from \$15.1 million.
- Employee entitlements and legal expenses increased by \$2.1 million to \$16.3 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 25 of the *Legal Services Commission Act 1977* provides for the Auditor-General to audit the accounts of the Commission in respect of each financial year.

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 1999-2000 included:

- payroll
- legal expenses and commitments
- administrative expenses
- cash at bank
- statutory charge debtors and sundry debtors
- receipting and banking
- computer and other equipment.

In addition, the status of the implementation of some strategic mandatory elements of the Financial Management Framework for the Commission was reviewed.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the Chairperson and a satisfactory response was received. Issues raised and relevant responses summarised in 'Audit Findings and Comments' hereunder, are regarded as impacting on the reasonableness of the overall control environment.

AUDIT FINDINGS AND COMMENTS

Commentary on Financial Management Framework

Audit found that the Commission was progressing satisfactorily with regard to the asset and liability management, reporting and transaction processing components of the Financial Management Framework, but that there was a need for further attention to the planning and analysis and control components. Although not pervasive to the control environment, there was evidence that the matters identified had impacted on the operations of the Commission; most notably, on the process adopted by the Commission for the implementation of a new payroll system.

Planning and Analysis

At the time of the Audit, although a number of documents existed which together provided the purpose and role of the Commission upon which the Commission relied, it was not evident that the direction, goals and values of the Commission for the 1999-2000 financial year had been formalised in, for example, a strategic/corporate plan. In addition, formalised strategies and timeframes to achieve the goals of the Commission in the most efficient and effective manner were not apparent.

The Commission agreed that all the elements captured by the documents concerned had not been drawn together in a cohesive strategic plan and that it would be beneficial to do so but that circumstances had not allowed such action to be taken on a timely basis. The Commission indicated that a corporate planning exercise was to commence in the near future.

In addition, Audit noted that with the formalisation of the strategic objectives of the Commission, an assessment could be made of whether current reporting, which was generally consistent with Commonwealth and/or State requirements, would adequately measure the achievement of all the strategic and operational objectives of the Commission. Audit recommended that this assessment should involve the identification of activities and tasks related to the achievement of objectives and data relevant to measuring progress toward the objectives.

The Commission advised that the adequacy of its reporting in this regard would be reviewed as part of the strategic planning exercise and that the approach suggested by Audit would be adopted.

Control Environment

Audit noted that a high-level risk assessment had been undertaken as part of an exercise to facilitate the development of the Justice Portfolio risk management framework with which the Commission was involved. The exercise focused on the risk exposures of the Justice Portfolio as opposed to those specific to the operations of the Commission. Audit recommended that a risk assessment specific to the Commission be undertaken as soon as practicable. The Commission agreed that a risk assessment (and consequent management plan) specific to the Commission was required. The Commission indicated that planning had already commenced with the results to be incorporated in the overall strategic plan.

In addition, Audit noted that the internal audit function of the Commission was not operating as originally intended. Audit recommended that the scope of the internal audit function be reviewed in light of the requirements of the Commission with regard to its control environment. The Commission indicated that the scope of the internal audit function would be reviewed in the context of its emerging risk assessment and taking into account resourcing issues.

Comment was also provided by Audit to the Commission in relation to documenting procedures and developing specific policies instead of adopting generic guidance from the Justice Portfolio. The Commission advised that it considered that its procedures were adequately documented. To the extent necessary, given the generic policies provided by the Justice Portfolio and so as to avoid duplication of effort, the Commission would develop and promulgate specific policies for its major activities.

Commentary on General Financial Controls

Matters were raised in relation to a number of areas including that, in Audit's opinion, the preceding matters had impacted on the processing of payroll, where Audit concluded that the procedures established for the new payroll system did not provide adequate control over payments. Notwithstanding, comprehensive testing by Audit did not disclose any material errors.

The Commission responded positively to the comments provided by Audit and, in particular, indicated that the processing of payroll had been reviewed and the appropriate recommended action taken.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Legal Services 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 Legal Services 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.

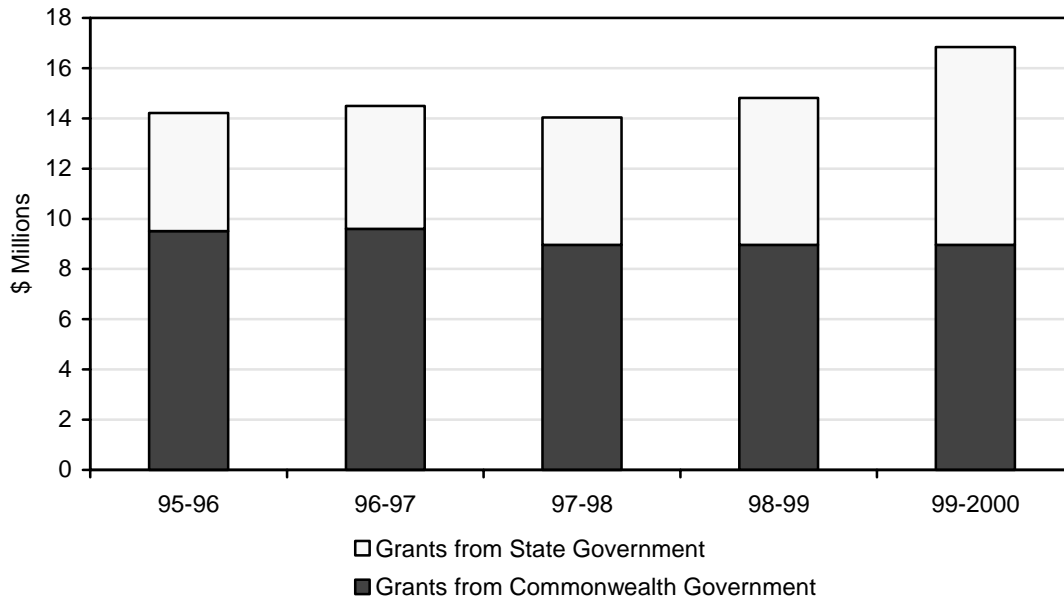
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Operating Statement

The Operating Statement for the year ended 30 June 2000 reports total operating revenues of \$19.6 million (\$17.1 million) and total operating expenses of \$18.9 million (\$16.6 million), resulting in an operating surplus of \$0.6 million (\$0.5 million).

Grants from the State Government and Commonwealth Government provided in accordance with the funding agreement (and excluding the specific Commonwealth grant for expensive cases of \$0.3 million), totalled \$16.8 million (\$15.1 million) and comprised 86 percent (88 percent) of total operating revenues of the Commission.

Grants provided by the State Government and Commonwealth Government in accordance with the Funding Agreement



The above diagram illustrates for the past five years, the proportions of State funding and, Commonwealth funding provided in accordance with the agreement between the Governments. It also illustrates, that while Commonwealth funding for legal aid has declined, State Government funding has increased, resulting in an overall increase in funding provided.

Referrals to private practitioners for the 1999-2000 year totalled 7616 (8183) or 59 percent (60 percent) of approvals. Fees to private legal practitioners for these cases (legal expenses) amounted to \$8.3 million (\$6.8 million) and comprised 44 percent (41 percent) of total operating expenses. The Commission has advised that the major reasons for the increase in legal expenses are an increase in legal creditors of \$0.5 million due to a campaign to finalise billing of work completed prior to implementation of the Goods and Services Tax and, an increase in the scale of fees resulting in an increase in payments of approximately \$0.8 million.

Applications assigned to the in-house practice totalled 5335 (5498) or 41 percent (40 percent).

Employee entitlements and administrative expenses incurred in administering the Commission including the funding agreement, case allocation and the in-house practice totalled \$10.7 million (\$9.8 million) and accounted for 56 percent (59 percent) of total operating expenses.

Statement of Financial Position

As at 30 June 2000 the Commission had:

- cash at bank and on hand of \$4.2 million (\$3 million);
- legal creditors of \$1.0 million (\$0.5 million);
- reserves for expensive cases of \$1.3 million (\$1.3 million);
- a commitment of \$1.9 million (\$3.5 million) on legal cases referred to private legal practitioners.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING REVENUES:			
Grants from Commonwealth Government	1.1	9 282	8 962
Grants from State Government	1.1	7 884	6 156
Legal Practitioners Act revenue	2	1 199	1 133
Costs recovered and contributions	3	306	294
Other revenue	4	891	545
Total Operating Revenues		19 562	17 090
OPERATING EXPENSES:			
Employee entitlements	1.3	8 007	7 348
Administrative expenses	5	2 679	2 452
Legal expenses	6	8 253	6 838
Total Operating Expenses		18 939	16 638
OPERATING SURPLUS		623	452
NET REVENUES FROM THE DISPOSAL OF NON-CURRENT ASSETS	7	2	7
OPERATING RESULT		625	459
ACCUMULATED FUNDS AT 1 JULY		2 610	2 088
		3 235	2 547
Add: Transfer from reserves	1.4,13	108	463
Less: Transfer to reserves	1.4,13	-	400
ACCUMULATED FUNDS AT 30 JUNE		3 343	2 610

Statement of Financial Position as at 30 June 2000

	Note	2000		1999	
		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS:					
Cash at bank and on hand	8		4 210		3 048
Receivables and prepayments	9		748		428
Total Current Assets			4 958		3 476
NON-CURRENT ASSETS:					
Library	10		212		212
Computers and other equipment at cost	1.2,11	2 478		2 301	
Less: Accumulated depreciation		1 554		1 116	
			924		1 185
Statutory charge debtors	1.5		1 836		1 730
Total Non-Current Assets			2 972		3 127
Total Assets			7 930		6 603
CURRENT LIABILITIES:					
Legal creditors	1.5		1 004		480
Employee entitlements	1.3,12		532		438
Legal Assistance Scheme Fund	1.5		389		389
Creditors			74		192
Total Current Liabilities			1 999		1 499
NON-CURRENT LIABILITIES:					
Employee entitlements	1.3,12		1 305		1 103
Total Liabilities			3 304		2 602
NET ASSETS			4 626		4 001
EQUITY:					
Reserves	1.4,13		1 283		1 391
Accumulated funds			3 343		2 610
TOTAL EQUITY			4 626		4 001
Commitments	14				
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:			
PAYMENTS:			
Employee entitlements		(7 737)	(7 302)
Suppliers		(2 224)	(2 094)
Private practitioners		(7 731)	(6 869)
RECEIPTS:			
Commonwealth Government:			
Funding agreement		8 962	8 962
Other		320	-
State Government:			
Grants/funding agreement		7 884	5 856
Other		-	300
Legal Practitioners Act receipts		942	1 189
Costs recovered and contributions		266	269
Statutory charge receipts		253	250
Other		520	305
Net Cash provided by Operating Activities	15	1 455	866
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchase of equipment		(295)	(424)
Proceeds from equipment sales		2	34
Net Cash used in Investing Activities		(293)	(390)
NET INCREASE IN CASH HELD		1 162	476
CASH AT 1 JULY		3 048	2 572
CASH AT 30 JUNE	8	4 210	3 048

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Statement of Accounting Policies**

The Commission has prepared its financial report on an accrual basis.

The financial report has been prepared in accordance with Statements of Accounting Concepts, Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Department of Treasury and Finance Accounting Policy Statements and Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*. The financial report has also been prepared on the historical cost basis except for the valuation of the library which is at an independent valuation.

1.1 **Funding Arrangements**

Commonwealth Government

The Commonwealth Government negotiated a Provision of Legal Assistance Agreement with the State Government effective from 1 July 1997. Pursuant to that Agreement:

- the Commonwealth contributed \$8 962 000 per annum for the last three years;
- the legal assistance is provided for matters arising under Commonwealth law, and being matters of priority to the Commonwealth. (Under the previous agreement legal assistance provided was not specifically for matters of priority to the Commonwealth);
- in recognition of the change to Commonwealth priorities, transitional arrangements provided for the application of 14 percent and 12 percent of the Commonwealth legal assistance in the first two years respectively, for State law matters. The transitional period ended on 30 June 1999.
- a new Commonwealth Government Legal Assistance Agreement is being negotiated for a four year term and is proposed to be effective from 1 July 2000.

The Commonwealth Government provided \$320 000 for a specific Commonwealth expensive case during 1999-2000.

State Government

The State Government increased funding in the normal budget process in order to maintain the Legal Services Commission overall funding at the expiration of transitional provisions for Commonwealth funding, and to provide for Enterprise Bargaining increases and other expenses.

1.2 **Depreciation of Computers and other Equipment**

All computers and other equipment that have a limited useful life are systematically depreciated over their useful lives, ranging from five to thirteen years in a manner which reflects the consumption of their service potential. Computers and other equipment are depreciated using the straight line method.

1.3 **Employee Entitlements**

Employee entitlements include entitlements to salaries and contract fees, long service leave, annual leave and superannuation benefits.

Long service leave and annual leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. Liabilities in respect of these entitlements have been calculated at nominal amounts based on current salary rates and include related on-costs. The Department of Treasury and Finance have advised that a benchmark of eight years can be used for a shorthand estimation of long service leave liability in accordance with the provisions of Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. This advice has been adopted and the long service leave liability has been calculated on that basis.

1.3 Employee Entitlements (continued)

Sick leave is not provided for as it is non-vesting, however, entitlements are accumulated.

The superannuation expense included in the Commission's financial report comprises Commonwealth and State components:

- (1) The Commission paid an amount to the 'Collector of Public Monies' towards the accruing government liability in respect of currently employed contributors to the Commonwealth Superannuation Fund. Payments amounted to \$67 000 (\$63 000).
- (2) During 1999-2000 the Commission paid \$650 000 (\$595 000) to the South Australian Department of Treasury and Finance towards the accruing government liability for superannuation in respect of all employees.

1.4 Reserves

The Commission has established the following reserves.

Asset Replacement Reserve

During 1999-2000 the Commission used the balance remaining in the reserve for asset replacement.

State Law Matters Reserve

As a result of the Commonwealth legal assistance arrangements, the Commission, during 1997-98, agreed to establish a Reserve, the State Law Matters Reserve, for the purpose of providing funds for future State Law matters. The State Law Matters Reserve as at 30 June 2000 was \$883 000. The Reserve was created by the Law Society of South Australia transferring funds of the Legal Practitioner Guarantee Fund to the Legal Services Commission.

Commonwealth Expensive Case Reserve

During 1998-99 the Commission agreed to establish a Commonwealth Expensive Case Reserve to equally fund two specific Commonwealth matters that exceeded the Commonwealth guideline cap. An additional amount of \$320 000 was received from the Commonwealth Government for one of these matters (refer Note 1.1). (At 30 June 2000 none of these funds had been expended).

1.5 Financial Instruments

The Commission's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2000, are as follows:

Financial Assets

Cash at bank (Note 8) comprises deposits at call with the South Australian Government Financing Authority and are recorded at cost. Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 4.6 percent and 5.9 percent for the year ended 30 June 2000. (4.6 percent and 5.13 percent for the year ended 30 June 1999).

Receivables (Note 9) include client debtors and other debtors and are reported at amounts due.

Statutory charge debtors are raised as a result of the Commission registering charges over property owned by some recipients of legal aid to secure legal costs owed on cases undertaken and are reported at amounts due. Debts are recovered when the property is refinanced or sold.

Financial Liabilities

Legal creditors are raised for amounts billed from private practitioners for approved cases undertaken but unpaid. They are normally settled within 30 days.

Legal Assistance Scheme Fund comprises funds held by the Commission on behalf of the Law Society of South Australia which will be used for purposes approved by the Law Society.

Creditors are raised for amounts billed but unpaid and are normally settled within 30 days.

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

2.	Legal Practitioners Act Revenue	2000	1999
	In accordance with the <i>Legal Practitioners Act 1981</i> the Commission acquired revenue from funds administered by the Law Society of South Australia. Amounts related to the:	\$'000	\$'000
	Statutory interest account	626	570
	Interest on Legal Practitioners Trust Accounts	573	561
	Legal Practitioners Guarantee Fund	-	2
		1 199	1 133
3.	Costs Recovered and Contributions		
	Costs recovered	62	123
	Contributions*	244	171
		306	294

* In addition contributions of \$311 000 (\$250 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.

Legal Services Commission

4. Other Revenue		2000	1999
		\$'000	\$'000
Statutory charges		360	264
Interest		309	232
Other		222	49
		<u>891</u>	<u>545</u>
5. Administrative Expenses		953	877
Accommodation		438	383
Depreciation of computers and other equipment		430	271
Computer maintenance and processing, etc**		270	230
Telephone and postage, etc		132	161
Office requisites		128	139
Travel		106	113
Library (refer Note 10)		222	278
Other*		<u>2 679</u>	<u>2 452</u>
* Includes:			
- Auditor's remuneration of \$34 000 (\$34 000), for auditing the accounts.			
- Bad Debts written off of \$19 000 (\$4 000).			
** Includes consulting fees of \$91 000 (\$22 000).			
6. Legal Expenses			
Comprise solicitor's fees, counsel fees and disbursements due to private practitioners for approved cases undertaken during the year.			
7. Net Revenues from the Disposal of Non-Current Assets		2000	1999
		\$'000	\$'000
Proceeds from the disposal on non-current assets		2	34
Less: Written down value of those assets		-	27
		<u>2</u>	<u>7</u>
8. Cash at Bank and On Hand			
For the purposes of the Statement of Cash Flows, cash includes cash at bank and on hand and deposits at call with the South Australian Government Financing Authority (SAFA).			
Deposits at call with SAFA		3 856	3 030
Cash held in trust on behalf of clients		19	11
Cash at bank and on hand		354	18
		<u>4 229</u>	<u>3 059</u>
Less: Cash held in trust on behalf of clients		19	11
		<u>4 210</u>	<u>3 048</u>
9. Receivables and Prepayments			
Legal Practitioners Act		433	176
Prepayments		112	149
Client debtors and other debtors		203	103
		<u>748</u>	<u>428</u>
10. Library			
In June 1996, the Commission obtained an independent revaluation of the market value of the library which comprises reports/major works, journals, loose-leaf services and a mix of dictionaries, encyclopaedias, statutes etc. The revaluation was undertaken by The Information Source, which valued the library at \$212 000.			
The library is not depreciated as the cost of maintaining it is expensed during the year.			
11. Computers and other Equipment		2000	1999
		\$'000	\$'000
Computer and equipment at cost		2 210	2 044
Less: Accumulated depreciation		1 412	1 008
		<u>798</u>	<u>1 036</u>
Office machines at cost		189	181
Less: Accumulated depreciation		108	83
		<u>81</u>	<u>98</u>
Furniture and fittings at cost		44	41
Less: Accumulated depreciation		24	22
		<u>20</u>	<u>19</u>
Motor vehicles at cost		35	35
Less: Accumulated depreciation		10	3
		<u>25</u>	<u>32</u>
		<u>924</u>	<u>1 185</u>
12. Employee Entitlements		2000	1999
Current Liabilities:		\$'000	\$'000
Annual leave		401	417
Long service leave		131	21
		<u>532</u>	<u>438</u>
Non-Current Liability:			
Long service leave		1 305	1 103

13. Equity	2000	1999
Movements during the year were:	\$'000	\$'000
Asset Replacement Reserve		
Balance at 1 July	108	121
Transfer to accumulated funds	108	23
Transfer from LA Office computer reserve	-	10
Balance at 30 June	-	108
State Law Matters Reserves:		
Balance at 1 July	883	883
Transfer from accumulated funds	-	-
Balance at 30 June	883	883
Commonwealth Expensive Case Reserves:		
Balance at 1 July	400	-
Transfer from accumulated funds	-	400
Balance at 30 June	400	400
LA Office Computer and Asset Replacement Reserves:		
Balance at 1 July	-	450
Transfer to accumulated funds	-	440
Transfer to asset replacement reserve	-	10
Balance at 30 June	-	-
Total Reserves	1 283	1 391
Accumulated Funds		
Balance at 1 July	2 610	2 088
Add: Transfer from reserve	108	463
Less: Transfer to reserve	-	400
Operating surplus	625	459
Balance at 30 June	3 343	2 610

14. Commitments

Legal cases referred:

As at 30 June 2000, the Commission recognises a commitment of \$1 900 000 (\$3 483 000) on legal cases referred to private practitioners which are still to be finalised.

The Commission reviewed outstanding legal commitment and determined that commitment would only be recognised for amounts raised since December 1998 (ie the previous 18 months). Commitment raised prior to this date has been dismissed. If any file prior to this date is reactivated, new commitment will be raised.

In the normal course of business, further commitment may be required on recognised legal cases. It is not possible to quantify that amount.

Operating leases:

Commitments payable:	2000	1999
Not later than one year	\$'000	\$'000
Later than one year but not later than five years	25	53
	75	2
	100	55

15. Reconciliation of Operating Result to Net Cash provided by Operating Activities

Operating result	625	459
Increase in statutory charge debtors	(106)	(15)
Increase in receivables (net of bad debts written off)	(339)	(16)
Bad debts written off	19	4
Increase (Decrease) in legal creditors	524	(46)
(Decrease) Increase in creditors	(118)	124
Depreciation	439	383
Increase in employee entitlements	296	100
Decrease (Increase) in investing activities	117	(120)
Profit on disposal of equipment	(2)	(7)
Net Cash provided by Operating Activities	1 455	866

16. Related Party Disclosures

The members of the Commission who have held office during the financial year are:

Mr Brian Withers (Chairman)	Mr Gordon Barrett
Ms Dymphna Eszenyi (commenced 15/7/99)	Mr Hugh Gilmore
Ms Rosemary Cardone (resigned 14/7/99)	Mr Michael Burgess
Dr Margaret Browne (resigned 30/9/99)	Mr Julian Kelly
Ms Joan Jardine (resigned 30/9/99)	Ms Deborah McCulloch
Mr David Bulloch	Mr David Meyer
Mr Ray Bown	

The members of the Commission are appointed by the Governor in accordance with the provisions of the *Legal Services Commission Act 1977* and include partners of legal firms. In the ordinary course of business the Commission enters into transactions with legal firms, some of which are associated with members of the Commission. Payments made to these firms are in accordance with the Commission's scale of fees and are payments that apply to practitioners generally.

16. Related Party Disclosures (continued)

The number of members whose remuneration received or receivable fell within the following bands was:

\$nil	
\$1 - \$10 000	
\$10 001 - \$20 000	

	2000	1999
	Number of	Number of
	Members	Members
	4	4
	8	9
	1	1

The total remuneration received or due and receivable by these members was \$67 000 (\$63 000).

17. Remuneration of Employees

Amounts received or receivable by employees of the Commission whose remuneration is greater than \$100 000. The amounts include salaries and related payments, superannuation benefits and motor vehicles benefits.

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

\$100 001 - \$110 000
\$110 001 - \$120 000
\$120 001 - \$130 000
\$160 001 - \$170 000
\$170 001 - \$180 000
\$180 001 - \$190 000

	2000	1999
	Number of	Number of
	Employees	Employees
	5	3
	2	-
	-	1
	1	3
	1	-
	1	-

The total remuneration received or due and receivable by these employees was \$1 276 000 (\$935 000).

18. Contingent Liabilities

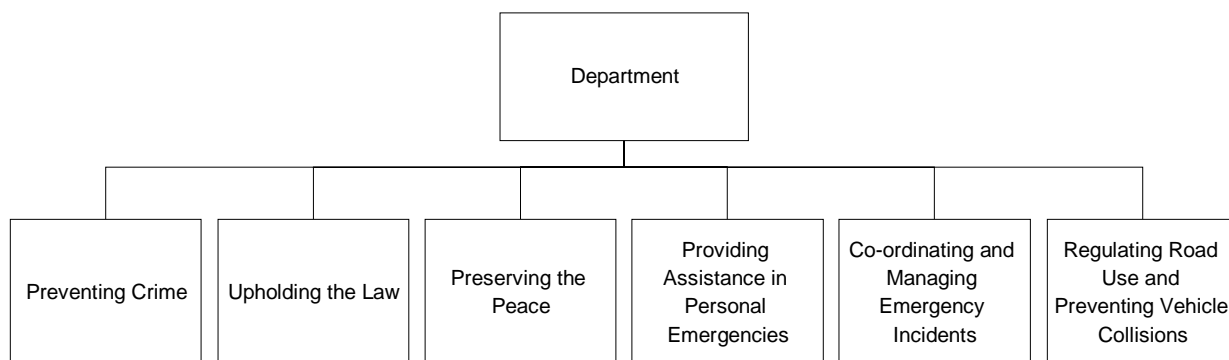
At balance date and at the date of the certification of this financial report by the Commission, there were no known contingent liabilities of a material nature.

POLICE DEPARTMENT

FUNCTIONAL RESPONSIBILITY

The Police Department, an administrative unit established under the *Public Sector Management Act 1995*, is primarily responsible for providing a service that will reassure and protect the community of South Australia from crime and disorder and, that is responsive to the community's needs and expectations.

The principal functions of the Department are represented as follows:



SIGNIFICANT FEATURES

Controlled Activities

- The change in net assets was \$2.7 million (\$20.9 million).
- Revenues from the Community Emergency Services Fund were \$16 million, representing the first year funds were received.
- The accumulated surplus increased by \$3.4 million to \$91.7 million (\$88.3 million).

Administered Items

- Total administered expenses fell to \$74.8 million (\$95.6 million).
- Compensation paid to firearms dealers was \$1.5 million (\$3.6 million).
- Expiation fees collected remained relatively constant at \$42.4 million (\$42.2 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 Department, 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:

- expenditure, including accounts payable and salaries and wages
- plant and equipment, including the adequacy of asset register maintenance
- expiation notices system
- firearms control system
- security services operations
- revenue, debtors, receipting and banking
- Firearms Buy Back scheme.

Audit Communications to Management

During the year a number of letters were forwarded to the Department. The letters conveyed audit scope and findings with respect to the Police Security Services Division; the Firearms Control System; the Financial Management Framework, specifically; non-current assets; and other major financial management systems, primarily accounts payable and salaries and wages.

Responses were received to each of the management letters and were considered to be satisfactory. Follow-up discussions confirmed management's responses and actions to address the specific issues identified. Further details relating to these matters are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Audit assessed the Department's control structure as being satisfactory.

While the audit had identified that some internal controls may not have been operating consistently throughout the financial year (refer comments hereunder), these did not warrant a qualified Controls Opinion.

Nevertheless, there was a need for the Department to review those areas where control weaknesses persisted over more than one reporting period. To some extent, foreshadowed structural changes in organisational responsibilities and business processes, together with enhancements in management information systems, may assist in providing longer term solutions and thereby avoid related risk exposures.

The principal findings made by Audit were in relation to:

Financial Management Framework (FMF)

While specific comment is made in relation to other areas of financial operations, Audit undertook a more holistic approach to reviewing the progress made by the Department with the implementation of the Financial Management Framework (FMF) and the mechanisms in place that would evidence compliance with the same. This was an important element in the formulation of the control opinion.

Audit concluded that the Department was either complying, or progressing towards complying, with the majority of the mandatory prescribed elements of the Framework. Nevertheless, areas were identified where there was opportunity for improvement.

These related to elements dealing with:

- Monitoring and reporting of internal controls: Audit assessed that this function had not been assigned to a specific individual officer or group within the Department and that this may detract from the effectiveness of this control process.
- The provision of adequate and appropriate training to management and staff of the agency to ensure they are capable of meeting agency objectives. Audit was advised that there were no formal training policies and procedures for 'non-sworn' employees and that, rather than a departmental wide approach, training and development was the responsibility of the management of each area. Audit considered that specific policies and procedures for 'non-sworn' employees should be developed.

Management responded that various monitoring processes operate within the Department to ensure that agency objectives are being met and satisfactory control processes are in place and monitored. These took the form of reviews of business plans, budget performance, reconciliations and checking functions at various organisational levels. Management reports were used to identify any existing or potential problems and to ensure corrective action is taken. Management also indicated that the Department's Business Plan for 2000-01 would include a review of internal audit procedures as a priority, together with the development of an audit manual.

With respect to training and development policies and procedures for 'non-sworn' employees, management advised that a principal trainer had been appointed to coordinate training for these employees with the assistance of training officers and administration managers in the local service areas. This would entail the development of training packages and the delivery of training both in the metropolitan and country areas.

Other areas of financial operations were the subject of separate audit correspondence, notwithstanding that they too related to the FMF. Further comment is provided hereunder.

Non-Current Assets

Audit's review of the Department's non-current asset system revealed that there were a series of issues, some of which had been raised in previous years.

Audit identified the following opportunities for improvement in internal controls:

- That all assets are correctly classified in the non-current asset register and that the Department's capitalisation policy for minor items is adhered to. An Audit review of stocktakes performed in the latter part of 1998-99 had identified that certain assets were recorded in the non-current asset register, but had not been physically sighted. These assets had been recorded in a temporary location, had an historic cost of \$14.9 million and a total written down value of \$1.5 million. The majority of these assets had a historic cost of below \$2 000 each.

Departmental Response

Management responded that the number of assets recorded as having a temporary location had been significantly reduced and that the remaining assets would be correctly located by December 2000. Assets with values of less than \$2 000 individually, but not included in a larger asset class, would be progressively expensed.

- That assets be removed from the non-current asset register only by authorised officers.

Departmental Response

Management responded that authority to delete assets from the register would be delegated to appropriate managers, with due consideration to dollar value and seniority.

- Documented reconciliation and verification procedures with respect to the central non-current assets register were not being complied with in all cases.

Departmental Response

Management responded that the associated reconciliations and documentation and explanations of variances, where appropriate, would be performed regularly in accordance with approved procedures.

Police Security Services

The audit of the Police Security Services division identified various minor weaknesses in internal controls, including the duplication of processes within the accounts receivable function, as had been reported in 1998-99.

Other matters included examples where security services were being provided and charged in accordance with agreements that had expired. In addition, there were services being provided where there was no formal agreement. In some cases, these arrangements were subject to draft agreements or memoranda of understanding that were in the possession of clients for consideration.

Audit also noted that the costing summary setting out fees to be charged to clients for the provision of security services had not been reviewed since September 1996.

Departmental Response

Management responded that it had since formalised agreements with a number of agencies and others were being pursued as a matter of priority. The Department indicated that the division had reviewed its costing summary, subsequent to September 1996 but that this had not been recorded. A further review was to be completed by July 2000. Other matters raised by Audit were satisfactorily addressed.

Firearms Control System

Matters raised by Audit included the need for improvements in the:

- follow up of expired firearms licences, where firearms were registered against the holder of an expired licence. As at December 1999, there were almost 17 000 expired licences against which firearms were registered. A similar issue was raised in 1998-99 notwithstanding that there had been action taken and some improvement in the overall number of expired licences.

Departmental Response

Management responded that there had been a reduction in the number of expired licences to 14 700 by May 2000, but only after a very labour intensive effort, including the use of part-time contract workers. Further efforts would be made in this regard, but with the intention of using sworn and unsworn staff in lieu of contractors, where opportunities presented themselves.

- follow-up of non-registered firearms (there were in excess of 8000 as at February 2000), purchased by holders of firearm licences.

Departmental Response

Management responded that this figure was reducing and represented only 2 percent of the total 400 000 firearms registered at that time. This figure was expected to reduce further as the operational section of the relevant branch more actively followed up its investigations.

- use of reports produced by the system. Audit noted that 15 separate reports are produced monthly by the system but that some reports were either not used, contained information that was misleading or simply listed transaction trails. Audit recommended that a review be performed of reports produced by the system to ensure that the reports provide information that is useful.

Departmental Response

Management responded that the production and content of reports from the system was being reviewed with modifications anticipated to existing report formats.

- documentation of policies and procedures, including description of the internal control environment for the complete system.

Departmental Response

Management responded that user manuals were being developed in line with the Financial Management Framework and that existing operating manuals were constantly subject to upgrade, as required.

Other minor matters reported during the year were being satisfactorily addressed by management consistent with the detailed responses received.

Matters dealing specifically with the Computer Information Systems environment are addressed hereunder.

Commentary on Computer Information Systems (CIS) Environment

Audit had undertaken a review of the CIS environment during 1989-99 and had identified a need for improved processes with respect to:

- compliance with EDS documented contract management arrangements;
- storage and testing of backup tapes;
- authorised access to systems;
- reinforcement of the obligations arising from IT security policies among those officers who have access to sensitive or confidential data.

Audit follow-up during 1999-2000 indicated improvements in these areas, consistent with previously advised actions by the Department. Other areas of the CIS environment subject to Audit review proved to be satisfactory.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Police Department 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 Police Department 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

Total operating revenues for the year ended 30 June 2000 were \$21.1 million (\$16.2 million) and represented 6.1 percent (4.9 percent) of total revenues.

Revenues from the State Government increased to \$326 million (\$318.4 million) and included contributions from the Community Emergency Services Fund of \$16 million for the first time.

Operating expenses increased by \$29 million (9.2 percent) to \$342.8 million (\$313.8 million). Some of the major factors causing this increase were the increased costs for police officers flowing from the enterprise bargaining wage increases operative from July 2000 and higher average staffing levels during the year. Other factors included the increased costs of operations, arising from events such as New Years Eve (2000) and Drug Action Teams, as well as the increased costs of workers compensation payments.

Statement of Financial Position

The accumulated surplus increased to \$91.7 million (\$88.3 million). This was largely consistent with the change in net assets after restructuring and reflected little other movement in the items within the financial position of the Department.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Employee entitlements	4	270 144	248 796
Goods and services	5	64 388	56 864
Depreciation	6	8 266	8 141
Total Operating Expenses		342 798	313 801
OPERATING REVENUES:			
Fees and charges	7	11 755	10 944
Other revenues	8	9 382	5 304
Total Operating Revenues		21 137	16 248
NET COST OF SERVICES		321 661	297 553
REVENUES FROM STATE GOVERNMENT:			
Intra-Sector Grants:			
Purchase of outputs		288 858	287 826
Other		6 404	15 877
Contributions from the Community Emergency Services Fund		15 993	-
Contributions for traffic policing services		14 700	14 700
Total Revenues from State Government		325 955	318 403
NET REVENUES (EXPENSES) FROM DISPOSAL OF NON-CURRENT ASSETS	9	(1 407)	358
INCREASE IN NET ASSETS BEFORE RESTRUCTURING		2 887	21 208
NET EXPENSE FROM RESTRUCTURING	10	-	279
INCREASE IN NET ASSETS AFTER RESTRUCTURING		2 887	20 929
TAX EQUIVALENT PAYMENTS ON OPERATING PROFIT	2(k)	148	43
CHANGE IN NET ASSETS AFTER RESTRUCTURING AND TAX EQUIVALENT PAYMENTS ON OPERATING PROFIT		2 739	20 886

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash	11	44 244	40 286
Receivables	12	2 303	1 539
Inventories		510	313
Other	13	1 411	1 465
Total Current Assets		48 468	43 603
NON-CURRENT ASSETS:			
Property, plant and equipment	14	145 581	141 949
Total Non-Current Assets		145 581	141 949
Total Assets		194 049	185 552
CURRENT LIABILITIES:			
Payables and accruals	15	13 292	13 158
Employee entitlements	16	14 711	13 694
Workers compensation	2(h)	4 161	4 212
Total Current Liabilities		32 164	31 064
NON-CURRENT LIABILITIES:			
Borrowings		200	200
Payables	15	6 570	6 454
Employee entitlements	16	51 282	50 167
Workers compensation	2(h)	12 161	9 391
Total Non-Current Liabilities		70 213	66 212
Total Liabilities		102 377	97 276
NET ASSETS		91 672	88 276
EQUITY:			
Accumulated surplus		91 672	88 276
TOTAL EQUITY	21	91 672	88 276
Commitments	17, 23		
Contingent Liabilities	22		

Statement of Cash Flows for the year ended 30 June 2000

		2000 Inflows (Outflows) \$'000	1999 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee entitlements		(262 057)	(257 124)
Goods and services		(64 337)	(53 717)
Total Payments		(326 394)	(310 841)
RECEIPTS:			
State Government:			
Intra-Sector Grants - Recurrent		288 858	287 826
Intra-Sector Grants - Capital		6 404	15 877
Contributions from the Community Emergency Services Fund		15 993	-
Contribution for traffic policing services		14 700	14 700
User charges and fees		10 845	11 932
Interest received		1 401	1 434
Other		4 845	3 550
Total Receipts		343 046	335 319
Net Cash provided by Operating Activities	24	16 652	24 478
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS:			
Purchase of non-current assets		(13 091)	(7 761)
Total Payments		(13 091)	(7 761)
RECEIPTS:			
Disposal of non-current assets	9	397	1 833
Total Receipts		397	1 833
Net Cash used in Investing Activities		(12 694)	(5 928)
NET INCREASE IN CASH HELD		3 958	18 550
CASH AT 1 JULY		40 286	21 736
CASH AT 30 JUNE	11	44 244	40 286

Output Class Schedule of Department's Expenses and Revenues for the year ended 30 June 2000

	2000					2000 Total \$'000	1999 Total \$'000
	Output 1	Output 2	Output 3	Output 4 Emergency Response Mngmt and Coordintn	Output 5 Criminal Justice Support		
Output Classes (refer Note 3)	Community Police Services	Crime Mngmt	Traffic Services	Emergency Response Mngmt and Coordintn	Criminal Justice Support		
OPERATING EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000		
Employee entitlements	91 735	108 537	36 182	13 730	19 960	270 144	248 796
Goods and services	25 928	21 507	10 133	1 501	5 319	64 388	56 864
Depreciation	2 888	3 073	1 402	360	543	8 266	8 141
Other	-	-	-	-	-	-	-
Total Operating Expenses	120 551	133 117	47 717	15 591	25 822	342 798	313 801
OPERATING REVENUES:							
Fees and charges	10 049	199	938	-	569	11 755	10 944
Other revenues	3 204	4 120	1 336	-	722	9 382	5 304
REVENUES FROM STATE GOVERNMENT	108 894	130 539	45 859	15 802	24 861	325 955	318 403
NET REVENUES FROM DISPOSAL OF NON-CURRENT ASSETS	(1 407)	-	-	-	-	(1 407)	358
Total Revenues	120 740	134 858	48 133	15 802	26 152	345 685	335 009
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	189	1 741	416	211	330	2 887	21 208
Net expense from restructuring	-	-	-	-	-	-	(279)
Income tax on operating profit	(148)	-	-	-	-	(148)	(43)
CHANGE IN NET ASSETS AFTER RESTRUCTURING AND INCOME TAX ON OPERATING PROFIT	41	1 741	416	211	330	2 739	20 886

An Output Schedule of Police Department 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								2000 Total \$'000	1999 Total \$'000
	Firearms Buyback Scheme \$'000	Special Acts \$'000	Grants \$'000	Expiation Fees \$'000	Provision of Helicopter Service \$'000	CIC Levy \$'000	Minister for Police Payments \$'000	Other \$'000		
ADMINISTERED EXPENSES:										
Minister for Police payments (Note 27)	-	-	-	-	-	-	24 613	-	24 613	43 339
Employee entitlements	-	229	-	-	-	-	-	-	229	181
Goods and services etc	77	-	-	-	-	-	-	-	77	33
Depreciation	25	-	-	-	-	-	-	-	25	47
Firearms compensation	1 518	-	-	-	-	-	-	-	1 518	3 577
Payments to Consolidated Account	-	-	-	42 380	639	-	-	-	43 019	43 317
Grants: Commonwealth properties fire protection	-	-	495	-	-	-	-	-	495	350
Provision of helicopter service	-	-	-	-	2 861	-	-	-	2 861	2 677
Criminal injury compensation levy	-	-	-	-	-	1 966	-	-	1 966	2 050
NCA secondments/references	-	-	-	-	-	-	-	35	35	66
Total	1 620	229	495	42 380	3 500	1 966	24 613	35	74 838	95 637
ADMINISTERED REVENUES:										
State Government appropriations	77	230	228	-	3 006	-	24 613	35	28 189	46 502
Firearms compensation	-	-	-	-	-	-	-	-	-	2 000
Expiation fees	-	-	-	42 380	-	-	-	-	42 380	42 227
Helicopter service - Recovery of costs and sponsorships	-	-	-	-	693	-	-	-	693	543
Recoup from Commonwealth for fire protection of Commonwealth property	-	-	-	-	-	-	-	-	-	845
Criminal injury compensation levy	-	-	-	-	-	1 953	-	-	1 953	2 025
Net revenue from restructuring (refer Note 10)	-	-	-	-	-	-	-	-	-	279
Total	77	230	228	42 380	3 699	1 953	24 613	35	73 215	94 421
REVENUES LESS EXPENSES	(1 543)	1	(267)	-	199	(13)	-	-	(1 623)	(1 216)

Schedule of Administered Assets and Liabilities for the year ended 30 June 2000

	2000					2000 Total \$'000	1999 Total \$'000
	C'with Properties Fire Protection \$'000	Firearms Buyback Scheme \$'000	Grants \$'000	Provision of Helicopter Service \$'000	CIC Levy \$'000		
ADMINISTERED ASSETS:							
Cash at bank	495	655	-	-	152	1 302	2 338
Receivables	-	-	-	86	-	86	298
Plant and equipment	-	37	-	-	-	37	62
Total	495	692	-	86	152	1 425	2 698
ADMINISTERED LIABILITIES:							
Creditors	495	-	-	-	-	495	145
Total	495	-	-	-	-	495	145
NET ASSETS OVER LIABILITIES	-	692	-	86	152	930	2 553

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives

The Police Department (SAPOL) operates within the *Police Act 1998*, the *Police Regulations 1999*, and the *Public Sector Management Act 1995*.

The mission statement of SAPOL, as set out in the 1999-2000 business plan, is 'working together to reassure and protect the community from crime and disorder'. This mission statement is reflected in the following core strategies:

- Sustain community support for the delivery of police services.
- Adopt a problem solving approach for the delivery of police services.
- Establish police services which are reasonably accessible to the community.
- Respond efficiently and effectively to emergencies and calls for assistance.
- Deploy personnel for the effective detection and deterrence of public order, road traffic and criminal offences.
- Establish systems and structures for the efficient and effective investigation of public order, road traffic and criminal offences.

2. Significant Accounting Policies

(a) **Basis of Accounting**

The financial report is a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group Consensus Views, the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*. The financial report has been prepared on the accrual basis of accounting and is in accordance with the historic cost convention except where detailed in the Notes.

(b) **The Reporting Entity**

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account entitled 'SA Police Operating Account'. SAPOL's principal source of funds consists of monies appropriated by Parliament provided by way of intra-sector grants through the Department of Justice.

Administered Resources

SAPOL administers on behalf of the Government of South Australia certain resources over which it does not have control. Although accountable for the transactions relating to these administered resources, SAPOL does not have control or discretion to apply these resources to achieve its objectives.

Transactions and balances relating to these administered resources are not recognised as SAPOL's revenues, expenses, assets or liabilities but are disclosed separately in the Schedule of Administered Expenses and Revenues, or Schedule of Administered Assets and Liabilities as appropriate.

(c) **Property, Plant and Equipment**

The Statement of Financial Position includes all property, plant and equipment controlled by SAPOL.

Land and Buildings controlled by SAPOL were revalued, as at 30 June 1999, to their written down current cost following an independent valuation prepared by Colliers Jardine Consultancy and Valuation Pty Limited using deprival value. Other non-current assets have been valued at their written down historic cost.

Minor items of plant and equipment with an individual value of less than \$2 000 are expensed at the time they are acquired.

Heritage assets are not disclosed by a specific heritage type but form part of the aggregate value of property, plant and equipment and are included within their specific category.

(d) **Depreciation of Non-Current Assets**

Depreciation is calculated on a straight-line basis to write off the net cost or valued amount of each depreciable non-current asset over its expected useful life. Estimates of the remaining useful lives are made on a regular basis for all assets. The estimate useful lives of each asset class are as follows:

	Years
Buildings and improvements	60
Vehicles and transport vessels	10
Computers and communications	3 - 7
Office furniture and equipment	10
Weaponry	2
Other plant and equipment	10

(e) **Fees and Charges**

Fees and charges controlled by SAPOL are recognised as revenues. Fees and charges are deemed to be controlled where they can be deployed for the achievement of SAPOL objectives. Such amounts are not required to be paid to the Consolidated Account or other Funds not controlled by SAPOL.

Fees and charges collected by SAPOL but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Schedule of Administered Expenses and Revenues. Such amounts are required to be paid to the Consolidated Account or other Funds not controlled by SAPOL.

(f) **Appropriations**

Appropriations are provided to the Department of Justice. Agencies within the Justice Portfolio receive operating funds via intra-sector grants provided by the Department of Justice. These grants are recognised as revenues when SAPOL obtains control over the assets comprising the contributions. Control over intra-sector grants is normally obtained upon their receipt.

2. **Significant Accounting Policies (continued)**

(g) **Employee Entitlements**

(i) *Annual Leave*

A provision is raised at the end of the reporting period to reflect employee entitlements to annual leave. Liabilities for annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. Where leave loadings are paid, they are included in the calculations.

(ii) *Long Service Leave*

A provision is raised at the end of the reporting period to reflect employee entitlements to long service leave. The provision for long service leave represents the amount which SAPOL has as a present obligation to pay resulting from employees' services provided up to the reporting date.

The provision has been calculated at nominal amounts based on current salaries and wages rates using an independent actuarial assessment benchmark of 15 years service as a shorthand estimation of long service leave liability in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. The actuarial benchmark was provided in 1998. Related on-costs of payroll tax, superannuation and workers compensation premiums are shown under Payables employment on-costs (refer Note 15).

(iii) *Sick Leave*

No provision has been made for sick leave as entitlements are non-vesting and it is considered that sick leave is taken from the current year's entitlements.

(iv) *Superannuation*

Contributions are made by SAPOL to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they occur. SAPOL is not liable for the payments to beneficiaries as this is the responsibility of the superannuation schemes.

(h) **Workers Compensation**

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

The amounts recorded reflect an apportionment of the whole-of-government estimate of workers compensation liability of \$128.0 million, according to SAPOL's experience of claim 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.

(i) **Leases**

SAPOL has entered into a number of operating lease agreements for buildings, vehicles and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items. Operating lease payments are representative of the pattern of benefits to be derived from the leased items and accordingly are charged to the Operating Statement in the period in which they are incurred (refer Note 17).

(j) **Cash**

For the purpose of the Statement of Cash Flows, cash includes cash deposits which are used in the cash management function on a day to day basis. Administered cash is not included in the Statement of Cash Flows.

(k) **Tax Equivalent Payments**

In accordance with the National Competition Policy principles, it was agreed the State Government Business Enterprises (GBEs) in competition with private industry would be liable for payment of Commonwealth, State and Local Government taxes. Although GBEs cannot legally pay the income tax, an equivalent payment is made to the Department of Treasury and Finance. For the purpose of determining Income Tax Equivalent payments, which are applicable only to the Police Security Services Division of SAPOL's operations, the Income Tax liability is deemed to be equal to 36 percent of the net profit for the Police Security Services Division.

3. **Output Classes of SAPOL**

SAPOL has identified five major classes of outputs that it delivers to the community and the Minister for Police. The outputs themselves are defined as goods and services produced, provided to or acquired for external customers. The identity and description of each major output class of SAPOL during the year ended 30 June 2000 is summarised below. Financial information relating to each output class is reported in the Output Class Schedule of Department's Expenses and Revenues.

Output Class 1 Community Police Services

Community Police Services are those services which SAPOL provides to the community in order to reduce crime, uphold the law, preserve the peace, assist in times of personal emergency, coordinate and manage emergency incidents and increase road safety. They involve the provision of advice, information, assistance and reassurance through the delivery of services which are accessible, visible, responsive and founded on a problem solving approach.

The outputs in this class include community patrols, police station services, community programs, information services and event management.

3. **Output Classes of SAPOL (continued)****Output Class 2 Crime Management**

Crime Management is an integral element of SAPOL's crime reduction strategy. It broadens the concept of community oriented policing to provide a practical framework within which police across the whole of the organisation and the community work together to achieve identified crime reduction outcomes.

The outputs in this class include targeting crimes against the person, targeting crimes against property, targeting illegal drug activity and targeting other criminal activity.

Output Class 3 Traffic Services

Traffic Services covers SAPOL's outputs relating to the safe and efficient flow of traffic and reducing the incidence of road crashes and injuries caused by dangerous, reckless and negligent driving practices.

The outputs in this class include traffic policing and traffic crash investigations.

Output Class 4 Emergency Response Management and Coordination

Emergency Response Management and Coordination is an important role that SAPOL plays in ensuring that the community is adequately prepared to respond to and mitigate the effects of emergency situations. Relevant emergency response situations include natural hazards such as storms, human-made hazards such as industrial accidents and personal emergencies. Disaster situations include fires and earthquakes which are of such a magnitude that specialised measures are required to protect life and property.

Output Class 5 Criminal Justice Support

The outputs contained in this group provide support to the judicial process through:

- Effective and efficient prosecutions;
- Judicial processing;
- The safe, fair, prompt and efficient handling of all persons involved in the process.

The outputs include services to the criminal justice system and custodial services.

4.	Employee Entitlements	2000	1999
	Employee entitlements for the reporting period comprise:	\$'000	\$'000
	Salaries and wages	175 271	164 610
	Superannuation and payroll expenses	45 465	40 031
	Annual, sick, long service leave and leave bank expenses	34 340	32 793
	Workers compensation	8 499	4 711
	Other employee related expenses	6 569	6 651
		270 144	248 796
5.	Goods and Services		
	Goods and services expenses for the reporting period comprise:		
	Occupancy rent and rates	7 184	6 888
	Computing expenses	11 504	11 178
	Motor vehicle expenses	7 169	7 231
	Communication expenses	4 348	4 132
	Operating leases	4 569	3 457
	Alarm installations, maintenance and monitoring	1 972	1 615
	Repairs and maintenance - Buildings	4 226	2 282
	Electricity, gas and fuel	2 196	2 002
	Uniform issues	1 786	1 386
	Minor equipment expenses	1 511	432
	Cleaning infrastructure	1 333	1 179
	Travel and accommodation	1 301	1 205
	Agency staffing	1 155	1 404
	Land and buildings revaluation decrement (refer Note 2(c))	-	1 270
	Other administrative expenses	14 134	11 203
		64 388	56 864
6.	Depreciation		
	Depreciation expense for the reporting period was charged in respect of:		
	Computers and communications	2 255	2 508
	Vehicles and transport vessels	499	473
	Buildings and improvements	2 684	2 578
	Office furniture and equipment	1 917	1 899
	Weaponry and other	911	683
		8 266	8 141
7.	Fees and Charges		
	Fees and charges for the reporting period comprise:		
	Police Security Services	6 178	5 163
	Firearms licence and registration fees	2 788	2 824
	Escorts - Wide load/other	867	1 068
	Police information requests	910	830
	Prosecution and other court fees	530	541
	Other fees	482	518
		11 755	10 944

Police Department

8. Other Revenues				2000		1999
Other revenues for the reporting period include:				\$'000		\$'000
Interest revenue				1 444		1 459
Contributed asset revenue				1 716		-
Grants				662		739
Other				5 560		3 106
				9 382		5 304
9. Net Revenues from Disposal on Non-Current Assets						
Proceeds from disposal of non-current assets				397		1 833
Less: Written down value of those non-current assets				1 804		1 475
				(1 407)		358
10. Net Expense from Restructuring						
As a result of a restructuring of administrative arrangements, SAPOL assumed responsibility as from 1 July 1998 for the South Australian Police Band that was previously reported as an Administered Resource.						
As a result of this restructuring the following assets and liabilities were recognised:				2000		1999
Assets:				\$'000		\$'000
Plant and equipment				-		84
Current Liability:						
Employment entitlements				-		(168)
Non-Current Liability:						
Employee entitlements				-		(195)
Net Expense from Restructuring				-		(279)
11. Cash						
Cash at bank				43 835		39 879
Cash held in imprest account and petty cash				409		407
				44 244		40 286
12. Receivables						
Receivables				2 610		1 678
Less: Provision for doubtful debts				307		139
				2 303		1 539
13. Other Current Assets						
Prepayments				948		904
Accrued revenue				44		257
Accrued interest				187		144
Other				232		160
				1 411		1 465
14. Property, Plant and Equipment						
		2000				1999
			Written			Written
	Cost/	Accumulated	Down	Cost/	Accumulated	Down
	Valuation	Depreciation	Value	Valuation	Depreciation	Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land*	17 087	-	17 087	17 194	-	17 194
Buildings and Improvements*	172 086	67 826	104 260	171 172	68 671	102 501
Weaponry	2 525	2 453	72	2 504	2 394	110
Computers and communications	40 582	32 243	8 339	41 629	35 125	6 504
Office furniture and equipment	19 771	14 786	4 985	19 455	12 886	6 569
Vehicles and transport vessels	6 356	3 200	3 156	5 712	3 041	2 671
Other	12 306	6 283	6 023	9 775	5 271	4 504
Work in progress	1 659	-	1 659	1 896	-	1 896
	272 372	126 791	145 581	269 337	127 388	141 949
* Land, buildings and improvements excluding Mt Gambier Police Complex (valued at cost \$5.6 million) were revalued as at 30 June 1999 by the following officers from Colliers Jardine Consultancy and Valuation Pty Limited:						
- Richard R Wood, AAPI, Certified Practising Valuer B.App.Sc PRM (Valuation), Tracy Grech, GAPI, B.Bus Property (Valuation) Hons.						
15. Payables and Accruals				2000		1999
Current:				\$'000		\$'000
Creditors				7 002		7 991
Accrued employee entitlements				2 978		2 032
Accrued employment on-costs				618		395
Payables employment on-costs				2 669		2 565
Prepaid revenue				25		175
				13 292		13 158
Non-Current:						
Payables employment on-costs				6 570		6 454

16. Employee Entitlements		2000	1999
Current:		\$'000	\$'000
Long service leave		5 908	5 161
Annual leave		8 803	8 533
		14 711	13 694
Non-Current:			
Long service leave		51 282	50 167

17. Commitments for Operating Leases			
At the reporting date, SAPOL had the following obligations under non-cancellable operating leases.			
These obligations are not recognised as liabilities in the Statement of Financial Position.			
Payable no later than one year		10 369	9 613
Payable later than one year and not later than five years		24 860	29 737
Payable later than five years		5 591	7 160
		40 820	46 510

The property leases are non-cancellable leases, with rental payable in advance. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased periodically and generally in line with CPI movements and market conditions. Options exist to renew the leases at the end of the term of the leases.

18. Remuneration of Employees		2000	1999
The number of employees whose total remuneration paid or payable fell within the following bands was:			
\$100 000 - \$109 999		11	12
\$110 000 - \$119 999		3	4
\$120 000 - \$129 999		3	-
\$130 000 - \$139 999		3	3
\$140 000 - \$149 999		1	2
\$150 000 - \$159 999		-	1
\$160 000 - \$169 999		1	-
\$170 000 - \$179 999		-	1
\$180 000 - \$189 999		1	-
\$200 000 - \$209 999		-	2
\$210 000 - \$219 999		1	-
		24	25

The total remuneration paid or payable to these employees, was \$2.9 million (\$3.1 million) which include 8 current executive positions.

19. Targeted Voluntary Separation Packages (TVSPs)		2000	1999
Transactions on account of TVSPs for the reporting period were:			
TVSP payments		88	164
Recoveries from the Department of the Premier and Cabinet in respect of TVSPs		143	63
Annual and long service leave accrued over the period of employment paid to employees who received TVSPs		47	73

The number of employees who were paid TVSPs during the reporting period totalled 4 (5).

20. Payments to Consultants			
SAPOL engaged consultants during the year and incurred expenses of \$257 000 (\$206 000). This amount is included in 'Other Administrative Expenses' category, disclosed in Note 5.			

21. Equity			
Equity represents the residual interest in SAPOL's net assets. The South Australian Government holds the equity interest in SAPOL on behalf of the community.			

		2000	1999
		\$'000	\$'000
Balance at 1 July		88 276	65 995
Previously unidentified assets recognised for the first time and corrections to amounts previously recognised		657	1 395
Change in net assets after restructuring and tax equivalent payments on operating profit		2 739	20 886
Balance at 30 June		91 672	88 276

22. Contingent Liabilities			
As at 30 June 2000 the value of outstanding rewards for unsolved murders was \$2.8 million (\$2.6 million). No provision has been made in the financial report for this amount as there exists considerable doubt as to the amount and timing of rewards that will actually be paid.			

23. Commitments for Capital and Recurrent Expenditure			
At the end of the reporting period SAPOL had commitments for capital and recurrent expenditure which are not taken up in the Statement of Financial Position. The capital expenditure is due for payment:			

		2000	1999
		\$'000	\$'000
Not later than one year		3 083	6 878
		3 083	6 878

24. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services	2000	1999
	\$'000	\$'000
Net cash provided by operating activities	16 652	24 478
Intra Sector Grants - Recurrent	(288 858)	(287 826)
Intra Sector Grants - Capital	6 404	(15 877)
Contributions from the Community Emergency Services Fund	(15 993)	-
Contribution for traffic policing services	(14 700)	(14 700)
Depreciation	(8 266)	(8 141)
Liabilities assumed on restructuring	-	363
Tax equivalent payments on Operating Profit	148	43
Land and buildings revaluation decrement	-	(1 270)
Work in progress expensed	(9)	(684)
Salvaged equipment written off	(37)	(294)
Change in assets and liabilities:		
Increase (Decrease) in receivables	764	(489)
(Decrease) Increase in other current assets	(54)	257
Increase (Decrease) in inventories	197	(21)
(Increase) Decrease in payables and accruals	(250)	7 561
Increase in provisions	(4 851)	(953)
Net Cost of Services	(321 661)	(297 553)

25. Financial Instruments

(a) Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash at bank	11	Cash at bank comprises cash held in a Department of Treasury and Finance Special Deposit Account. Interest revenue is recorded on an accrual basis.	Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance and is based on the average end of month balance of the Special Deposit Account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts which is 5.58 percent as at 30 June 2000 (4.63 percent).
Receivables	12	Receivables are recorded at the amounts due to SAPOL, less a provision for doubtful debts. They are recorded when goods and services have been provided.	Receivables are due within 30 days of an invoice being raised.
Financial Liabilities			
Creditors	15	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided to SAPOL.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
Borrowings		SAPOL maintains an imprest amount of \$200 000 representing monies advanced by the Department of Treasury and Finance.	The advance from the Department of Treasury and Finance is interest free.

(b) Interest Rate Risk

Financial Instrument	Effective Interest Rate at 30.6.00 Percent	Interest Bearing \$'000	2000 Non-Bearing \$'000	Total \$'000
Financial Assets:				
Cash at bank	5.58	43 835	-	43 835
Cash held in imprest account and petty cash		-	409	409
Receivables		-	2 303	2 303
		43 835	2 712	46 547
Financial Liabilities:				
Creditors		-	7 002	7 002
Borrowings: Advance from Department of Treasury and Finance		-	200	200
		-	7 202	7 202
1999				
Financial Instrument	Effective Interest Rate at 30.6.99 Percent	Interest Bearing \$'000	Non-Bearing \$'000	Total \$'000
Financial Assets:				
Cash at bank	4.63	39 879	-	39 879
Cash held in imprest account and petty cash		-	407	407
Receivables		-	1 539	1 539
		39 879	1 946	41 825
Financial Liabilities:				
Creditors		-	7 991	7 991
Borrowings: Advance from Department of Treasury and Finance		-	200	200
		-	8 191	8 191

25. Financial Instruments (continued)**(c) Net Fair Values of Financial Assets and Liabilities**

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

(d) Credit Risk Exposure

SAPOL's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. SAPOL has no significant exposures to any concentrations of credit risk.

26. Auditor's Remuneration

The amount payable by SAPOL for audit services during the reporting period was \$116 000 (\$115 000).

27. Other Minister for Police Payments

	2000	1999
	\$'000	\$'000
Safety House Association	62	60
Crime Prevention Council	3	3
Community Development Fund - St John Australia SA Inc	100	100
SA Water - Concession for Emergency Services	50	-
SA St John Ambulance Service Inc	24 398	22 927
SA Metropolitan Fire Service	-	7 072
Country Fire Service Board	-	13 177
	24 613	43 339

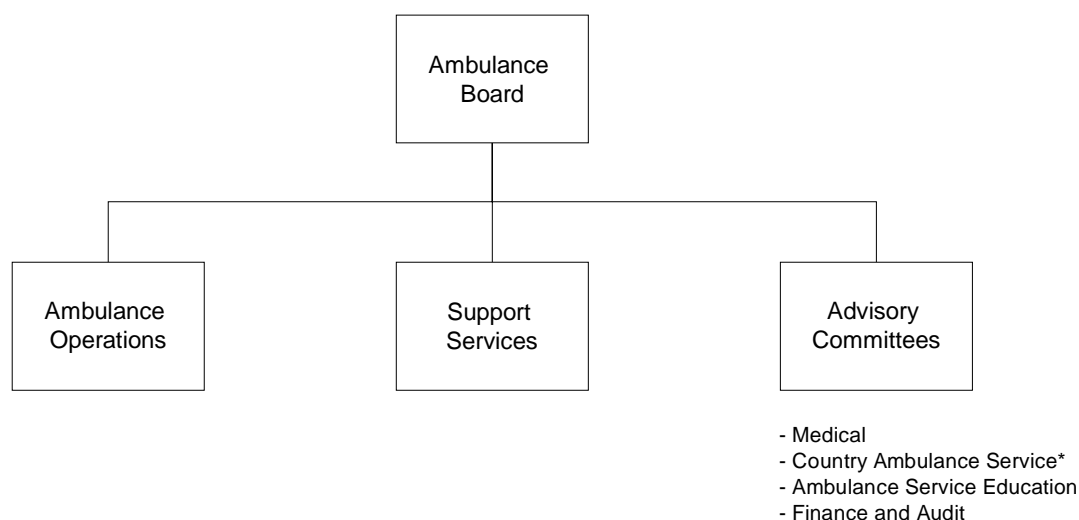
SA ST JOHN AMBULANCE SERVICE INC

FUNCTIONAL RESPONSIBILITY

SA St John Ambulance Service Inc (the Ambulance Service), is an incorporated association established pursuant to section 11 of the *Ambulance Services Act 1992* (the Act) as a result of a joint venture agreement between the Priory in Australia of the Order of St John and the Minister for Health for the Government of South Australia.

The Ambulance Service provides pre-hospital patient care and ambulance transport as part of the State's health and emergency services and is controlled by the Ambulance Board established pursuant to section 12 of the Act.

The structure of the Ambulance Service is:



* A requirement under the *Ambulance Services Act 1992*.

SIGNIFICANT FEATURES

- The Ambulance Service recorded a surplus (before reserves transfers) for the year of \$7.1 million (\$2 million).
- The Ambulance Cover Scheme incurred an operating deficit of \$3.9 million (\$3.4 million).
- Revenues from the State Government during 1999-00 amounted to \$30.9 million (\$22.9 million), an increase of 35 percent over the previous year.
- In March 2000, Cabinet approved additional funding of \$6.2 million to meet an expected budget shortfall.
- Cash and investments held at 30 June 2000 increased to \$11.4 million (\$3.2 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 14(2) of the *Ambulance Services Act 1992* specifically provides for the Auditor-General to audit the accounts of the Ambulance Service in respect of each financial year. Furthermore, subsection 14(3) of the Act provides for the application of Part III of the *Public Finance and Audit Act 1987* (ie Audit Provisions) to the Ambulance Service, as if it were a public authority within the meaning of the Act. Subsection 14(4) of the Act provides that Division II (Accounts and Audit of Certain Incorporated Associations) of Part IV of the *Associations Incorporation Act 1985* does not apply to the Ambulance Service.

Scope of Audit

Audit coverage in respect of the Ambulance Service had due regard to the work performed by the Ambulance Service's internal audit function, which is externally managed. 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:

- ambulance transport revenues
- Ambulance Cover Scheme
- Call Direct monitored emergency service
- expenditure systems, including accounts payable and salaries and wages
- general ledger
- management reporting and budgetary control
- plant and equipment, including the adequacy of asset register maintenance
- inventories
- computer information systems environment (CIS).

Audit Communications to Management

A management letter was forwarded to the Chief Executive Officer during the year identifying various issues for consideration. Among the topics covered within the letter, was the progress the Ambulance Service had made with respect to implementing key elements of the Financial Management Framework (FMF).

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Audit assessed the Ambulance Service's control structure as being satisfactory.

This assessment had regard to not only the issues identified by Audit during the year, but also the responses and action taken by the Ambulance Service to address issues raised by both external and internal audit.

The Board of the Ambulance Service has a Finance and Audit Committee that regularly reviews all aspects of financial management and ensures that appropriate responses and follow up action take place in respect of issues raised by both external audit and internal audit. The Committee plays an important role in the overall set up of public governance.

The principal findings made by Audit were in relation to:

- *Financial Management Framework (FMF)* — Audit sought clarification on what process there was that would support the Chief Executive Officer in certifying that internal controls over financial reporting have been effective throughout the reporting period.

Audit identified that there was an absence of policies and procedures with respect to the payroll system and management and accounting for non-current assets.

Management responded that the responsibility for ensuring the effectiveness of internal controls and the control framework was vested in the Finance and Audit Committee of the Ambulance Board and that with respect to the formulation of specific policies and procedures, it would review the existing practices to ensure compliance with the FMF.

- *Call Direct Procedures* — The audit revealed instances where there was a failure to comply with the established delegations, specifically the authorisation of credit notes, the execution of short term rental and monitoring agreements and the cancellation of memberships and the refund of membership fees.

Audit further noted the need to strengthen controls over access to subscriber credit card details to ensure that only authorised officers were permitted access to that information.

Management agreed with Audit's findings and indicated all issues raised by Audit would be resolved either by way of policy or system enhancements.

- *Ambulance Cover Scheme* — While considerable progress had been made to ensure that those members of the Ambulance Cover Scheme who received pensioner concessions were indeed entitled to receive such concessions, there remained a significant number of instances where proof of entitlement had not been confirmed.

Management responded that the Ambulance Service was testing a methodology for the effective collection of pension numbers which would be completed by August 2000. Following the completion of this testing, an appropriate process would be adopted and implemented without delay.

Commentary on Computer Information Systems (CIS) Environment

Audit undertook a review of the CIS environment during 1989-99 and identified a need for the Ambulance Service to comply with the SA Government IT Security Standards 1994. In particular, there was a need to develop a security policy and plan and to improve the monitoring of systems access and systems backup controls. A follow-up review during 1999-2000, that also included a review of the Ambulance Service's EDS contract management arrangements, revealed that many of the issues raised in the previous year remained.

Management indicated that its IT branch was in the process of working with EDS to develop a procedure for regularly testing data restoration, recovery and restart procedures. It noted that this function is predominantly an EDS responsibility and function in the event that any recovery of data was required.

The responsibility of the Ambulance Service has been defined as an internal audit process to regularly check the integrity and validity of the restoration, recovery and restart procedures jointly agreed upon by EDS and the Ambulance Service. It is expected that the process will be in place by September 2000.

Commentary on Financial Management Framework

The Ambulance Service has policies, procedures and systems that are consistent with the prescribed principles set out in the Financial Management Framework (FMF). Audit has assessed that there is a structure and culture within the Ambulance Service that satisfies the requirements of the FMF.

Specific comments made by Audit to the Ambulance Service during the year were directed at further improving these processes and identifying opportunities for development of further policies and procedures, where there was a critical need. While Audit is satisfied with the responses to its findings, there will invariably be opportunities to further improve upon the overall framework of control.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the SA St John Ambulance Service 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 SA St John Ambulance Service Inc in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, 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 focus of Audit analysis in prior years has been to comment on emerging trends in funding of Ambulance Service operations and to provide some analysis of cash flows.

The Department of Justice also appointed an external consultant during the year to review options with respect to the future funding of the Ambulance Service. A synopsis of some of the findings arising from the review is included under the heading 'Further Commentary on Operations'.

Operating Statement

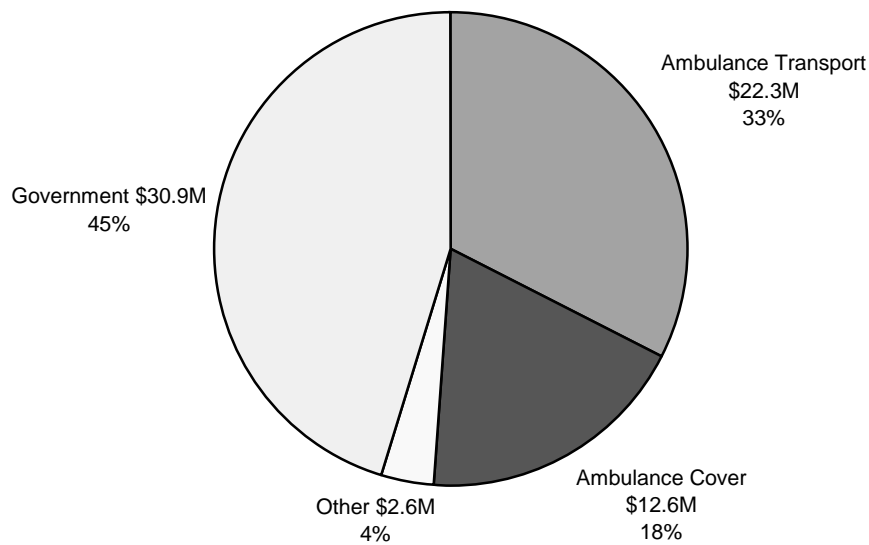
Total revenues for the year ended 30 June 2000 were \$68.4 million (\$57 million) and total expenses were \$61.3 million (\$55 million), resulting in a surplus before reserve transfers of \$7.1 million (\$2 million).

Revenues from government totalled \$ 30.9 million (\$22.9 million).

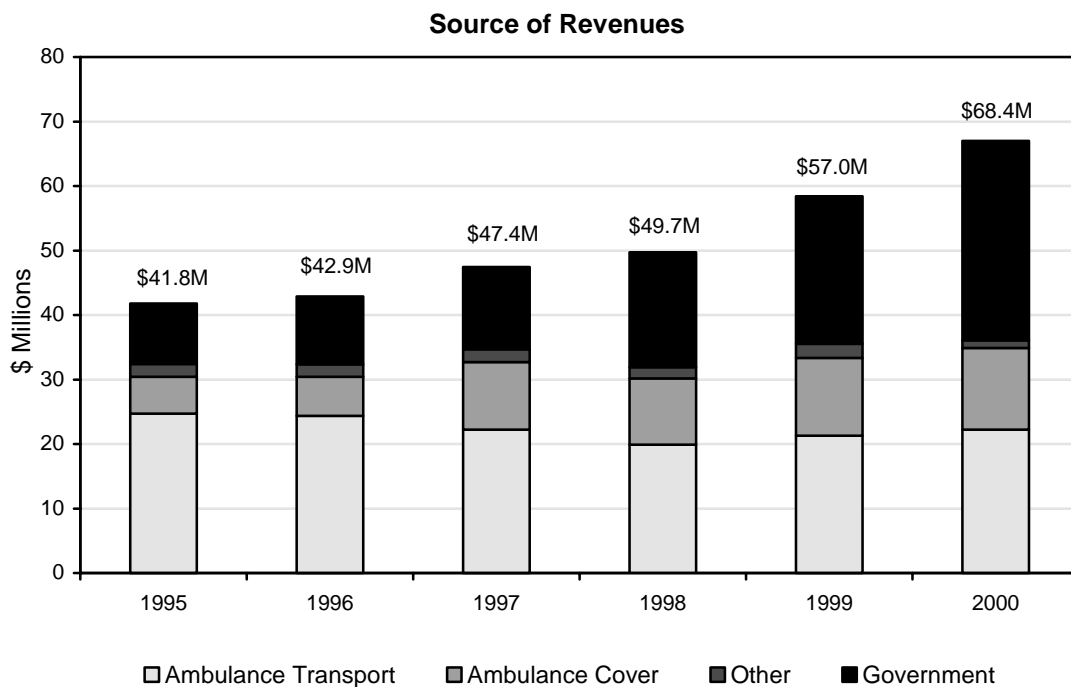
The accumulated surplus increased by \$6.5 million to \$8.4 million (\$2 million), while reserves increased to \$5.4 million (from \$4.8 million).

Notwithstanding the improved result on operations, it is difficult to apply conventional financial ratio analysis to the Ambulance Service. As with most government agencies, it is reliant on revenues from government to sustain its level of operations and service, notwithstanding that it charges for certain services and products.

The following chart depicts the major sources of internally generated and externally provided revenues for 1999-2000:



The following diagram depicts the movement in these revenues over the last six years:

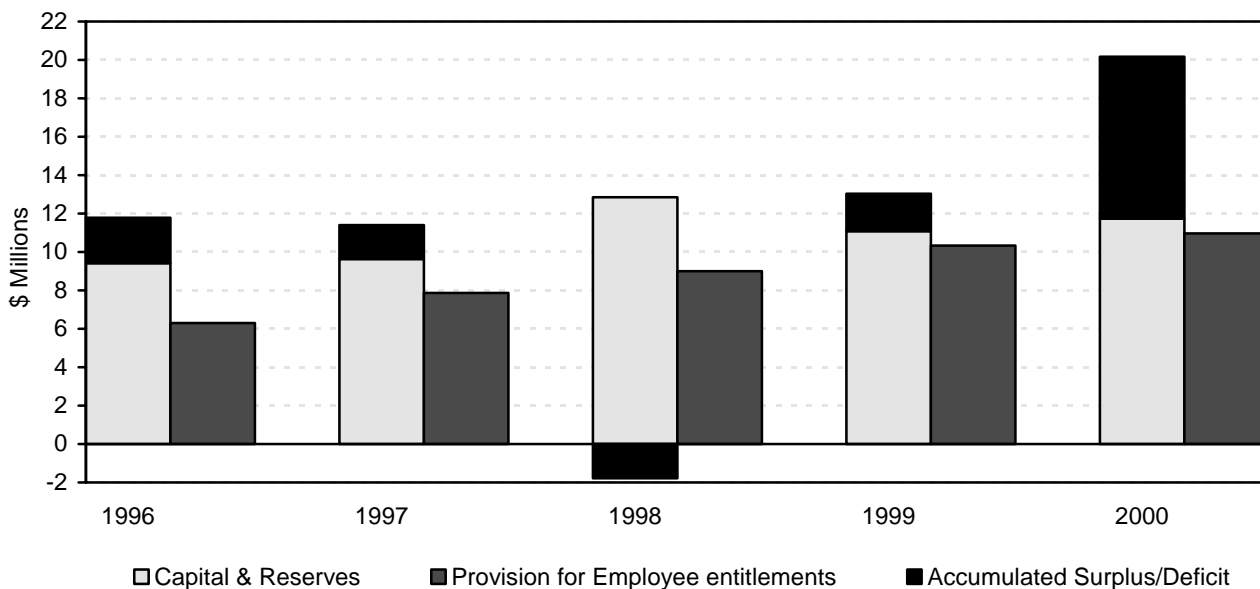
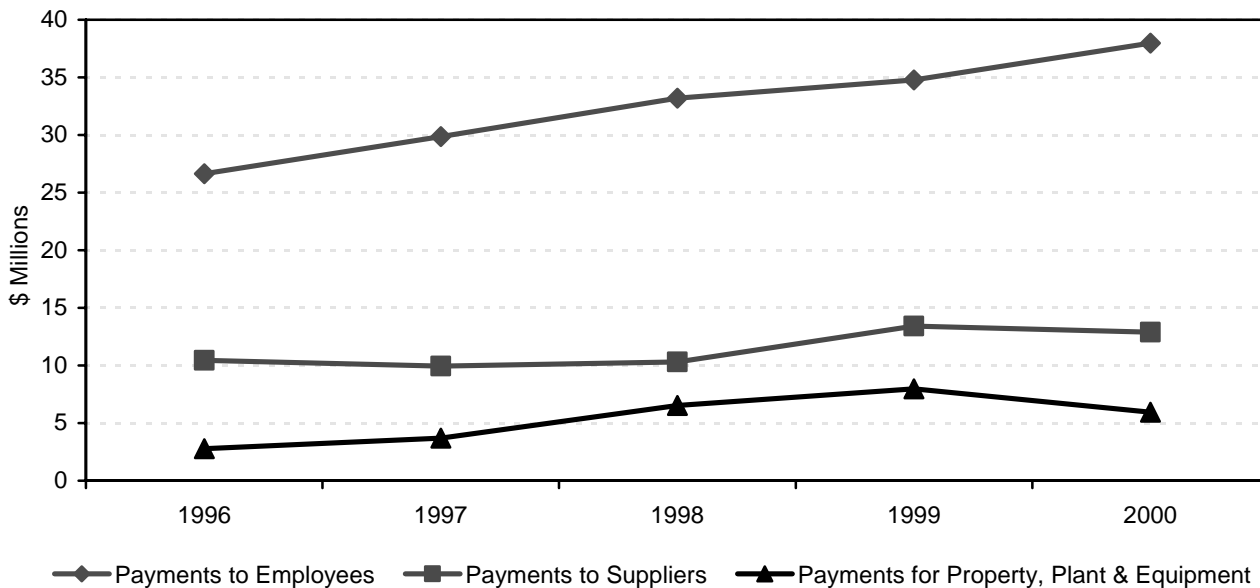


The acceleration of government funding over that time is clearly discernible, with revenues from government increasing from \$9.4 million in 1994-95 to \$30.9 million in 1999-2000, an increase of 228 percent. This compares with an increase of only 16 percent in internally generated revenues over the same period, from \$32.4 million to \$37.5 million. The increasing reliance on government revenues is clearly evident from these figures.

The Ambulance Cover Scheme has significantly impacted on the operating result since its inception. The cumulative deficit from operating the Scheme is \$17 million. There has been an increase in the operating deficit for 1999-2000 to \$3.9 million (\$3.4 million), with a average annual operating deficit \$2.8 million, since 1996.

Statement of Cash Flows and Changes in Financial Position

The diagrams below provide an outline of the application of cash flows over a five year period and reflect the sharp movement in salaries, wages and related payments against other operating cash flows. There is a comparison below of movements in the provisioning for employee entitlements over the corresponding period, together with changes in net assets and capital and reserves.



The increasing cost of salaries, wages and related payments essentially reflects the standards embodied in terms of service provision and response times. However, limitations on flexibility in work practices and increases in rates of pay following enterprise bargaining agreements have also been identified as factors causing these costs to increase.

There has also been a corresponding increase in the provision for employee entitlements (primarily long service leave). While net assets have increased over the last two years, these figures are distorted by advanced government funding, which boosts cash and investments at a point in time. The movement in capital and reserves is more indicative of the Ambulance Service's movement in equity. While capital and reserves at 30 June 2000 (\$11.7 million) were 25 percent greater than those at 30 June 1996 (\$9.4 million), there has been a decline in levels from 1998.

FURTHER COMMENTARY ON OPERATIONS

Independent Review

During the year a broad ranging external review was conducted of the Ambulance Service. The review was undertaken at the request of the Department of Justice so that it may better assess the financial position of the Ambulance Service.

Specifically, the consultants were requested to review:

- the cause(s) for the operating deficits, as occurred in the financial year ended 30 June 1998, the ongoing implications and options to resolve funding issues;
- what services should be provided for as a community service obligation (CSO) as to what services should be provided for on a cost recovery basis;
- the costs and fees charged for ambulance services;
- the effectiveness and validity of 'call direct' and 'non-emergency transport';
- funding options for wage increases;
- costs associated with back filling arrangements;
- the methods of country and city funding;
- capital expenditure for ambulances and stretchers and the country versus city funding of capital items;
- the viability of the Ambulance Cover Scheme.

Comment on the key findings of the review follow.

Funding

The level of government funding to the Ambulance Service has been increasing by approximately 25 percent per annum since 1995-96 and that the current funding model was not considered to be a '... viable option'.

The major causes of the funding shortfall were:

- deficits with respect to the Ambulance Cover Scheme;
- the increasing gap between revenue and costs, with the major reasons for increasing costs being related to:
 - benchmarking with international standards (ORCON) in relation to ambulance response time obligations,
 - the effect of enterprise bargaining agreements that have contributed to an increase in the workforce,
 - introduction of a paramedic based care model and response time focus, which have resulted in a higher level of care being provided,
 - increase in marketing costs for such initiatives as the Call Direct product,

- an increase in information technology costs and professional fees borne by the Ambulance Service.
- a number of externally mandated requirements;
- increasing capital needs;
- effective cross-subsidisation of country services provided.

Community Service Obligations

The Community Service Obligation (CSO) funding provided by the Government to the Ambulance Service, is the funding the Government provides for the delivery of services or the carrying out of an activity, which it would not otherwise elect to do on a strictly commercial basis, and which is not required of other businesses in the public or private sectors.

Currently as part of the CSO funding the Government has agreed to fund the Ambulance Service for the following:

- 50 percent of the cost of pensioners carried
- 100 percent of indigent transports, when the Ambulance Service is unable to collect fees from patients
- 100 percent for transport of Aborigines, when the Ambulance Service is unable to collect fees from patients
- 100 percent for drug and alcohol affected transport, when the Ambulance Service is unable to collect fees from patients.

The review found that the funding for CSOs accords with the Government's policies in this area '... and appears appropriate'. It was noted however that there is no specific formal agreement about the amount of funding or the level of services that the Ambulance Service should generally provide. Considerations of what services should be provided as CSOs and what services should be provided on a cost recovery basis, including the consequences of any changes to existing policies, were also addressed by the review. It should be noted that the Ambulance Service has previously sought a formal agreement in relation to the funding of CSOs with the Department of Treasury and Finance, following a consultancy undertaken in the early 1990's (ie the McKay review), but was unsuccessful.

The review found that the options for funding and solutions available with respect to areas of operation such as the Ambulance Cover Scheme presented complex and difficult decisions for the purchasers and funders of these services. Legislative amendments were seen as a mechanism by which to alter the current funding mix and help alleviate some of the Government's cost pressures.

In particular, the consultants considered such amendments would facilitate greater control by the Government over the level and cost of services provided by the Ambulance Service. Some of the options outlined were to:

- effect a sale and leaseback of fixed assets
- defer non-essential capital expenditure
- significantly reduce the level of service
- significantly increase the level of fees charged.

While the first two options would have little if no impact on the community, the latter two options would represent a fundamental realignment of services and/or costs. Audit understands that the Department of Justice is considering the findings and recommendations arising out of the report.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
REVENUES:			
Operating Revenue:			
Sales of goods and services:			
Ambulance transport	3	22 256	21 281
Ambulance cover	4	12 643	12 077
Other operating revenues	5	1 182	409
Total Operating Revenues		36 081	33 767
Revenues from government	1(c), 6	30 941	22 888
Non-operating revenues	7	1 374	347
Total Revenues		68 396	57 002
EXPENSES:			
Employee entitlements	8	40 911	36 186
Goods and services	9	16 768	15 481
Depreciation	12	3 596	3 360
Total Expenses		61 275	55 027
SURPLUS BEFORE RESERVES TRANSFERS		7 121	1 975
ACCUMULATED SURPLUS (DEFICIT) AT 1 JULY		1 964	(1 786)
AGGREGATES OF AMOUNTS TRANSFERRED FROM RESERVES	19	1 487	2 983
AGGREGATES OF AMOUNTS TRANSFERRED TO RESERVES	19	2 149	1 208
ACCUMULATED SURPLUS AT 30 JUNE		8 423	1 964

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash		6 311	2 773
Receivables	13	2 910	2 540
Investments	14	5 071	434
Inventories		159	180
Other	15	752	930
Total Current Assets		15 203	6 857
NON-CURRENT ASSETS:			
Property, plant and equipment	16	21 019	17 754
Total Non-Current Assets		21 019	17 754
Total Assets		36 222	24 611
LIABILITIES:			
CURRENT LIABILITIES:			
Creditors	17	2 836	1 229
Provision for employee entitlements	18	4 695	4 373
Total Current Liabilities		7 531	5 602
NON-CURRENT LIABILITIES:			
Provision for employee entitlements	18	8 529	5 968
Total Non-Current Liabilities		8 529	5 968
Total Liabilities		16 060	11 570
NET ASSETS		20 162	13 041
EQUITY:			
Capital		6 298	6 298
Reserves	19	5 441	4 779
Accumulated surplus		8 423	1 964
TOTAL EQUITY		20 162	13 041
Commitments	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:			
Receipts from customers		31 982	30 422
Receipts from government	6	30 941	22 888
Interest received		569	197
Payments to suppliers		(12 896)	(13 416)
Payments to employees		(37 959)	(34 790)
Net Cash provided by Operating Activities	22(ii)	12 637	5 301
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		1 473	1 103
Payments for property, plant and equipment		(5 935)	(7 976)
Net Cash used in Investing Activities		(4 462)	(6 873)
NET INCREASE (DECREASE) IN CASH HELD		8 175	(1 572)
CASH AT 1 JULY		3 207	4 779
CASH AT 30 JUNE	22(i)	11 382	3 207

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Statement of Significant Accounting Policies**

The significant policies which have been adopted in the preparation of this financial report are:

(a) **Entity Definition**

SA St John Ambulance Service Inc (the Ambulance Service) is a registered Association formed as a result of a joint venture agreement between the Priory in Australia of the Order of St John (St John) and the Minister for Health for the Government of South Australia. The Ambulance Service operates in accordance with the *Ambulance Services Act 1992* and under a licence issued by the Minister for Health.

The Ambulance Service is incorporated under the *Associations Incorporated Act 1985*.

The trading name of the Ambulance Service, 'SA Ambulance Service', is formally registered with the Office of Consumer and Business Affairs.

(b) **Basis of Preparation**

The financial report is a general purpose financial report which has been drawn up in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views, Department of Treasury and Finance Accounting Policy Statements, Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*, and the *Associations Incorporation Act 1985*. The report has been prepared in accordance with the historical cost convention and does not take into account changes in either the general purchasing power of the dollar or in prices of specific assets, except for communications equipment.

(c) **Revenue Recognition**

Ambulance Transport Revenue

Ambulance transport revenue comprises revenue earned, net of discounts and allowances from the provision of patient transport and is recognised when the service is provided, or when the fee in respect of services provided is receivable.

Ambulance Cover Revenue

The Ambulance Service operates an Ambulance Cover Scheme whereby members pay a premium to cover themselves against the cost of ambulance transport. Ambulance Cover revenue is recognised upon receipt of the premium.

Other Operating Revenues

Other operating revenues comprise interest received, donations and Call Direct income. Donations are recognised when received and interest when accrued. Call Direct unit and accessory sales are recognised at point of sale. Call Direct monitoring income is brought to account when accrued.

Revenues from Government

Revenues from the State Government comprise contributions to meet the costs of the Government's Community Service Obligation, for which services are provided by the Ambulance Service, and funds for a motor vehicle replacement program. Government revenues are recognised on receipt.

Non-Operating Revenues

Non-operating revenues represent asset sales, rental, commissions and discounts received and sundry revenue. The net profit (loss) from asset sales is included as revenue upon sale (refer Note 2 for change in accounting policy).

(d) **Taxation**

The Ambulance Service is a Public Benevolent Institution and is exempt from income tax pursuant to the *Income Tax Assessment Act 1936* and, therefore, no provision is necessary in the accounts for income tax.

(e) **Inventories**

Inventories are carried at the lower of cost and net realisable value.

(f) **Non-Current Assets**

All property, plant and equipment, except for certain communication equipment, is recorded at cost. Communication equipment on hand at 30 June 1998 is recorded at valuation. All items of non-current assets, with the exception of land, have a limited useful life and are systematically depreciated in a manner which reflects the consumption of service potential.

The major asset categories are subject to straight line depreciation over the following periods:

	Years
Buildings and leasehold improvements	40
Information technology	3
Motor vehicles	1 - 8
Plant and equipment*	5 - 25
Communications	6

* Comprises office furniture and equipment, fixtures and fittings, medical and training equipment. Refer to Note 2 for change in accounting policy.

(g) **Operating Leases**

Operating lease assets are not capitalised and lease payments are charged as operating expenses in the period in which they are incurred.

1. **Statement of Significant Accounting Policies (continued)**

(h) **Employee Entitlements**

Provision has been made in the financial report for the Ambulance Service's liability for employee entitlements for service rendered to balance date.

In determining the liability for employee entitlements, consideration has been given to possible future increases in wage and salary rates and the Ambulance Service's experience with staff attrition. Related on-costs have also been included in the liability.

Annual Leave

The provision for employee entitlements to annual leave relates to the amount expected to be paid to employees for annual leave, and accrued days off and is based on legal contractual entitlements at balance date. Current wage rates are used in the calculation of the provision.

Long Service Leave

The liability for employee entitlements to long service leave represents the present value of the future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Workers Compensation

The Ambulance Service is recognised as an exempt employer under section 61 of the *Workers Rehabilitation and Compensation Act 1986*. The liability for employee entitlements to workers compensation is based upon an actuarial assessment at 30 June (refer to Note 2 for change in accounting policy).

Superannuation Funds

The Ambulance Service contributes to two superannuation funds for the benefit of its employees. Contributions are charged as expenditure as they are made. Further information is set out in Note 20.

(i) **Reserves**

The amounts recorded as Reserves, excluding asset revaluation, are represented by actual funds set aside for express purposes as defined below:

Country Branch Reserves

These reserves are under the control of Country Branch committees in accordance with the provisions of the SA St John Ambulance Service Inc Country Branch Regulations and are applied to meet branch requirements.

Country Capital Reserve Fund

This Fund is specifically applied for the purchase of capital items deemed necessary for the effective operation of country branches. Allocations from this Fund are controlled by the Country Ambulance Services Advisory Committee (CASAC). Revenues are received from transfers from the Country Operating Reserve Fund, interest earnings and transfers from Country Branch Reserves towards capital projects.

Country Operating Reserve Fund

The Country Operating Reserve Fund (CORF) was established to meet operating costs that relate to the operations of country branches. Allocations from the Fund are controlled by CASAC. Revenues are received from volunteer branch operating surpluses as defined in the SA St John Ambulance Service Inc Country Branch Regulations.

(j) **Financial Instruments**

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

The Ambulance Service's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2000, are as follows:

Financial Assets

Cash at bank comprises deposits at call predominantly with the Commonwealth Bank of Australia (CBA). The interest rate prevailing on deposits totalling \$6.7 million (\$1.7 million) with CBA at 30 June 2000 was 5.75 percent (4.5 percent).

Investments constitute mainly term deposits with trading banks. As at 30 June 2000 the prevailing interest rates varied from 2.25 percent and 6.04 percent (0.25 percent to 4.98 percent).

Receivables are recognised when the service is provided and are reported at amounts due which are net of discounts and doubtful debts.

Financial Liabilities

Creditors are raised for amounts billed or billable but unpaid and are normally paid within trading terms.

2. **Changes in Accounting Policy**

(a) **Non-Current Assets**

Depreciation of Plant and Equipment

During the reporting period the Ambulance Service changed the basis of depreciation of some of its plant and equipment. The depreciation of this equipment was previously based on a useful life between four and five years. It is considered that a more appropriate useful life ranges from 10 to 25 years. The financial effect of this change of \$49 000 is reflected within the Operating Statement.

In prior accounting periods the policy has been to recognise receipts on the sale of assets as non-operating revenue and include the net book value of those assets in the depreciation charge. During 1999-2000 the net book value of disposed assets was offset against the receipts. There is no net effect within the Operating Statement. The comparatives for 1999 have been altered to reflect this change.

2. Changes in Accounting Policy (continued)		
(b) Workers Compensation		
<i>Provision for Workers Compensation</i>		
The balance of the provision for workers compensation at 30 June 1999, \$703 000, was based on an assessment by Ambulance Service management of the claims notified at that point. During 1999-2000 a consulting actuary was engaged to fully assess the potential liability for claims given both historical and current trends. Based upon that advice the provision has been increased to \$3 million at 30 June 2000. The financial effect of this change is a charge of \$2.3 million within the Operating Statement.		
3. Ambulance Transport		2000
		1999
		\$'000
		\$'000
Fees raised		47 749
Less: Fee concessions - Pensioners		45 263
- Ambulance Cover		10 568
		14 925
		13 961
		22 256
		21 281
4. Ambulance Cover Performance		
Ambulance Cover revenue		12 643
Less: Transport fee concessions		12 077
Direct administration costs		14 925
		13 961
		1 570
		1 504
Ambulance Cover Deficit		(3 852)
		(3 388)
5. Other Operating Revenues		
Interest		613
Donations		197
Call Direct		177
		41
		392
		409
6. Revenues from Government		
Funding was received from the State Government for the following purposes:		
Operations (Community Service Obligations)*		12 940
Ambulance Cover deficit		13 965
Other recurrent funding		7 131
Vehicle purchases		3 329
		7 724
		3 034
		3 146
		2 560
		30 941
		22 888
* Includes \$744 000 in 1999-2000 from the Community Emergency Services Fund.		
7. Non-Operating Revenues		
Net Proceeds from disposal of assets		179
Rental revenue		(21)
Commission and discount revenue		45
Acquisition of properties from St John (refer Note 16)		39
Sundry revenue*		39
		65
		511
		-
		600
		264
		1 374
		347
* Includes \$295 000 as part proceeds on the sale of the previous training facility at Felixstowe not owned by the Ambulance Service.		
8. Employee Entitlements		
Salaries and wages, annual and sick leave		35 508
Long service leave		31 400
Superannuation		636
Workers compensation		902
		2 326
		2 229
		2 441
		1 655
		40 911
		36 186
9. Goods and Services		
Communications		1 393
Information technology		1 254
Vehicle operating		907
Occupancy		620
Medical		2 076
Training, travel, uniforms and other staff expenses		2 017
Marketing		1 304
Bad debts and discounts		1 829
Professional, fees and other expense		1 270
		1 829
		1 891
		2 028
		1 816
		799
		723
		3 678
		3 481
		2 754
		2 409
		16 768
		15 481
10. Auditor's Remuneration		
Amounts due and receivable for auditing of financial statements		63
		61
11. Consultancy Payments		
Amounts paid during the period for consultancy assignments		14
		22
12. Depreciation		
Depreciation of motor vehicles		1 872
Depreciation of buildings, plant and equipment		1 742
		1 724
		1 618
		3 596
		3 360

19. Reserves (continued)		2000	1999
	Country Capital Reserve Fund:	\$'000	\$'000
	Balance at 1 July	1 010	2 842
	Transfers to accumulated surplus	(1 421)	(2 790)
	Transfers from accumulated surplus	53	92
	Transfers from Country Branch Reserves	117	5
	Transfer from Country Operating Reserve Fund	2 006	861
	Balance at 30 June	1 765	1 010
	Country Operating Reserve Fund:		
	Balance at 1 July	-	-
	Transfers to accumulated surplus	(29)	(174)
	Transfers from accumulated surplus	2 035	1 035
	Transfer to Country Capital Reserve Fund	(2 006)	(861)
	Balance at 30 June	-	-
	Asset Revaluation Reserve:		
	Balance at 1 July	3 053	3 053
	Balance at 30 June	3 053	3 053

20. Superannuation Funds

The Ambulance Service contributes to two superannuation funds for the benefit of its employees. One fund provides accumulation benefits and the Ambulance Service's contributions are dictated by the relevant employee award. The other fund provides a combination of defined benefits (the Ambulance Service's contributions are based upon actuarial assessment of the Fund) and accumulation benefits (the contributions of which are dictated by the relevant employee award). An actuarial review is conducted triennially. The last actuarial review was conducted by William M Mercer Pty Ltd on 1 July 1999. The review concluded that the defined benefit component of the Fund had sufficient assets to meet all benefits payable in the event of the Fund's termination, or the voluntary or compulsory termination of each employee of the Ambulance Service. Contributions are charged as expenditure as they are made.

Information on the SA Ambulance Service Superannuation Fund as at 30 June 1999, the date of the most recent financial report of the Fund, is as follows:

	\$'000
Accrued benefits at the date of last measurement (30 June 1999)	42 083
Net market value of assets as at 30 June 1999	46 854
Excess of Fund assets over accrued benefits	<u>4 771</u>
Vested benefits at 30 June 1999	<u>41 409</u>

Vested benefits are benefits which are not conditional upon the continued membership of the Fund or any factor, other than resignation from the Fund.

21. Commitments

(a) Lease Commitments		2000	1999
	Operating lease expenditure contracted for is payable as follows:	\$'000	\$'000
	Not later than one year	89	82
	Later than one year but not later than five years	185	234
	Later than five years	237	290
		511	606

The Ambulance Service has operating lease arrangements for the use of properties at Ashford Hospital, Port Adelaide, Strathalbyn and Flinders University. Total rental expenditure for 2000 was \$144 000 (\$122 000). Future operating lease commitments represent the present value of future cash outflows to be made as per the lease agreements. Terms of renewal are as mutually agreed by the Ambulance Service and the lessor.

The Ambulance Service has a number of other operating leases for the use of property. The value of these leases is immaterial.

(b) Capital Commitments		2000	1999
	Agreement outstanding as at 30 June:	\$'000	\$'000
	Purchase of ambulances at estimated cost less payments made:		
	Not later than one year	1 738	1 410
	Construction of new ambulance stations at estimated cost less payments made:		
	Not later than one year	32	116
		1 770	1 526

(c) Contingent Liabilities

The nature of Ambulance Service operations is such that potential exposures to litigation and other incidents giving rise to financial liability, is considered by the Ambulance Service to be less than likely. Following a consideration of all relevant factors, the Board is of the opinion that no liability is required to be disclosed as being contingent.

22. Notes to the Statement of Cash Flows**(i) Reconciliation of Cash**

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

	2000	1999
	\$'000	\$'000
Cash	6 311	2 773
Investments	5 071	434
	11 382	3 207

(ii) Reconciliation of Surplus before reserves transfers to Net Cash provided by Operating Activities

Surplus before reserves transfers	7 121	1 975
Less: Items classified as investing activities:		
Net (loss) profit on the sale of non-current assets	(179)	22
Add: Non-cash items:		
Depreciation (refer Note 12)	3 596	3 360
Acquisition of non-current assets for nil consideration (refer Note 16)	(511)	-
Net Cash provided by Operating Activities before change in Assets and Liabilities	10 027	5 357

Change in assets and liabilities effecting the Operating Statement during the financial year:

Increase in receivables	(370)	(29)
Decrease in inventory	21	50
Decrease (Increase) in other current assets	178	(199)
(Decrease) Increase in accrued revenue for non-current assets disposals	(168)	276
Increase (Decrease) in creditors	1 607	(1 490)
Increase in creditors for non-current asset purchases	(1 541)	-
Increase in provision for employee entitlements	2 883	1 336

Net Cash provided by Operating Activities

12 637	5 301
---------------	--------------

23. Remuneration of Employees

The number of employees whose remuneration inclusive of superannuation and other benefits from the Ambulance Service fell within the following bands was:

	2000	1999
	Number of Employees	Number of Employees
\$100 001 - \$110 000	1	-
\$110 001 - \$120 000	4	3
\$140 001 - \$150 000	1	1

The total remuneration received, or due and receivable, from the Ambulance Service by the employees whose remuneration exceeded \$100 000 was:

\$'000	\$'000
716	480

24. Remuneration of Directors of the Board

The names of persons who held office as a Director of the Ambulance Board during the period 1 July 1999 to the signing of this financial report are:

Miss R M Pak-Poy (Chairman)	Mr P L Palmer
Mr F A Butler (Deputy Chairman)	Ms S F Pagh (resigned 10/1/2000)
Mr I Pickering	Mr W G Newman
Mr P L Daniell	Mr D R Hawking
Prof G D Phillips	Ms C L Elder (from 1/7/2000)
Ms I Redmond	

All persons served for the entire period unless otherwise indicated. During the year, a total of \$89 000 (\$72 000) in Directors' fees and other benefits and \$5 000 (\$4 000) in superannuation benefits were payable.

Mr I Pickering is employed as Chief Executive Officer of the Ambulance Service and does not receive Directors' fees.

The number of Directors whose remuneration was due or receivable, from the Ambulance Service fell within the following bands was:

	2000	1999
	Number of Directors	Number of Directors
\$1 - \$10 000	6	8
\$10 001 - \$20 000	3	1

25. Related Party Disclosures

Directors of the Board, or their Director-related entities, conduct transactions with the Ambulance Service within a normal supplier relationship on terms no more favourable than those with which it is reasonable to expect the Ambulance Service would have adopted with the Director or Director-related entity at arms length in similar circumstances. Related party disclosures comprise the provision of legal advice and services by Minter Ellison, a firm in which Miss R M Pak-Poy is a partner, \$35 000 (\$38 000).

SOUTH AUSTRALIAN METROPOLITAN FIRE SERVICE

FUNCTIONAL RESPONSIBILITY

The South Australian Metropolitan Fire Service, a Corporation constituted of the Minister, was established under the *South Australian Metropolitan Fire Service Act 1936*. It is primarily responsible for the provision of: efficient fire fighting services; services to prevent the outbreak of fires in fire districts; and services to deal with other emergencies.

CHANGES TO AGENCY ORGANISATIONAL STRUCTURE FROM 1 JULY 1999

During 1999-2000 there were external factors that influenced the financial operations and management of the South Australian Metropolitan Fire Service (SAMFS).

Principal among these was the establishment of the Emergency Services Administrative Unit (ESAU) from 1 July 1999. On that date there was an effective transfer of non-operations staff from SAMFS to ESAU.

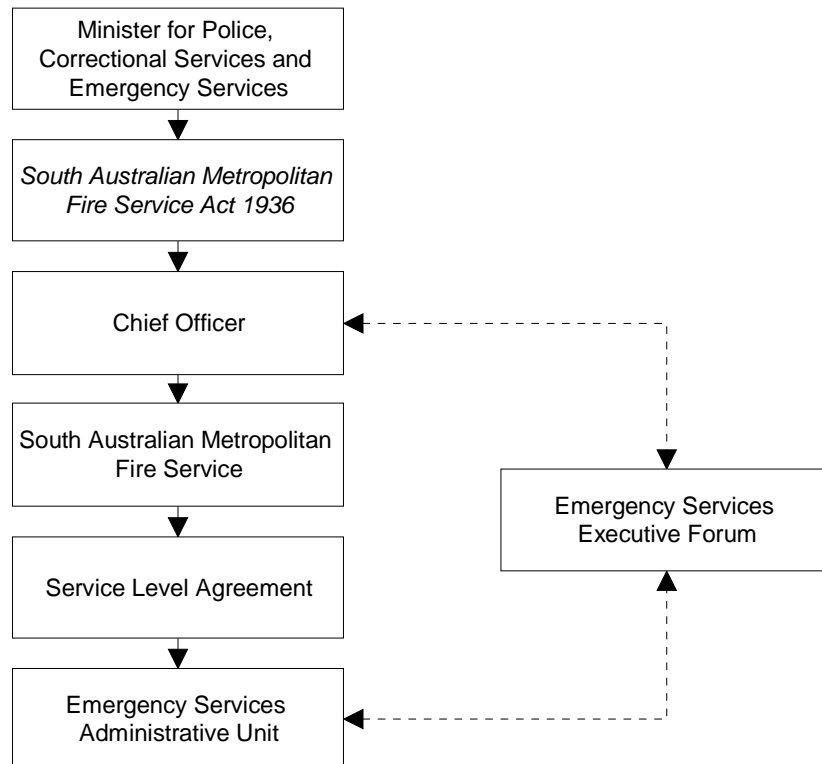
The concept was that ESAU would provide various services to SAMFS in support of its primary functions, including strategic, risk management, financial management and accounting services. These were subject to corporate service level agreements that existed in draft form during the latter months of the financial year, but which were not formally ratified by the Chief Officer of SAMFS until July 2000. A Memorandum of Understanding, which preceded the service level agreements, was ratified by the SAMFS.

The advent of ESAU and the service level agreements resulted in a significant shift in the nature of control that the SAMFS had over its financial management as it became reliant on information and reporting provided by ESAU.

The Emergency Services Executive Forum (the Forum) was established in response to the new agency interrelationships. The Forum comprised the chief executive officers of SAMFS, ESAU, the Country Fire Service Board and the Director, State Emergency Services (now a division of ESAU). Some of the key roles of the Forum were to ensure that emergency services operated in an integrated manner and that appropriate strategic and business plans consistent with the Government's priorities were established, maintained and implemented.

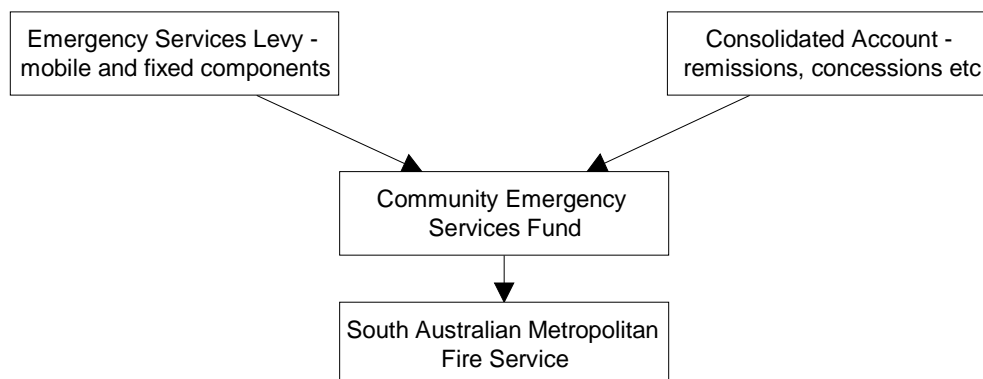
The Forum, through the Chief Executive Officer of ESAU, reported through to a (Department of) Justice Leadership Team. There was in turn a lineage of reporting responsibilities from the Justice Leadership Team to the Minister for Police, Correctional Services and Emergency Services.

A diagrammatic depiction of these major relationships is as follows:



CHANGES TO AGENCY FUNDING ARRANGEMENTS FROM 1 JULY 1999

The other major development impacting on SAMFS operations during the year was the revised funding for operations arising from the introduction of the Emergency Services Levy. The Community Emergency Services Fund (the Fund) was established pursuant to section 28 of the *Emergency Services Funding Act 1998*. The relationship between SAMFS and the Fund is shown in the diagram hereunder:



STATUS OF FINANCIAL STATEMENTS

The South Australian Metropolitan Fire Service complied with the *Public Finance and Audit Act 1987* by submitting financial statements to the Auditor-General within 42 days of the end of the financial year. The audit, which involves the verification of accounts, has not been completed at the time of preparation of this Report. The audited financial statements of the South Australian Metropolitan Fire Service for the year ended 30 June 2000 will be included in a Supplementary Report to Parliament.

SOUTH AUSTRALIAN OFFICE OF FINANCIAL SUPERVISION

FUNCTIONAL RESPONSIBILITY

The South Australian Office of Financial Supervision (SAOFS) was established under the *South Australian Office of Financial Supervision Act 1992*. The principal role of SAOFS was the enforcement of compliance by building societies, credit unions and friendly societies with the provisions of the Financial Institutions Code, the Friendly Societies Code and the Prudential Standards promulgated by the Australian Financial Institutions Commission.

Wind up of SAOFS

In June 1999, the *Financial Sector Reform (South Australia) Act 1999* came into operation and amongst other matters amended the *South Australian Office of Financial Supervision Act 1992* to provide for the wind up of SAOFS. The *Financial Sector Reform (South Australia) Act 1999* also dealt with the wind up of SAOFS's Supervision Fund.

In addition, a transfer agreement between the Treasurer of the Commonwealth of Australia and the Attorney-General of South Australia came into effect on 1 July 1999, the transfer date. The transfer agreement dealt with the transfer of assets, liabilities and staff from SAOFS to the Australian Prudential Regulation Authority or the Australian Securities and Investments Commission on the transfer date.

The Supervision Fund was wound up on the 29 February 2000 and by proclamation, the Governor fixed 1 June 2000 as the day on which the *South Australian Office of Financial Supervision Act 1992* expired.

Further comments on the wind up of SAOFS's Supervision Fund are provided in Note 3 to the financial statements.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 45(2) of the *South Australian Office of Financial Supervision Act 1992* required the Auditor-General to audit the accounts of SAOFS for the period 1 July 1999 to 29 February 2000.

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 the period 1 July 1999 to 29 February 2000, specific areas of audit attention included the payment of accounts, payments to Board Members and the wind up of the Supervision Fund.

Audit Communications to Management

There were no matters that required written communication to SAOFS management.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control structure of SAOFS was assessed as satisfactory.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Office of Financial Supervision 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 Office of Financial Supervision 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

Supervision Fund

In accordance with section 21 of the *Financial Sector Reform (South Australia) Act 1999* the Supervision Fund was wound up on the 29 February 2000. As a result \$152 000, being the balance of the Fund, was distributed to institutions in a manner approved by the Minister.

Operating Statement for the period 1 July 1999 to 29 February 2000

	Note	Period to 29.2.00 \$'000	1999 \$'000
OPERATING REVENUE:			
Supervision levies		-	619
Interest received		6	20
Other		-	10
Total Operating Revenue		6	649
OPERATING EXPENSES:			
Administrative and office expenses	4	30	133
Audit fees	5	4	8
Board remuneration	6	36	102
Consulting and legal	8	15	50
Depreciation	1(b)	-	29
Employee entitlements	1(d)	-	352
Net loss on disposal of plant and equipment	1(b)	36	-
Total Operating Expenses		121	674
NET DEFICIT			
<i>Add:</i> RETAINED SURPLUS AT 1 JULY		115	25
<i>Less:</i> Distribution to Societies on wind up of Fund	3	267	292
		152	-
RETAINED SURPLUS AT END OF PERIOD		-	267

Statement of Financial Position as at 29 February 2000

	Note	As at 29.2.00 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash and cash at bank	9	-	61
Investments		-	265
Receivables		-	10
Total Current Assets		-	336
NON-CURRENT ASSETS:			
Plant and equipment	1(b)	-	77
Total Non-Current Assets		-	77
Total Assets		-	413
CURRENT LIABILITIES:			
Sundry creditors and accruals		-	22
Provisions for employee entitlements	1(d)	-	124
Total Current Liabilities		-	146
NET ASSETS			
ACCUMULATED FUNDS:		-	267
Retained surplus		-	267
TOTAL ACCUMULATED FUNDS		-	267

Statement of Cash Flows for the period 1 July 1999 to 29 February 2000

		Period to 29.2.00	1999
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Supervision levies		-	619
Management fees		-	7
Investment interest		6	21
Fees for service		-	6
Amounts collected on behalf of the Credit Unions Contingency Fund		-	4
		6	657
PAYMENTS:			
Administrative and office expenses		(30)	(137)
Audit fees		(16)	(8)
Board remuneration		(35)	(102)
Consulting and legal fees		(16)	(50)
Employee entitlements		-	(331)
Employee entitlements transferred to APRA and ASIC		(124)	-
Amounts paid on behalf of the Credit Unions Contingency Fund		-	(2)
		(221)	(630)
Net Cash (used in) provided by Operating Activities	9	(215)	27
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of plant and equipment		-	(4)
Proceeds from sale of vehicles		38	-
Proceeds from sale of plant and equipment		4	-
Net decrease in investments		264	16
Net Cash provided by Investing Activities		306	12
CASH FLOWS FROM FINANCING ACTIVITIES:			
Distribution to Societies on wind up of Fund		(152)	-
Net Cash (used in) Financing Activities		(152)	-
NET (DECREASE) INCREASE IN CASH HELD		(61)	39
CASH AT 1 JULY		61	22
CASH AT END OF PERIOD	9	-	61

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

(a) **Basis of Preparation**

The financial report of the South Australian Office of Financial Supervision (SAOFS) has been drawn up in accordance with section 41 of the *South Australian Office of Financial Supervision Act 1992* which requires compliance with any requirements prescribed by the Regulations to that Act and having regard to accounting standards published by the Australian Accounting Standards Board and the requirements of the Treasurer's Instructions relating to financial reporting by statutory authorities which are issued pursuant to the *Public Finance and Audit Act 1987*. The financial report has been prepared on an accrual basis under the convention of historical cost accounting.

(b) **Plant and Equipment**

Plant and equipment was recorded in the accounts at cost for the year ended 30 June 1999.

Depreciation of plant and equipment was calculated on a straight line basis until 30 June 1999. The depreciation rates used were not less than the minimum rates specified in the Prudential Standards to the Financial Institutions Legislation.

Computer equipment with a written down value of \$38 000 was transferred for nil consideration to APRA under the terms of the transfer agreement.

All other plant and equipment was disposed of in the period 1 July 1999 to 29 February 2000. The net loss on disposal was calculated on the basis of the written down value as at 30 June 1999.

(c) **Income Tax**

SAOFS is exempt from the payment of income tax under subsection 23(d) of the *Income Tax Assessment Act 1936*.

(d) **Employee Entitlements**

All SAOFS employees transferred either to the Australian Prudential Regulation Authority (APRA) or to the Australian Securities and Investments Commission (ASIC) from 1 July 1999. The associated provisions for annual leave and long service leave, as at 30 June 1999, were paid to the new employers. The SAOFS Board continued for the period 1 July 1999 to 29 February 2000. The Board continued to receive monthly Board fees and the associated superannuation contributions for this period.

(e) **Superannuation**

SAOFS contributed superannuation in respect of the Board members by way of payments to the State Superannuation Benefits Scheme. Payments to this Scheme totalled \$1 900 (\$4 100).

2. Contingent Liabilities

At 29 February 2000 and at the date of certification of this financial report by SAOFS there were no known contingent liabilities.

3. Distribution to Societies on Wind Up of Fund

Pursuant to section 21 of the *Financial Sector Reform (South Australia) Act 1999* the Supervision Fund continued in existence until 29 February 2000 to fulfil its obligations under Division 3 of the Act. As at that date the Supervision Fund had fulfilled these obligations and was wound up.

Section 95 of the Financial Institutions Code allows SAOFS to determine an amount to be paid to it by financial bodies as a supervision levy. Section 94 of the Financial Institutions Code allows SAOFS to make payments from the Supervision Fund for expenses incurred in administering the Supervision Fund.

As at 29 February 2000 the remaining balance of the Supervision Fund was deemed as surplus to the Fund's requirements and it was determined that the remaining funds should be distributed back to the Societies in proportion to the supervision levies contributed.

The total amount of \$152 000 was distributed equitably to all Societies on wind up. The distribution was approved by the Minister and was made after consultation with the industry.

4. Administrative and Office Expenses

	Period to	
	29.2.00	1999
	\$'000	\$'000
Accommodation	7	40
Ancillary accommodation	1	8
Bank charges	2	2
Computer expenses	-	7
Fringe benefits tax	1	13
Insurance	-	3
Motor vehicle expenses	-	8
Office expenses	12	14
Telephone	2	8
Training	-	5
Travel and conferences	5	25
	30	133

5. Audit Fees

The audit fees are the actual amount paid to the Auditor-General's Department for the audit of the financial report. The Auditors received no other benefits.

6. Remuneration of Board Members**(a) Remuneration of Board Members**

	Period to	
	29.2.00	1999
	\$'000	\$'000
Amounts received by or paid on behalf of all Board members of SAOFS	34	96
The number of Board members to whom these amounts relate are shown below in the relevant remuneration bands:	Number of	Number of
	Members	Members
\$0 - \$9 999	6	2
\$10 000 - \$19 999	-	4
\$20 000 - \$29 999	-	1

The Board members appointed on 1 July 1999 for the period to wind up were as follows:

K P Lynch	Presiding Member	J N Bishop	Deputy Presiding Member
B P Slater	Member	A J Griffiths	Member
H E Orr	Member	J J Messenger	Alternate Member

(b) Retirement Benefits of Board Members

	Period to	
	29.2.00	1999
	\$'000	\$'000
Amounts paid on behalf of Board members to comply with the Superannuation Guarantee Scheme	2	6

There were no other benefits paid to Board members.

7. Related Parties

There were no transactions with related parties during the period 1 July 1999 to 29 February 2000.

8. Consulting and Legal

Consulting fees	15	22
Legal fees	-	28
	15	50

The consulting fees for the current period included actuarial fees totalling \$15 000 in relation to a Prudential Supervision matter where SAOFS had instructed the Actuary prior to 30 June 1999 and the assignment was not completed until after that date.

9.	Cash and Cash at Bank	Period to	
		29.2.00	1999
	(a) Reconciliation of Cash	\$'000	\$'000
	Cash at bank	-	61
	Cash at end of period	-	61
	(b) Reconciliation of Net Deficit to Net Cash (used in)		
	provided by Operating Activities		
	Net deficit	(115)	(25)
	Depreciation	-	29
	Decrease in interest receivable	1	-
	Decrease in receivables	2	4
	Decrease (Increase) in prepayments	7	(7)
	(Decrease) Increase in provisions for employee entitlements	(124)	30
	Decrease in accrued expenses and creditors	(22)	(4)
	Net loss on sale of assets	36	-
	Net Cash (used in) provided by Operating Activities	(215)	27

STATE ELECTORAL OFFICE

FUNCTIONAL RESPONSIBILITY

The Electoral Commissioner is appointed by the Governor under the provisions of the *Electoral Act 1985*. The State Electoral Office (the Office) is the Administrative Unit which has been established to assist the Electoral Commissioner to discharge his/her statutory duties.

The objectives of the Office are to engender in the community an understanding of electoral matters including the rights and responsibilities of electors and to provide the opportunity to vote at properly conducted State Parliamentary and non-Parliamentary elections and polls.

SIGNIFICANT FEATURES

Revenue from the sale of goods and services for local government elections increased by \$2.2 million. Expenditure on supplies and consumables associated with conducting non-Parliamentary elections increased by \$1.7 million and employee expenses increased by \$371 000.

AUDIT MANDATE AND COVERAGE

Audit Authority

The Office is audited pursuant to subsection 31(1)(b) of the *Public Finance and Audit Act 1987*.

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 Communications to Management

Audit findings were conveyed in a management letter to the Electoral Commissioner and a satisfactory response to those findings has been received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

In undertaking the audit of the Office, consideration was given to the general control environment in which the Office operates. The main financial systems were characterised by high reliance placed on a limited number of individuals for the preparation, processing and checking of transactions. The established controls, however, provide a reasonable assurance that material errors will be detected.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the State Electoral Office 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 Electoral Office 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

Expenses and Revenues

Revenue from the sale of goods and services increased by \$2.2 million to \$2.9 million and expenditure incurred in conducting non-Parliamentary elections increased by \$1.7 million to \$1.9 million due mainly to the Office's role in the conduct of local government elections (refer to further commentary below).

FURTHER COMMENTARY ON OPERATIONS

Local Government Elections

During the year, Parliament passed the *Local Government (Elections) Act 1999*. Under subsection 10(1) of that Act the Electoral Commissioner is the appointed returning officer for all local government elections.

Elections to determine the membership of all local government councils were held in May 2000. As a result the Electoral Commissioner was the returning officer for 67 councils of which:

- 38 elections were conducted by deputy returning officers nominated and appointed by the Electoral Commissioner;
- 20 elections were conducted by deputy returning officers nominated by councils and appointed by the Electoral Commissioner;
- 9 did not require elections to be held due to the number of nominated candidates.

Section 13 of the *Local Government (Elections) Act 1999* requires that 'All costs and expenses incurred by the returning officer ... must be defrayed from funds of the council.'

As a result, the Office recovered costs of \$2.3 million in relation to the above local government elections.

Electoral Districts Boundaries Commission

Following a general election, the Electoral Districts Boundaries Commission convenes pursuant to the *Constitution Act 1934*. The Commission is responsible for reviewing the electoral boundaries for the purpose of dividing the State into electoral districts that are fair to prospective candidates and groups of candidates.

The Commission is required to commence proceedings for the purpose of making an electoral distribution within three months of polling day.

There was no activity by the Commission in 1999-2000.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING REVENUES:			
Sale of goods and services	4(a)	2 855	683
Interest		125	115
Total Operating Revenues		2 980	798
OPERATING EXPENSES:			
Employee entitlements	5	1 454	1 083
Supplies and consumables	6	3 200	1 524
Depreciation	8	95	146
Total Operating Expenses		4 749	2 753
NET COST OF SERVICES		1 769	1 955
REVENUES FROM GOVERNMENT:			
Appropriation from Consolidated Account:			
Purchase of outputs		1 655	2 568
Salaries and allowances pursuant to the <i>Electoral Act 1985</i>		186	163
Total Government Revenues		1 841	2 731
NON-OPERATING REVENUE	4(b)	-	50
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		72	826

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash	13(a)	1 562	1 964
Receivables		550	95
Inventories		93	101
Other		8	31
Total Current Assets		2 213	2 191
NON-CURRENT ASSETS:			
Property, plant and equipment	9	354	208
Total Non-Current Assets		354	208
Total Assets		2 567	2 399
CURRENT LIABILITIES:			
Payables		329	324
Provision for employee entitlements	10	136	102
Total Current Liabilities		465	426
NON-CURRENT LIABILITIES:			
Provision for employee entitlements	10	253	196
Total Non-Current Liabilities		253	196
Total Liabilities		718	622
NET ASSETS		1 849	1 777
EQUITY:			
Accumulated surplus	11	1 849	1 777
TOTAL EQUITY		1 849	1 777
Commitments	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:			
Sale of goods and services		2 561	783
Interest		126	113
CASH FLOWS FROM GOVERNMENT:			
Receipts from appropriations		1 710	2 705
PAYMENTS:			
Employee entitlements		(1 408)	(1 300)
Supplies and consumables		(3 150)	(1 494)
Net Cash (used in) provided by Operating Activities	13(b)	(161)	807
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchase of non-current assets		(241)	(45)
Proceeds from the sale of assets		-	4
Net Cash used in Investing Activities		(241)	(41)
NET (DECREASE) INCREASE IN CASH HELD		(402)	766
CASH AT 1 JULY		1 964	1 198
CASH AT 30 JUNE	13(a)	1 562	1 964

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

	2000		1999 Total \$'000
	1 \$'000	2 \$'000	
Outputs (See Note 3)			
REVENUES:			
Government revenues	1 786	55	1 841
Sale of goods and services	95	2 760	2 855
Interest	125	-	125
Other	-	-	-
Total	2 006	2 815	3 579
EXPENSES:			
Employee entitlements	748	706	1 454
Supplies and consumables	1 141	2 059	3 200
Depreciation	70	25	95
Total	1 959	2 790	2 753
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	47	25	826

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

	Note	2000	1999
		Electoral Districts Boundaries Commission \$'000	Electoral Districts Boundaries Commission \$'000
ADMINISTERED REVENUES:			
Government - Treasury advances		-	199
User charges, fees and fines		-	-
Total Administered Revenues	2(b)	-	199
ADMINISTERED EXPENSES:			
Employee entitlements		-	89
Supplies and consumables		-	110
User charges, fees and fines		-	-
Total Administered Expenses		-	199
NET COST OF SERVICES		-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- Objectives of the State Electoral Office**
The objectives of the Office are to engender in the community an understanding of electoral matters including the rights and responsibilities of electors and to provide the opportunity to vote at properly conducted State Parliamentary and non-Parliamentary elections and polls.
- Significant Accounting Policies**
 - Basis of Accounting**
The general purpose financial report has been prepared in accordance with the Statements of Accounting Concepts, applicable Australian Accounting Standards, other mandatory requirements (Urgent Issues Group Consensus Views) and the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

This financial report has been prepared on the basis of historical cost. The accrual method of accounting has been used.
 - The Reporting Entity**
This financial report includes all funds through which the Office controls resources to carry out its functions.

This Office is predominantly funded by Parliamentary appropriations. In addition the Office receives fees for providing the following services:
 - conducting elections and providing electoral products for Local Government Authorities;
 - providing a facility to cater for the electoral needs of statutory, industrial and other organisations on a cost effective and efficient basis;
 - providing information to other organisations seeking advice on electoral matters.

Administered Resources
The Office administers but does not control certain resources on behalf of the South Australian Government. The Office is accountable for the transactions involving these administered resources but does not have the discretion to deploy the resources for achievement of its objectives. For these resources the Office acts only on behalf of the South Australia Government.

Transactions and balances relating to these administered resources are not recognised as revenues, expenses, assets or liabilities of the Office.
 - Appropriations, Grants and Other Contributions**
Appropriations, grants and other contributions are recognised as revenues when the Office obtains control over the assets comprising the contributions. Such control is normally obtained upon receipt of the assets.

2. Significant Accounting Policies (continued)

(d) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Office. Cost is determined as the fair value of the assets which is represented by the purchase consideration together with the costs incidental to the acquisition.

(e) Depreciation

The non-current assets are depreciated over their useful lives using the straight line method. The expected useful lives are as follows:

	Years
Office equipment and furniture and fittings	10
Computer equipment and software	3
Leasehold improvements	6

(f) Employee Entitlements

Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' service up to that date. Appropriate employee on-costs have been included in the provisions.

Sick Leave

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

Long service leave liability at the reporting date is determined by calculating the entitlement at 30 June at current rates of pay for all employees with eight or more years of service. Appropriate employee on-costs have been included in the provision.

Superannuation

The Office pays amounts to the Department of Treasury and Finance which represent the Office's share of the accruing liability to employees in relation to the Government's various superannuation schemes. These amounts are included in the amount shown in the Operating Statement. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes.

(g) Operating Leases

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to expenses over the period of expected benefit.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value.

(i) Financial Instrument Disclosures

Customer accounts are generally settled within 30 days and are carried at amounts due. The collectability of debts is assessed at balance date and specific provision, where necessary, is made for any doubtful debts.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed. Payables are usually settled within 30 days.

Cash deposited with the Department of Treasury and Finance is at call and with interest at 5.58 percent.

3. Output Class and Outputs of the Office

The Output Class of the Office is to provide electoral services and this is achieved through two Outputs and their broad terms are as follows:

Output 1: Parliamentary Electoral Services

- ensure that eligible electors can register their votes effectively and conveniently and have confidence in the management of the electoral process;
- maintain an accurate register of voters;
- ensure 'disadvantaged' electors are not denied the ability to exercise their franchise;
- develop appropriate publicity and education programs to ensure that the public is informed of its democratic rights and obligations;
- provide comprehensive and efficient administrative, human resources, research and education, financial management and computing services.

Output 2: Non-Parliamentary Electoral Services

- provide statutory, industrial and other organisations with a facility capable of meeting their electoral needs economically and effectively;
- provide information to organisations seeking advice on electoral matters;
- conduct elections for and provide electoral service to Local Government Authorities.

4.	Revenue	2000	1999
	(a) Sale of Goods and Services	\$'000	\$'000
	Sale of goods and services comprised:		
	Local Government elections	2 371	189
	Other Local Government services	282	277
	Industrial elections	59	162
	User charges	143	55
		<u>2 855</u>	<u>683</u>
	(b) Non-Operating Revenue		
	Non-operating revenue comprises:		
	Fair value of assets received at nil consideration	-	46
	Proceeds from the sale of assets	-	4
		<u>-</u>	<u>50</u>
5.	Employee Entitlements		
	Employee entitlements comprised:		
	Salary, wages and allowances	1 169	816
	Annual leave expense	69	69
	Long service leave expense	16	24
	Payroll tax	80	68
	Superannuation costs	120	106
		<u>1 454</u>	<u>1 083</u>
6.	Supplies and Consumables		
	Supplies and consumables expenditure comprised:		
	Production and maintenance of electoral rolls	666	666
	State election expenses	19	22
	Conducting non-Parliamentary elections	1 916	239
	Accommodation and services costs	169	209
	Payments to consultants	3	10
	Other operating expenses	427	378
		<u>3 200</u>	<u>1 524</u>
7.	State Election Expenses		
	State election payments comprised:		
	Advertising	4	-
	Printing and stationery	5	9
	Returning officers' fees	91	87
	Other	10	16
		<u>110</u>	<u>112</u>
8.	Depreciation		
	Depreciation comprised:		
	Office equipment and furniture and fittings	18	10
	Computer equipment and software	70	65
	Leasehold improvements	7	71
		<u>95</u>	<u>146</u>
9.	Property, Plant and Equipment		
	Office equipment and furniture and fittings - At cost	294	127
	Less: Accumulated depreciation	70	52
		<u>224</u>	<u>75</u>
	Leasehold improvements - At cost	46	38
	Less: Accumulated depreciation	9	2
		<u>37</u>	<u>36</u>
	Computer equipment and software - At cost	327	261
	Less: Accumulated depreciation	234	164
		<u>93</u>	<u>97</u>
	Total Written Down Value of Property, Plant and Equipment	<u>354</u>	<u>208</u>
10.	Provision for Employee Entitlements		
	Current Liability:		
	Provision for annual leave	91	67
	Provision for long service leave	45	35
		<u>136</u>	<u>102</u>
	Non-Current Liability:		
	Provision for long service leave	253	196
	Total Provision for Employee Entitlements	<u>389</u>	<u>298</u>
11.	Equity		
	Accumulated surplus:		
	Balance at 1 July	1 777	915
	Adjustment to the value of assets previously recognised	-	36
	Increase in net assets resulting from operations during the year	72	826
	Balance at 30 June	<u>1 849</u>	<u>1 777</u>

12. Commitments	2000	1999
Non-cancellable operating lease commitments:	\$'000	\$'000
Payable no later than one year	81	152
Payable later than one year and not later than five years	755	666
Payable later than five years	-	132
	836	950

Non-cancellable operating lease commitments are not recorded as a liability in the financial statements.

The operating lease is a non-cancellable property lease, with rental payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased every two years based on CPI movement. Options exist to renew the lease for a further two years at the end of the term of the lease.

13. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, the Office considers cash to be represented by Cash at Bank and on hand. Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position as follows:

	2000	1999
	\$'000	\$'000
Cash at bank	1 562	1 964

(b) Reconciliation of Increase in Net Assets Resulting from Operations to Net Cash provided by (used in) Operating Activities

Increase in net assets resulting from operations	72	826
Items not involving cash:		
Depreciation expense	95	146
Fair value of assets received for nil consideration	-	(46)
Change in operating assets and liabilities		
Increase in receivables	(432)	(98)
Decrease (Increase) in inventory	8	(1)
Increase in creditors and accruals	5	54
Increase (Decrease) in provision for employee entitlements	91	(74)
Net Cash (used in) provided by Operating Activities	(161)	807

14. Remuneration of Employees

During the period ended 30 June 2000 remuneration of employees whose individual remuneration was not less than \$100 000 shown in \$10 000 bands was as follows:

	2000	1999
	Number of	Number of
	Employees	Employees
\$100 000 - \$109 999	1	-
\$130 000 - \$139 999	-	1
\$140 000 - \$149 999	1	-
	2	1

Total remuneration received by these employees for the year was \$247 000 (\$136 000).

15. Payments to Consultants

During 1999-2000 the Office engaged consultants to assist in its operations. The cost of these consultancies was \$3 000 (\$10 000). The payments for these consultancies fall into the following bands:

	2000	1999
	Number of	Number of
	Consultancies	Consultancies
The number of consultancies whose payments fall within the followings bands:		
\$0 - \$9 999	3	2
	3	2

16. Remuneration of Auditors

Amounts received or due and receivable by the Auditor-General's Department for auditing the accounts for the year were \$18 000 (\$18 000).

PREMIER; MINISTER FOR MULTICULTURAL AFFAIRS; MINISTER FOR STATE DEVELOPMENT; MINISTER FOR TOURISM

PORTFOLIO – PREMIER AND CABINET

INTRODUCTION

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

- Premier
- Minister for Multicultural Affairs
- Minister for State Development
- Minister for Tourism

The agencies included herein relating to the portfolio of the Premier and Cabinet are:

- Adelaide Convention Centre
- Adelaide Entertainments Corporation
- Auditor-General's Department
- Premier and Cabinet – Department of the
 - Targeted Voluntary Separation Scheme (TVSP) Scheme
 - Government Workers Rehabilitation and Compensation Fund
- Seventh Australian Masters Games Corporation
- South Australian Motor Sport Board
- South Australian Tourism Commission

ADELAIDE CONVENTION CENTRE

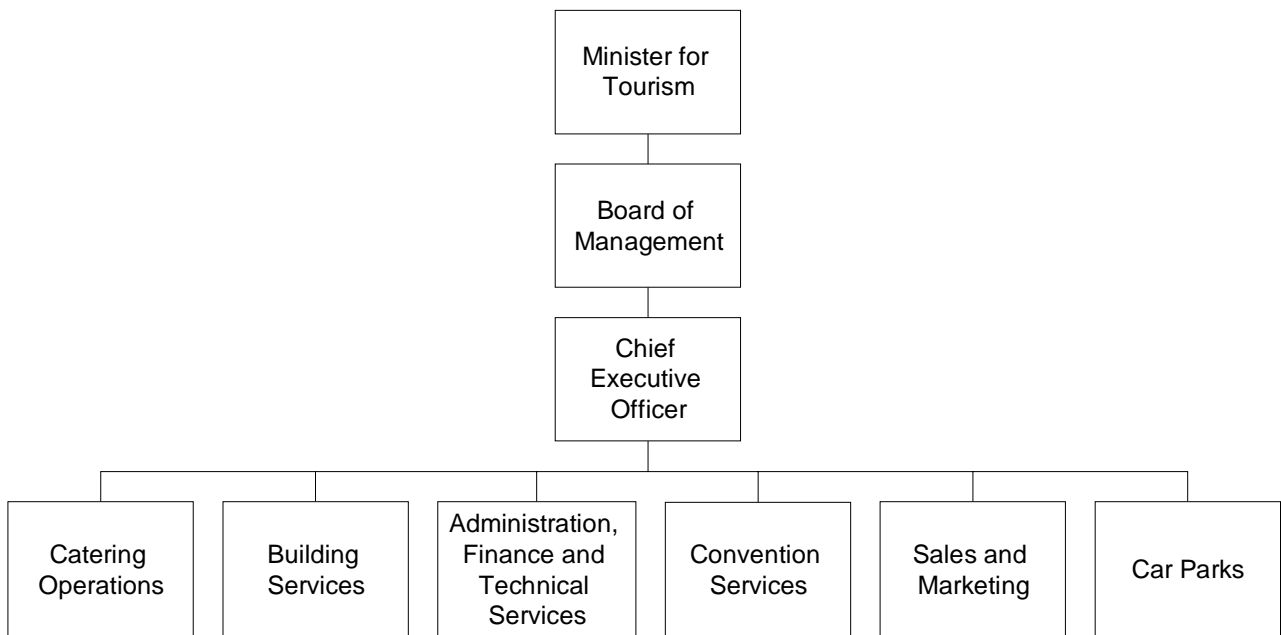
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

In 1987, by Order-in-Council, the Minister for Tourism, a body corporate, was directed to manage, operate and be responsible for the Adelaide Convention Centre (the Centre). The order also directed the Minister to establish and maintain a Board of Management to advise and assist the Minister in discharging these responsibilities.

The Centre is a multi-purpose venue equipped with technology suitable for conventions, meetings and seminars, exhibitions and trade shows, banquets and various other functions.

The charter of the Centre is to generate new business in South Australia and to enhance the tourism growth, and economy of the State.

During the year construction work commenced on the major extension to the Centre.



CHANGES TO AGENCY ORGANISATIONAL STRUCTURE

On 10 August 2000 the Adelaide Convention Centre Corporation was established as a subsidiary to the Minister for Tourism pursuant to regulations issued under the *Public Corporations Act 1993*. The new subsidiary is to manage and operate the Adelaide Convention Centre's assets and operations.

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 Centre in respect of each financial year.

Scope of Audit

The specific areas of audit attention included:

- policies and practices including application of the Financial Management Framework
- centre and carpark revenue
- purchasing, creditor and payroll disbursements
- property, plant and equipment
- general ledger maintenance
- goods and services tax implementation
- financial reporting.

The review of the specific financial accounting activity included a general assessment of the adequacy of accounting record keeping systems and controls and test verification of financial transactions processed and recorded during the year.

In relation to the Financial Management Framework the review process included consideration of the Centre's application of the prescribed elements of this framework.

Audit Communications to Management

Issues arising from the audit were communicated in Audit Management letters to the Chief Executive Officer and satisfactory responses were received.

AUDIT FINDINGS AND COMMENTS

Financial Management Framework

As mentioned the audit review process included an assessment of the Centre's compliance with the prescribed elements of the Financial Management Framework. The Centre is progressing well in regard to the application of many of the elements of the Framework. The following outlines progress being taken in regard to certain matters which were the subject of communication with the Centre and these related to:

Risk Management Practice

The implementation of the Financial Management Framework 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.

During the year, a Risk and Safety Manager was appointed. Furthermore, a draft Risk Management Policy was formulated and the Centre's Risk Management Committee coordinated the compilation of a risk analysis profile of the operating departments of the Centre as a precursor to the development of a Risk (Continuity) Management Plan.

The Centre has advised Audit that the Risk Management Policy was presented at the August 2000 Board Meeting and the Risk Management Plan is due for completion by October 2000.

Monitoring and Reporting

The Financial Management Framework requires agencies to implement a mechanism for monitoring and reporting on the effectiveness of internal controls. In this regard the Framework suggests that an Audit Committee supported by an Internal Audit activity can play an important role in relation to the monitoring and reporting function.

While the Centre does not have a dedicated internal audit activity, it is acknowledged that it does have an established Audit Committee that plays an important role in overseeing matters relating to budget, financial performance, systems, risk management, and audit.

The Centre has advised that it is currently developing a form of Internal Audit process to enable periodic audits to be undertaken in relation to various activities performed by the Centre.

Policies and Procedures

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

In last years Report Audit noted that some operating and financial activities of the Centre required a revisit in order to formalise policies and procedures. This matter did not receive attention during the year as resource availability was directed to certain major priorities including readiness for Goods and Services Tax, implementation of new systems and the risk management developments mentioned previously.

The Centre has advised that it is to undertake a review of existing policies and it is anticipated that this project is to be finalised by the end of December 2000.

Commentary on General Financial Controls

The audit of the financial accounts and accounting processes and controls operating within the Centre indicated a generally satisfactory position.

A matter that was noted during the audit was that the formalisation process relating to contracts of employment in respect of some officers of the Centre had not been finalised. The Centre advised that it is to review the outstanding position regarding the employment contracts.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Adelaide Convention Centre 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 Adelaide Convention Centre 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 Result

The Centre recorded an operating surplus before abnormal items and income tax equivalent expense of \$1 million (\$1.9 million).

Abnormal Items

Capital funds of \$15.9 million were received during the year towards the major extension to the Centre. In addition, the Centre received \$1.25 million from Funds SA as a one off payment for the takeover of responsibility for the maintenance of the Adelaide Railway Station Area Service Facilities. (Notes 2 and 4 to the Financial Statements refer).

FURTHER COMMENTARY ON OPERATIONS

Adelaide Convention Centre Extension Project

In May 1999 Cabinet approved an \$85 million extension for the Adelaide Convention Centre that is planned for completion in the latter part of 2001. In October 1999 the Public Works Committee issued its Report in relation to the extension project. The Committee's Report recommended the proposed extension project proceed. The project once completed will provide an additional 7000 square metres of exhibition space (creating a total exhibition area of more than 10 000 square metres) together with banquet facilities for up to 4800 people.

Adelaide Convention Centre

Work commenced on the project extension in November 1999. The Department for Administrative and Information Services (DAIS) administers the project. Project costs to 30 June 2000 recorded by DAIS since commencement of the project amount to \$20.3 million. Project cost reimbursement payments to DAIS by the Adelaide Convention Centre in 1999-2000 totalled \$12.4 million.

Adelaide Railway Station Area Service Facilities Arrangement

Refer Notes 2(c) and 3(b) in relation to this matter.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING REVENUE:			
Facility charges		12 913	13 835
Other revenue	5	718	148
REVENUE FROM GOVERNMENT:			
Contribution from SA Government	2(a)	3 646	3 278
Total Revenue (refer to Outputs Schedule)		17 277	17 261
EXPENSES:			
Salaries, wages and related payments	14(a)	7 321	7 225
Service costs		2 110	2 188
Operational overheads	6	4 592	4 028
Depreciation	7	2 205	1 941
Total Expenses (refer to Outputs Schedule)		16 228	15 382
OPERATING SURPLUS BEFORE ABNORMAL ITEM AND INCOME TAX		1 049	1 879
Abnormal item	4	17 177	36 544
OPERATING SURPLUS AFTER ABNORMAL ITEM AND BEFORE INCOME TAX		18 226	38 423
Tax equivalent regime income tax expense	3(d), 8	828	676
OPERATING SURPLUS AFTER INCOME TAX		17 398	37 747
ACCUMULATED DEFICIT AT 1 JULY		(6 948)	(44 695)
ACCUMULATED SURPLUS (DEFICIT) AT 30 JUNE		10 450	(6 948)

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash on deposit, at bank and on hand	21(a)	6 255	3 494
Receivables	9	1 550	823
Other current assets	10	1 039	383
		8 844	4 700
NON-CURRENT ASSETS:			
Specific purpose deposits	11, 21(a)	12 100	9 931
Buildings, plant and equipment	12	71 330	59 322
		83 430	69 253
Total Assets		92 274	73 953
CURRENT LIABILITIES:			
Creditors, accruals and provisions	13	1 667	1 032
Provision for employee entitlements	14(b)	536	365
Deposits held		798	651
		3 001	2 048
NON-CURRENT LIABILITIES:			
Provision for employee entitlements	14(b)	570	600
		570	600
Total Liabilities		3 571	2 648
NET ASSETS		88 703	71 305
FUNDS OF THE CENTRE:			
SA Government equity		77 804	77 804
Accumulated Surplus (Deficit)		10 450	(6 948)
Asset revaluation reserve		449	449
TOTAL FUNDS OF THE CENTRE		88 703	71 305
Commitments	15		

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:			
Facility charges		13 282	13 554
Interest income		367	109
Other revenue		18	39
Contribution from SA Government		2 799	3 373
		<u>16 466</u>	<u>17 075</u>
Payments to employees		(7 180)	(7 152)
Payment to suppliers		(6 459)	(6 055)
Payment of income tax		(676)	-
		<u>(14 315)</u>	<u>(13 207)</u>
Net Cash provided by Operating Activities	21(b)	<u>2 151</u>	<u>3 868</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Funding received for building extension		15 927	-
Adelaide Railway Station Area Service Facilities		1 250	-
Proceeds from sale of assets		150	82
Payment for assets		(14 548)	(1 166)
Net Cash provided by (used in) Investing Activities		<u>2 779</u>	<u>(1 084)</u>
NET INCREASE IN CASH HELD		<u>4 930</u>	<u>2 784</u>
CASH AT 1 JULY		<u>13 425</u>	<u>10 641</u>
CASH AT 30 JUNE	21(a)	<u>18 355</u>	<u>13 425</u>

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

	Catering		Room Hire		Tech Services		Car Park		Common Areas		Other		Total	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Revenues:														
Facility charges	6 576	7 437	1 592	1 881	1 448	1 419	3 297	3 098	-	-	-	-	12 913	13 835
Other revenue	-	-	-	-	-	-	-	-	-	-	718	148	718	148
Contribution from SA Government	-	-	-	-	-	-	-	-	1 024	661	2 622	2 617	3 646	3 278
Total	6 576	7 437	1 592	1 881	1 448	1 419	3 297	3 098	1 024	661	3 340	2 765	17 277	17 261
Expenses:														
Salaries, wages and related payments	2 799	2 923	720	734	857	840	481	449	255	122	2 209	2 157	7 321	7 225
Service costs	1 621	1 767	213	152	276	269	-	-	-	-	-	-	2 110	2 188
Operational overheads	282	333	268	270	60	68	334	292	769	539	2 879	2 526	4 592	4 028
Depreciation	-	-	-	-	-	-	-	-	-	-	2 205	1 941	2 205	1 941
Total	4 702	5 023	1 201	1 156	1 193	1 177	815	741	1 024	661	7 293	6 624	16 228	15 382
OPERATING SURPLUS BEFORE ABNORMAL ITEM	1 874	2 414	391	725	255	242	2 482	2 357	-	-	(3 953)	(3 859)	1 049	1 879

The Adelaide Convention Centre carries out five activities in the course of its operations. The objectives of each activity are sub-components of the Centre's overall objective outlined in Note 1. Details of the five activities are as follows:

Catering

The Catering activity encompasses all Food and Beverage departments including the Catering Services operation, encompassing four external cafeterias.

Room Hire

Room Hire encompasses revenues and expenses associated with the set-up and running of events.

Technical Services

Encompasses revenue and expenses that relates to any Audio/Visual requirements of an event.

Car Parks

The Adelaide Convention Centre incorporates two car parks. The Plaza Car Park located on Festival Drive and the Exhibition Hall Car Park located on North Terrace.

Common Area

The revenue encompasses that portion of the Contribution from SA Government for expenses relating to maintenance of the common areas and the Exhibition Hall land rent.

Other

Encompasses administration, marketing, building services, and other revenue and expenses that are not readily assignable to any of the above core activities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objective

On 14 May 1987 by Order-in-Council, the then Minister for Tourism, a body corporate, was directed to manage, operate and be responsible for the Adelaide Convention Centre and parts of the ASER project being the car parks and portion of the common areas. On 30 June 1998, the common areas were transferred to TransAdelaide, although the Adelaide Convention Centre is still responsible for the maintenance of these areas.

The Order-in-Council also directed the Minister to establish and maintain a Board of Management to advise and assist the Minister in discharging these responsibilities. Under this arrangement, all contracts and agreements entered into are in the name of the Minister for Tourism. Similarly, all assets acquired are owned by the Minister for Tourism.

On 10 August 2000, the Adelaide Convention Centre Corporation was established as a Subsidiary to the Minister for Tourism pursuant to regulations under the *Public Corporations Act 1993*. The new Corporation is to manage the Adelaide Convention Centre's assets and operations.

The Adelaide Convention Centre was developed by Government to be a generator of new business to South Australia. The main objective is to encourage delegate visitation, which will enhance the tourism growth and provide increased economic benefits to the State.

2. Funding

(a) Contribution from SA Government

The South Australian Government provides funding to the Adelaide Convention Centre through the Minister for Tourism, for expenses relating to the maintenance of the common areas, Exhibition Hall land rent and the depreciation of buildings.

The Department of Treasury and Finance transfers any residual funding plus the funding for the depreciation for buildings into a specific designated special deposit account held at the Department of Treasury and Finance. The Adelaide Convention Centre can apply to the Treasurer to utilise these funds for the replacement and upgrade of assets and Minor Works. Refer to Note 3(b) for further details.

All other expenses associated with the operation of the Adelaide Convention Centre are met by operating revenues which are processed through an interest bearing operating account held at the Department of Treasury and Finance. The Treasurer approved in May 2000, the allocation of \$140 000 funding for reimbursement of implementation costs incurred as a result of the introduction of the Goods and Service Tax. Reimbursement is subject to the provision by the Adelaide Convention Centre of an independent audited statement of project costs.

(b) Specific Capital Funding from SA Government for the Extension of the Adelaide Convention Centre

The South Australian Government has committed \$85 million to upgrade the Adelaide Convention Centre to provide an additional 7000 square metres of column free exhibition space with banquet facilities for up to 4800 people. The project commenced during the 1999-2000 financial year, with completion scheduled for latter part of 2001. The project is being administered by the Department for Administrative and Information Services (DAIS). Funding for reimbursement of project payments to DAIS is made available from the South Australian Government and are processed through the operating account held at the Department of Treasury and Finance (refer to Note 4(a) for further details).

(c) Maintenance of the Adelaide Railway Station Area Service Facilities

The Minister for Tourism entered into an agreement on 30 June 1999 with Funds SA and TransAdelaide whereby the Adelaide Convention Centre became responsible for the Maintenance of the Adelaide Railway Station Area Service Facilities, which took effect from 1 July 1999. A once off payment of \$1.25 million was received from Funds SA in July 1999. Refer to Note 3(b) for further details.

3. Significant Accounting Policies

The following is a summary of the significant accounting policies adopted by the Adelaide Convention Centre in the preparation of the accounts.

(a) Basis of Accounting

The general purpose Financial Statements have been presented in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards (AAS), Treasurer's Instructions and Accounting Policy Statements (APS) promulgated under the provisions of the *Public Finance and Audit Act 1987* and Urgent Issues Group Consensus Views.

The going concern and the accrual accounting basis has been used for the preparation of the Financial Statements. With accrual accounting, 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 changing money values or current valuations, with the exception that certain major non-current assets have been revalued to reflect their current deprival value. The non-current assets that have been revalued are disclosed in Note 12.

(b) Changes in Financing Arrangements

In November 1999, the Treasurer approved the establishment of the following arrangements:

- The establishment of a separate interest bearing Deposit Account called the Adelaide Convention Centre Future Asset Replacement Account under section 8 of the *Public Finance and Audit Act 1987* for the purpose of recording transfers of any residual funding for the depreciation for buildings, received from the South Australian Government. The funds are to be applied for future asset replacement (refer to Note 2(a) for further details). Previously these funds were held in a special deposit account that was non-interest bearing.

(b) Changes in Financing Arrangements (continued)

- The investment of the once off payment received from Funds SA of \$1.25 million for the maintenance of the Adelaide Railway Station Area Service Facilities with the South Australian Government Financing Authority (SAFA) via the Minister for Tourism. The purpose of this arrangement was to enable the Adelaide Convention Centre to invest the funds at an investment rate that will achieve adequate returns for application to the maintenance of the Station facilities.

For the purposes of the Statement of Cash Flows, these items are treated as cash.

(c) Dividend Policy

Effective from 1997-98, a dividend policy applies to the Adelaide Convention Centre. The policy provides for 75 percent of the net surplus of the Adelaide Convention Centre to be paid to the Department of Treasury and Finance with the remaining 25 percent being retained for special projects of a capital and maintenance nature.

The Department of Treasury and Finance and the Adelaide Convention Centre have a divergent view with respect to the dividend determination to apply to the Adelaide Convention Centre. The difference of view centres on the interpretation of the dividend formula calculation. As there exists a difference of view no dividend recognition has been made in the financial accounts. The resolution of this matter is being considered within the context of the changeover of the Adelaide Convention Centre to an entity under the *Public Corporations Act 1993*.

(d) Tax Equivalent Regime

In accordance with Treasurer's Instruction 22, 'Tax and Tax Equivalents Applicable to Government Businesses' the Adelaide Convention Centre is required to pay income tax equivalents to the State Government through the Department of Treasury and Finance, using the Accounting Profits Model. Furthermore, in accordance with the Treasurer's Instruction, the Adelaide Convention Centre is also required to make monthly payments of wholesale sales tax equivalents to the Department of Treasury and Finance. As a result of the Commonwealth Government's Tax Reform, from 1 July 2000, the Adelaide Convention Centre will no longer be liable for wholesale sale tax on non-saleable items to the State Government.

(e) Income Recognition

Facility Charges income is recorded in the Operating Statement at the time it is earned or at the time control passes to the Adelaide Convention Centre, this is at the conclusion of an event or after a service has been provided. Interest revenues are recognised as they accrue. Contribution from SA Government is recognised 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 has been fulfilled.

(f) Provision for Doubtful Debts

The Adelaide Convention Centre's Board of Management had deemed that the 'Provision for Doubtful Debts' should be calculated at 0.25 percent of turnover. Any trade debtors that are considered doubtful as at 30 June 2000, are added to this figure.

(g) Depreciation of Non-Current Assets

Buildings and all plant and equipment are depreciated with the exception of crockery, cutlery and glassware. The assets in the class or crockery, cutlery and glassware are not depreciated as they are treated as a capital cost. New items are treated as additions and are capitalised and except for any change in unit price, replacements such as for breakage, are expensed in the year of acquisition.

	Useful Life Years
Motor vehicles	5
Plant and equipment	5-20
Furniture, fixtures and fittings	5-10
Buildings	40

Minor items with an individual value of less than \$1 000 and useful life deemed to be less than three years, have been expensed in the year of acquisition.

(h) Valuation of Non-Current Assets

In accordance with Australian Accounting Standard AAS 10 'Revaluation of Non-Current Assets' and Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets', all non-current assets with a value at the time of acquisition greater than \$1 million are required to be revalued every three years. All non-current assets meeting the revaluation threshold were revalued as at 30 June 1998 using the deprival basis. The deprival value being the written down current cost. The next revaluation is expected after the building extension is completed, during 2001.

(i) Work in Progress

The Adelaide Convention Centre accounts for various projects with various stages of completion as 'Work in Progress'. All costs of conversion related to a particular project are treated as work in progress until such time as a project is completed or stages of a project have become operational. All costs are then transferred to the relevant non-current asset account.

(j) Inventories

Inventories are carried at cost as they are expected to be consumed in the holding of functions that will have a net realisable value that exceeds cost.

3. **Significant Accounting Policies (continued)**

(k) **Leases**

The Adelaide Convention Centre has no financial leases.

The Adelaide Convention Centre has entered into operating leases for the land on which the buildings are situated. Lease payments are included as expenditure over the accounting periods covered by the lease term (refer Note 15 for further details).

(l) **Employee Entitlements**

(i) *Employer Superannuation*

The Adelaide Convention Centre made contributions of \$500 000 (\$528 000) in respect of its employees for the financial year to several superannuation schemes operated by the South Australian Government.

(ii) *Accrued Salaries and Wages*

Liability for salaries and wages is measured as the portion of unpaid service as at 30 June 2000 at current pay rates.

(iii) *Annual Leave*

Provision has been made for the unused component of annual leave at balance date. The provision is calculated at nominal amounts based on current pay rates. On-costs (payroll tax and superannuation) have been included and calculated in the provision in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

(iv) *Sick Leave*

No provision has been made for sick leave. Sick leave, when taken, is considered to be taken from the current year's accrual and therefore no liability is to be recognised.

(v) *Long Service Leave*

A liability for long service leave is recognised and is measured as the current value of entitlements in respect of employees with five or more years service. This base provides a reasonable approximate of the present value of the estimated future cash outflows to be made for these entitlements. On-costs have been included and calculated in the provision in accordance with Australian Accounting Standards AAS 30 'Accounting for Employee Entitlements'. The superannuation on-cost has been calculated on that component of long service leave that is expected to be taken as leave (55 percent of the liability at June 2000). This calculation is based upon an average percentage supplied by the Department of Treasury and Finance for long service leave that will be taken as a lump sum (45 percent). A weighted average superannuation contribution rate covering employees of various schemes of 10 percent was used as advised by the Department of Treasury and Finance.

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

(m) **Financial Instruments**

The Adelaide Convention Centre's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised as at 30 June 2000, are as follows:

Financial Assets

Cash on deposit and at bank comprises deposits at call with the Department of Treasury and Finance, SAFA, Savings and Loans Credit Union, and Bank SA and are recorded at cost. Interest revenues are recognised as they accrue. For the deposit with Department of Treasury and Finance, the weighted average interest rate for 1999-2000 calculated on a quarterly basis was 4.97 percent. For the deposits with Savings and Loans Credit Union and Bank SA, the interest rates as at 30 June 2000 ranged from nil to 1.00 percent.

Specific Purpose Deposits comprise the Future Asset Replacement Deposit Account with the Department of Treasury and Finance and the Adelaide Railway Station Area Service Facilities maintenance monies at SAFA (refer Note 3(b) for further details). Both deposits are recorded at cost and interest revenues are recognised as they accrue. The interest rate on the Deposit Account with the Department of Treasury and Finance ranged from 4.59 percent to 5.58 percent and the average interest rate on the monies at SAFA ranged from 5.56 percent and 6.13 percent.

Total receivables (Note 9) are reported at amounts due less the provision for doubtful debts.

Financial Liabilities

Trade creditors (Note 13) are recognised for goods and services that have been supplied but have not been paid for and are normally settled within 30 days or in accordance with the terms of credit offered by the trade creditor.

Security deposits held are recorded at cost. The Adelaide Convention Centre will hold all security deposits on behalf of the client/hirer and will not treat these monies as consideration until such time as the deposits are applied towards payment at the conclusion of the event/hiring period or are forfeited and applied towards a cancellation fee. Security deposits for car park cards are returned to the client when the card is returned.

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

(n) **Comparative Figures**

Where appropriate, the comparative figures have been adjusted where additional note disclosures have been shown in the current financial year.

4. Abnormal Items	2000	1999
	\$'000	\$'000
Contributions to the Adelaide Convention Centre upgrade ^(a)	15 927	-
Adelaide Railway Station Area Service Facilities Maintenance Agreement ^(b)	1 250	-
Special contribution from South Australian Government ^(c)	-	36 544
Total Abnormal Items	17 177	36 544
<p>(a) Contribution received for the 1999-2000 financial year as part of the \$85 million upgrade of the Centre (refer to Note 2(b) for further details).</p> <p>(b) Once off payment received from Funds SA (refer to Note 2(c) for further details).</p> <p>(c) During the 1998-99 financial year the Treasurer agreed to write back \$36.544 million of the Adelaide Convention Centre's Accumulated Deficit against South Australian Government Equity. This amount related to financing costs associated with the ASER project incurred prior to 1 July 1994. From 1 July 1994, the South Australian Government assumed responsibility for the lease payments in an exchange for an Equity interest in the Convention Centre. The effect of these transactions was that the Accumulated Deficit did not accurately reflect the trading performance of the Adelaide Convention Centre. To effect the write back the Centre brought to account an abnormal item of revenue of \$36.544 million (resulting in a reduction of the Accumulated Deficit of the Centre) and also reduced South Australian Government Equity by \$36.544 million.</p>		
5. Other Revenue	2000	1999
	\$'000	\$'000
Other revenue comprises the following:		
Interest received or earned ^(a)	700	109
Sundry income	18	39
Total Other Revenue	718	148
<p>(a) Refer to Notes 2 (a) and 3(b) for further details.</p>		
6. Operational Overheads		
Maintenance	483	583
Marketing and promotions	925	750
Building service costs	1 430	1 149
Administration expenses and sundries	1 569	1 498
Loss on disposal of assets	185	48
Total Operational Overheads	4 592	4 028
7. Depreciation Expense		
Depreciation expense for the reporting period was charged in respect of:		
Buildings	1 405	1 405
Plant, equipment, furniture, fixtures, fittings and motor vehicles	800	536
Total Depreciation Expenses	2 205	1 941
8. Income Tax Equivalent Expense		
As per Note 3(d) the Adelaide Convention Centre is required to pay income tax equivalents using the Accounting Profits Model. No dividend determination has been made or included in the financial statements (refer to Note 3(c)).		
Operating surplus after abnormal item	18 226	38 423
Less: Exempt income ^(a)	15 927	36 544
Operating surplus before income tax equivalent expense	2 299	1 879
Income tax equivalent expense	828	676
Operating Surplus after Income Tax Equivalent Expense	1 471	1 203
<p>(a) The Treasurer has exempted the Abnormal Item, being the Contributions received for the upgrade of the Centre from the tax equivalent regime.</p>		
9. Receivables		
Trade receivables	363	775
Less: Provision for doubtful debts	32	35
	331	740
Other receivables	1 219	83
Total Receivables	1 550	823
10. Other Current Assets		
Prepayments	204	179
Stocks on hand	175	204
Accrued income	660	-
Total Other Current Assets	1 039	383
11. Specific Purpose Deposits		
Future Asset Replacement Deposit Account	10 803	9 931
Adelaide Railway Station facilities maintenance investment in SAFA	1 297	-
Total Specific Purpose Deposits	12 100	9 931

12. Buildings, Plant and Equipment	2000	1999
	\$'000	\$'000
Buildings (At cost)	23	9
Less: Accumulated depreciation	-	-
	<u>23</u>	<u>9</u>
Buildings (At valuation) ^(a)	56 190	56 190
Less: Accumulated depreciation	2 810	1 405
	<u>53 380</u>	<u>54 785</u>
Plant and equipment (At cost)	2 926	782
Less: Accumulated depreciation	384	87
	<u>2 542</u>	<u>695</u>
Plant and equipment (At valuation) ^(a)	1 954	2 489
Less: Accumulated depreciation	637	330
	<u>1 317</u>	<u>2 159</u>
Furniture, fixtures and fittings (At cost)	200	112
Less: Accumulated depreciation	53	15
	<u>147</u>	<u>97</u>
Furniture, fixtures and fittings (At valuation) ^(a)	605	649
Less: Accumulated depreciation	128	68
	<u>477</u>	<u>581</u>
Motor vehicles (At cost)	189	167
Less: Accumulated depreciation	50	47
	<u>139</u>	<u>120</u>
Crockery, cutlery and glassware	699	704
Work in progress	12 606	172
Total Building, Plant and Equipment	<u><u>71 330</u></u>	<u><u>59 322</u></u>

(a) The valuation of Buildings and Plant and Equipment, was based upon the written-down deprival value as at 30 June 1998. The valuation was performed by Beston Pacific Corporation Ltd in association with Edward Rushton Australia Pty Ltd and Dominion Corporation (SA) Pty Ltd.

13. Creditors, Accruals and Provisions	2000	1999
	\$'000	\$'000
Trade creditors	450	194
Accruals	389	162
Provision for income tax equivalent expense	828	676
	<u>1 667</u>	<u>1 032</u>

14. Employee Entitlements and Related Expenses		
(a) Salaries, Wages and Related Payments		
Salaries and wages	6 044	5 915
Superannuation and payroll tax expenses	879	975
Annual and long service leave expenditure	398	335
Total Employee Entitlements and Related Expenses	<u><u>7 321</u></u>	<u><u>7 225</u></u>

(b) Provision for Employee Entitlements and Related Costs		
Current:		
Accrued salaries and wages	89	31
Annual Leave	283	237
Long service leave	106	53
Employee on-costs	58	44
Total Current	<u><u>536</u></u>	<u><u>365</u></u>
Non-Current:		
Long service leave	511	550
Employee on-costs	59	50
Total Non-Current	<u><u>570</u></u>	<u><u>600</u></u>

15. Expenditure Commitments		
(Refer Note 3(k) for further details).		
Lease Commitments		
The Adelaide Convention Centre has entered into operating leases for the land on which the buildings are situated. The leases are reviewed each year for adjustments in the Consumer Price Index.		
Operating lease obligations:		
Not later than one year	266	257
Later than one year and not later than five years	1 064	1 028
Later than five years	20 519	20 298
Total Lease Obligations	<u><u>21 849</u></u>	<u><u>21 583</u></u>

16. Consultants	
The Adelaide Convention Centre engaged one consultant for the period 1999-2000 with expenditure being \$15 000:	
Ernst & Young - GST Technical Issues Consultation	

17. Related Party Information

The names of each person holding the position of board member of the Adelaide Convention Centre during the financial year are:

Mr C Dunsford - Chairman	Ms J Jefferys
Mr W Spurr - Deputy Chairman	Mr P Styles
Mr M Harris	Ms J Wilson
Ms W Greiner	

The members of the Board may use the services of the Adelaide Convention Centre under terms and conditions no more favourable than members of the Public.

18. Remuneration of Board Members

The number of Board members who received, or were due to receive, remuneration from the Adelaide Convention Centre were:

	2000 Number of Members	1999 Number of Members
\$0 (South Australian Government employee)	1	1
\$0 - \$9 999	5	5
\$10 000 - \$14 999	1	1

The aggregate remuneration of the Board members referred to in the above bands was \$59 000 (\$58 000).

19. Remuneration of Employees greater than \$100 000

The number of employees who received, or were due to receive, remuneration (including superannuation, motor vehicle and fringe benefits tax payable on other benefits) in connection with the management affairs of the Adelaide Convention Centre were:

	2000 Number of Executives	1999 Number of Executives
\$110 000 - \$119 999	1	1
\$120 000 - \$129 999	1	1
\$190 000 - \$199 999	1	-
\$210 000 - \$219 999 ^(a)	-	1

The aggregate remuneration of the executives referred to in the above bands was \$430 000 (\$455 000).

(a) Included in employee's remuneration is \$20 000 of long service leave that was converted to cash.

20. Remuneration to Auditors

The total received, or due and receivable by the Auditor-General's Department in respect of:
Auditing the accounts

2000 \$'000	1999 \$'000
33	30

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 deposit, at bank and on hand. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Current:

Cash on deposit and at bank	6 209	3 451
Cash on hand	46	43
	6 255	3 494

Non-Current:

Specific purpose deposits	12 100	9 931
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Total cash on deposit, at bank and on hand

18 355	13 425
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(b) Reconciliation of Operating Surplus to Net Cash provided by Operating Activities after Abnormal Items

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in deposit accounts:

Operating surplus after income tax equivalent expense	17 398	37 747
Abnormal contribution for centre upgrade	(15 927)	-
Abnormal revenue for Adelaide Railway Station Area Services Facilities Maintenance Agreement	(1 250)	-
Abnormal revenue for equity transfer - Refer Note 4(b) for details	-	(36 544)
Operating Result after Abnormal Items and Income Tax Equivalent Expense	569	1 203

Depreciation	2 205	1 941
Loss on disposal of assets	185	48
(Increase) in receivables	(1 075)	(186)
(Increase) in other assets	(656)	(88)
Increase in creditors, accruals and provisions	635	759
Increase in security deposits held	147	118
Increase in provision for employee entitlements	141	73

Net Cash provided by Operating Activities

2 151	3 868
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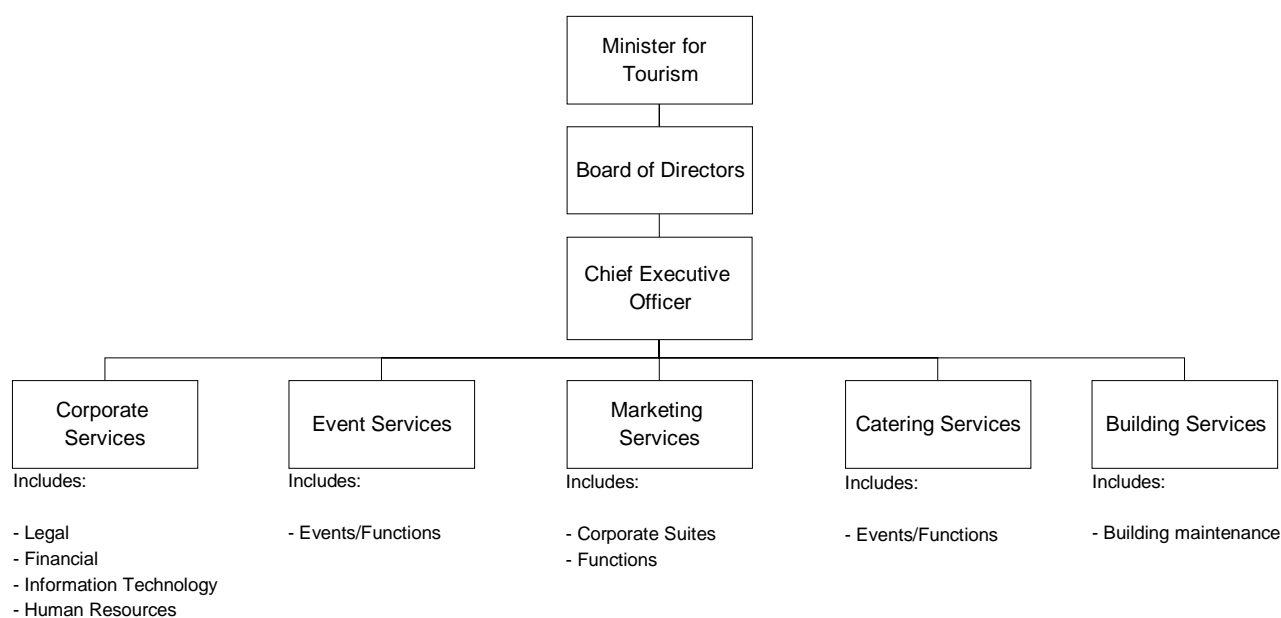
ADELAIDE ENTERTAINMENTS CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Adelaide Entertainments Corporation, a subsidiary to the Minister of Tourism, was established on 4 February 1999 pursuant to regulations under the *Public Corporations Act 1993*. The functions of the Corporation are limited by regulation to:

- manage and operate the Adelaide Entertainment Centre site;
- manage, promote and sponsor events at the Adelaide Entertainment Centre site or elsewhere;
- foster and assist the commercial development of the Adelaide Entertainment Centre site in order to complement and enhance the commercial potential of the Adelaide Entertainment Centre;
- carry out other functions conferred on the subsidiary by the Minister.

The following chart depicts the structure of the Corporation.



When the Corporation was created on 4 February 1999 it assumed the operations of the Adelaide Entertainment Centre. The Centre, which had no separate legal status, had operated under a Board of Management, which was established under the Australian Formula One Grand Prix Board pursuant to a Management Agreement with the Premier.

AUDIT MANDATE AND COVERAGE

Audit Authority

The Schedule to the *Public Corporations Act 1993*, requires the Adelaide Entertainments Corporation, established pursuant to section 24 of the Act, to keep proper accounts of its 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 Adelaide Entertainments Corporation.

Scope of Audit

During 1999-2000 specific areas of audit attention included:

- revenue raising (venue hire and other)
- accounts payable
- inventory
- financial management policies and procedures
- general ledger and journals
- receipting and banking
- salaries and wages
- property, plant and equipment
- management and financial reporting
- preparation for the GST.

Audit Communications to Management

An audit management letter conveying issues arising from the audit was forwarded to the Chairman of the Adelaide Entertainments Corporation Board. The main matters communicated and the Corporation's response is outlined in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Governance Framework

As mentioned previously, the Corporation was established as a subsidiary to the Minister for Tourism on 4 February 1999 pursuant to regulations under the *Public Corporations Act 1993*.

The changeover to an entity under the Public Corporations legislation places certain governance requirements on the Corporation, including:

- preparation of a charter approved by the Treasurer and the responsible Minister;
- establishment of internal audit related activity;
- determination and agreement between the Treasurer and responsible Minister in relation to dividend and taxation policy.

Although the Corporation came under the Public Corporations legislation framework from February 1999, it has operated under a charter that essentially reflected administration and financial policy requirements that existed under the former Management Agreement with the Premier. Audit was of the view that its translation under the Public Corporations legislation required the Corporation and the Department of Treasury and Finance to review its funding and financial policy position in the context of its changed status, including a revisit of the dividend and taxation policy that ought to apply to the Corporation. This suggested review would necessitate a revision of the charter. In relation to dividend policy this is further commented on under 'Interpretation and Analysis of Financial Statements' hereunder.

Regarding the matter of internal audit activity the Corporation, under the Public Corporations regulations establishing the Corporation, is required to establish and maintain an Audit Committee and internal audit activity. The Corporation has an Audit Committee. Audit raised with the Corporation consideration of implementing some form of internal audit activity that would review and report to the Audit Committee on areas of risk identified by the Corporation.

The Corporation has advised that it is finalising a new Strategic Plan. As part of that process it has revised its charter and has also consulted with the Department of Treasury and Finance concerning its funding and financial policy arrangements. Regarding internal audit the Corporation has advised that as part of its strategic plan review it has identified key risk areas and is to consider what approach it is to adopt in internal monitoring of risks and controls over these risks.

Policy and Procedural Documentation

Last year's Report included comment regarding the requirement for the Corporation to complete documentation of policies and procedures consistent with the requirements of Treasurer's Instruction 2 'Financial Management Policies'.

Follow up of this matter during the year indicated that while the Corporation had progressed the establishment of further policies and procedures concerning a number of areas there is still some work to be undertaken to fully document all areas consistent with Treasurer's Instruction 2.

This matter was communicated to the Corporation and Audit was advised that the Corporation is in the process of reviewing and updating its current policies and procedures documentation, not only to comply with Treasurer's Instruction 2 but also to reflect any revised policies and practices arising out of consultation with the Department of Treasury and Finance concerning its funding and financial policy arrangements.

Commentary on General Financial Controls

The audit of the financial accounts and financial accounting systems and practices of the Corporation indicated a generally satisfactory position.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Adelaide Entertainments 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 Adelaide Entertainments 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

The general purpose financial statements of the Corporation record an operating deficit of \$334 000 (\$706 000). The special purpose financial statement (Note 3 to the general purpose financial statements refers) reflecting principally the direct trading operating performance of the Corporation shows an operating profit of \$1.9 million (\$1.9 million). The difference in the basis of the form and content of the general purpose and special purpose financial statements is explained in Note 3.

The general purpose financial statements record in 1998-99 dividends of \$860 000 determined in respect of the 1997-98 financial year. Dividends determined in relation to 1998-99 and 1999-2000 of \$665 000 and \$714 000 respectively have not been brought to account in the general purpose financial statements in consideration of consultation currently under way between the Corporation and the Department of Treasury and Finance regarding determination of dividend and taxation policy of the Corporation (Note 3 to the general purpose financial statements refers).

Operating Statement for the year ended 30 June 2000

		2000	1999
OPERATING REVENUE:	Note	\$'000	\$'000
Revenue from events and functions		4 856	5 084
Other operating revenue	4	1 560	1 477
Total Operating Revenue		6 146	6 561
OPERATING EXPENSES:			
Staging of events and functions	5	2 089	2 050
Administration and overhead expenses	5,6	2 526	2 762
Depreciation		1 555	1 662
Repairs and maintenance		580	793
Total Operating Expenses		6 750	7 267
OPERATING DEFICIT		(334)	(706)
Contribution to South Australian Government		-	(860)
ACCUMULATED DEFICIT AT 1 JULY		(10 013)	(8 447)
ACCUMULATED DEFICIT AT 30 JUNE		(10 347)	(10 013)

Statement of Financial Position as at 30 June 2000

		2000	1999
CURRENT ASSETS:	Note	\$'000	\$'000
Cash at bank and on hand		2 505	2 763
Inventories	7	95	130
Receivables	8	488	539
Total Current Assets		3 088	3 432
NON-CURRENT ASSETS:			
Plant and equipment	9	1 261	1 396
Land and buildings	10	47 192	48 236
Total Non-Current Assets		48 453	49 632
Total Assets		51 541	53 064
CURRENT LIABILITIES:			
Creditors and accruals	11	1 087	1 079
Event funds payable	12	63	1 274
Employee entitlements and related payments	13	113	74
Total Current Liabilities		1 263	2 427
NON-CURRENT LIABILITIES:			
Employee entitlements and related payments	13	45	70
Total Non-Current Liabilities		45	70
Total Liabilities		1 308	2 497
NET ASSETS		50 233	50 567
EQUITY:			
Capital provided by South Australian Government	14	55 536	55 536
Asset revaluation reserve		5 044	5 044
Accumulated deficit		(10 347)	(10 013)
TOTAL EQUITY		50 233	50 567
Commitments	22		

Statement of Cash Flows for the year ended 30 June 2000

		2000	1999
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
Event and function receipts		5 228	4 789
Interest received		157	123
Operating income		1 368	1 279
Net ticket sales to promoters		(1 525)	844
Payments to suppliers and employees		(5 129)	(5 489)
Net Cash provided by Operating Activities	20(a)	99	1 546
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for plant and equipment		(376)	(462)
Proceeds from sale of equipment		19	-
Net Cash used in Investing Activities		(357)	(462)
NET (DECREASE) INCREASE IN CASH HELD		(258)	1 084
CASH AT 1 JULY		2 763	1 679
CASH AT 30 JUNE	20(b)	2 505	2 763

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Establishment and Functions of the Adelaide Entertainments Corporation**

The Adelaide Entertainments Corporation (AEC), known as the Adelaide Entertainment Centre, was established on 4 February 1999 as a subsidiary of the Minister for Tourism by Regulations under the *Public Corporations Act 1993*.

The functions of the AEC are to:

- manage and operate the Adelaide Entertainment Centre site;
- manage, promote and sponsor events at the Adelaide Entertainment Centre site or elsewhere;
- foster and assist the commercial development of the Adelaide Entertainment Centre site in order to complement and enhance the commercial potential of the Adelaide Entertainment Centre;
- carry out any other functions conferred on the subsidiary by the Minister.

The AEC is governed by a Board of Directors and operates under a charter approved pursuant to the provisions of the *Public Corporations Act 1993*. The Act and the charter require the preparation of a general purpose financial report which reflects the performance and position of the AEC for each financial year ended 30 June.

2. **Statement of Accounting Policies**

The financial statements have been prepared in accordance with the Statements of Accounting Concepts, applicable Australian Accounting Standards, Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*, and other mandatory professional reporting requirements (Urgent Issues Group Abstracts).

The financial statements have been prepared on the basis of historical costs and are not adjusted to take into account changing money values or, except where stated, current valuations of major non-current assets.

The following is a summary of the significant accounting policies adopted by the AEC in the preparation of the financial statements.

(a) **Depreciation of Non-Current Assets**

Depreciation is provided on a straight line basis on all buildings, plant and equipment, and is calculated to allocate the value of the assets against revenue over their estimated useful lives. The major asset categories and their respective depreciation periods are:

	Years
Buildings	40
Site plant and equipment	10 - 20
Kitchens and concessions	5 - 10
Office and administration	3 - 5
Production equipment	3 - 5
Furniture and fittings	3 - 5
Audiovisual equipment	3 - 5

Items with a purchase price greater than \$1 000 and a useful life of three years are recognised as an asset.

(b) **Valuation of Non-Current Assets**

In accordance with Australian Accounting Standard AAS 10, 'Accounting for the Revaluation of Non-Current Assets' and Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' all non-current assets with a value at the time of acquisition greater than \$1 million are required to be revalued every three years. All non-current assets meeting the revaluation threshold were revalued as at 30 June 1998 using the deprival basis.

(c) **Inventories**

Inventories are carried at cost as they are expected to be consumed in the holding of events and functions that will have a net realisable value that exceeds cost.

(d) **Corporate Suite Licence and Marketing**

Income from corporate suite leases is allocated over the term of the lease, the first year being the operating period the lease was first initiated. All expenses incurred in the marketing and sale of the corporate suites are written off in the year in which they are incurred.

(e) **Utilities**

Electricity, gas, rates and telephone charges have been allocated between event expenditure, administration and overheads.

(f) **Employee Entitlements**

Provision has been made in the financial statements for the AEC's liability for employee entitlements arising from services rendered by employees to 30 June. Related on-costs consequential to the employment of employees have been included in the determination of the liability.

(i) **Superannuation**

The AEC contributes to externally managed superannuation funds. Contributions are charged as an expense in the period in which they occur (refer Note 17).

(ii) **Wages and Salaries**

Liabilities for wages and salaries are recognised as the amount unpaid at 30 June and are measured at current pay rates in respect of employees' service to that date.

(iii) **Annual Leave**

Provision has been made for the unused component of annual leave at 30 June. The provision has been calculated at nominal amounts based on current wages and salary rates.

(f) Employee Entitlements (continued)**(iv) Long Service Leave**

Provision has been made for employee entitlements to long service leave. The provision has been calculated at nominal amounts based on current wages and salary rates, using a benchmark of five years service as a shorthand estimation of long service leave liability in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

(v) 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.

(g) Financial Instruments**Financial Assets**

Cash at bank comprises deposits at call with the South Australian Government Financing Authority and Westpac. The deposits are recorded at cost. Interest revenues are recognised as they accrue. For deposits with the South Australian Government Financing Authority, interest is calculated on the average 30 day bank bill rate, which during the year ranged from 4.60 percent to 5.90 percent. For deposits with Westpac the interest rate is calculated on 35 points below the average Commonwealth bank bill issued weekly. This rate ranged from 4.45 percent to 5.80 percent.

Receivables (Note 8) are reported at amounts due less the provision for doubtful debts (maximum credit risk).

Financial Liabilities

Trade Creditors (Note 11) are recognised for goods and services that have been supplied but have not been paid as at 30 June 2000. Trade Creditors are normally settled within 30 days.

Event Funds Payable are recorded at cost. Deposits paid in advance for events are recognised as revenue at the time the event is held.

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

3. AEC Operating Profit Performance and Contribution to Government

The Charter requires the preparation of a special purpose (management) financial statement, as distinct from the preparation of the general purpose financial statements, for purposes of reporting principally on the ongoing day to day trading operating performance of the AEC and for the determination of a contribution (by way of dividend) to the South Australian Government.

The basis of preparation of the special purpose financial statement differs from the general purpose financial statements in relation to the presentation and recognition of items of expenses and funds retention. A principal difference requires the exclusion of expenses relating to land and buildings from the special purpose financial statement. These expenses are not of a trading operating nature and are to be excluded in the determination of the contribution payable by the AEC (by way of dividend) to the South Australian Government under the Charter.

An abridged presentation of the special purpose financial statement follows:

	2000	1999
	\$'000	\$'000
Income	6 416	6 561
Expenses	4 475	4 685
Operating Profit	1 941	1 876
Less: Maintenance Replacement and New Capital Sinking Fund retention	1 049	1 045
Management fee retention	89	83
Commercial and entrepreneurial development retention	89	83
Net Surplus on Operations as defined by the Charter	714	665

Under the terms of the Charter, the AEC sets aside amounts for commercial and entrepreneurial development and for maintenance, replacement and new capital. The amounts set aside are held and invested with operating funds of the AEC.

Discussions with the Department of Treasury and Finance are currently in progress regarding AEC dividend policy. Until these discussions are concluded the dividends calculated in respect of the 1998-99 and 1999-2000 years of \$665 000 and \$714 000 respectively are not being recognised in the general purpose financial statements.

4. Other Operating Revenue

	2000	1999
	\$'000	\$'000
Corporate suite lease income	1 232	1 243
Interest income	157	123
Lease and site development income	36	67
Sundry income	135	44
	1 560	1 477

	2000	1999
	\$'000	\$'000
5. Salaries, Wages and Related Payments		
Staging of events and functions	1 113	1 148
Administration and overheads (a)	1 392	1 449
Repairs and maintenance	204	210
Total	2 709	2 807
(a)		
Administration	597	558
Front of house	131	154
Technical services	112	195
Concessions	58	79
Catering	114	147
Corporate suites	135	125
Marketing and publicity	112	191
Venue hiring	133	-
Total	1 392	1 449
6. Administration and Overhead Expenses		
Administration	631	777
Front of house	41	61
Technical services	242	246
Concessions	22	29
Catering	57	33
Corporate suites	42	48
Marketing publicity	99	119
Salaries, wages and other payments (refer Note 5)	1 392	1 449
	2 526	2 762
7. Inventory		
Inventory on hand at 30 June comprises:		
Beverages	74	106
Confectionery	17	17
Food	4	7
	95	130
8. Receivables		
Trade debtors	384	460
Less: Provision for doubtful debts	4	22
	380	438
Accrued income and sundry debtors	70	76
Prepaid expenses	38	25
	488	539
9. Plant and Equipment		
Site plant and equipment	1 096	1 035
Less: Accumulated depreciation	652	559
	444	476
Kitchens and concessions	879	872
Less: Accumulated depreciation	801	724
	78	148
Office and administration	978	744
Less: Accumulated depreciation	670	520
	308	224
Production equipment	770	759
Less: Accumulated depreciation	574	562
	196	197
Furniture and fittings	554	554
Less: Accumulated depreciation	413	345
	141	209
Audiovisual equipment	352	342
Less: Accumulated depreciation	258	200
	94	142
	1 261	1 396
10. Land and Buildings		
Land (At valuation)	7 520	7 520
Buildings (At valuation)	41 760	41 760
Less: Accumulated depreciation	2 088	1 044
	47 192	48 236
11. Creditors and Accruals		
Accounts payable and accruals	200	170
Contribution to South Australian Government	860	860
Income received in advance	27	49
	1 087	1 079
12. Event Funds		
The AEC holds all ticket monies in trust on behalf of the ticket purchaser. Event Funds Payable represents a liability to the hirer on the completion of an event or to BASS for refunds in the event of a cancellation.		

13. Employee Entitlements and Related Payments	2000	1999
Current:	\$'000	\$'000
Accrued wages	13	-
Provision for annual leave	78	47
Provision for long service leave	7	17
Provision for employee on-costs	15	10
	113	74
Non-Current:		
Provision for long service leave	39	61
Provisions for employee on-costs	6	9
	45	70

14. Capital Provided by the South Australian Government

The South Australian Government has provided the land and buildings of the AEC.

During 1991-92 additional contributions toward working capital, buildings, plant and equipment were also provided.

Purchase of land provided	7 189	7 189
Plant and equipment provided	2 975	2 975
Building provided	44 534	44 534
Working capital provided	838	838
	55 536	55 536

15. Remuneration of Auditors

Amounts received or due and receivable by the Auditor-General's Department for the audit of the AEC were:

Auditing the financial statements	22	18
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16. Remuneration of Employees

The number of executive officers who have received, or were due to receive, directly or indirectly from the AEC a total remuneration (including superannuation) in connection with the management of the affairs of the AEC, whether as Executive Officer or otherwise, as shown in the following bands, was:

	2000	1999
	Number of Executives	Number of Executives
\$100 001 - \$110 000	-	2
\$150 001 - \$160 000	1	-

17. Superannuation

The AEC contributes to benefit schemes covering substantially all employees. The AEC has a legal obligation to contribute to the schemes as follows:

	2000	1999
	\$'000	\$'000
(a) Executives and salaried employees - A contributory scheme (employer 7 percent, employees 6 percent). The amount of contributions paid during the year was:	14	41
(b) Salaried employees - A non-contributory scheme (employer 7 percent). The amount of contributions paid during the year was:	60	52
(c) Casual employees - A non-contributory scheme (employer 7 percent). The amount of contributions paid during the year was:	75	84

18. Board of Directors

The following Directors served on the Board of the AEC during the year.

A Fletcher (Chairman)
G Wallace
A Killey
J O'Grady (resigned 30 June 2000)
S Laws

Members of the Board received Director's fees as shown in the following table:

	2000	1999
	Number of Directors	Number of Directors
\$0	-	2
\$1 - \$10 000	4	4
\$10 001 - \$15 000	1	1

The aggregate amount of Directors' remuneration was \$55 000 (\$44 000)

19. Related Party Transactions

The Directors of the Board may use the services of the AEC in accordance with terms and conditions determined under Board policy.

The services of the AEC were not used by one Director on the Board during the year.

20. Notes to the Statement of Cash Flows

(a) Reconciliation of Net Cash provided by Operating Activities to Operating Deficit

	2000	1999
	\$'000	\$'000
Operating deficit	(334)	(706)
Depreciation	1 555	1 662
Profit on sale of equipment	(19)	-
Bad debts expense	(18)	16
Change in assets and liabilities:		
Net movement in event funds	(1 211)	(223)
Decrease (Increase) in receivables	69	(52)
Decrease (Increase) in inventory	35	(19)
Increase in creditors and accruals	8	839
Increase in employee entitlements and related payments	14	29
Net Cash provided by Operating Activities	99	1 546

(b) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments.

21. Payments to Consultants

	2000
	Number of Consultants
Payments to consultants totalled \$104 000 (\$114 000), and fell within the following bands:	
\$0 - \$10 000	4
\$10 001 - \$50 000	4

Range	Consultant	Title
\$10 001 - \$50 000	Accede Pty Ltd	Computer support
	K B Consulting	GST and systems implementation
	McGregor Tan	Market Research
	Swanbury Penglase	Building design

22. Commitments

The AEC had the following commitments:

Operating:

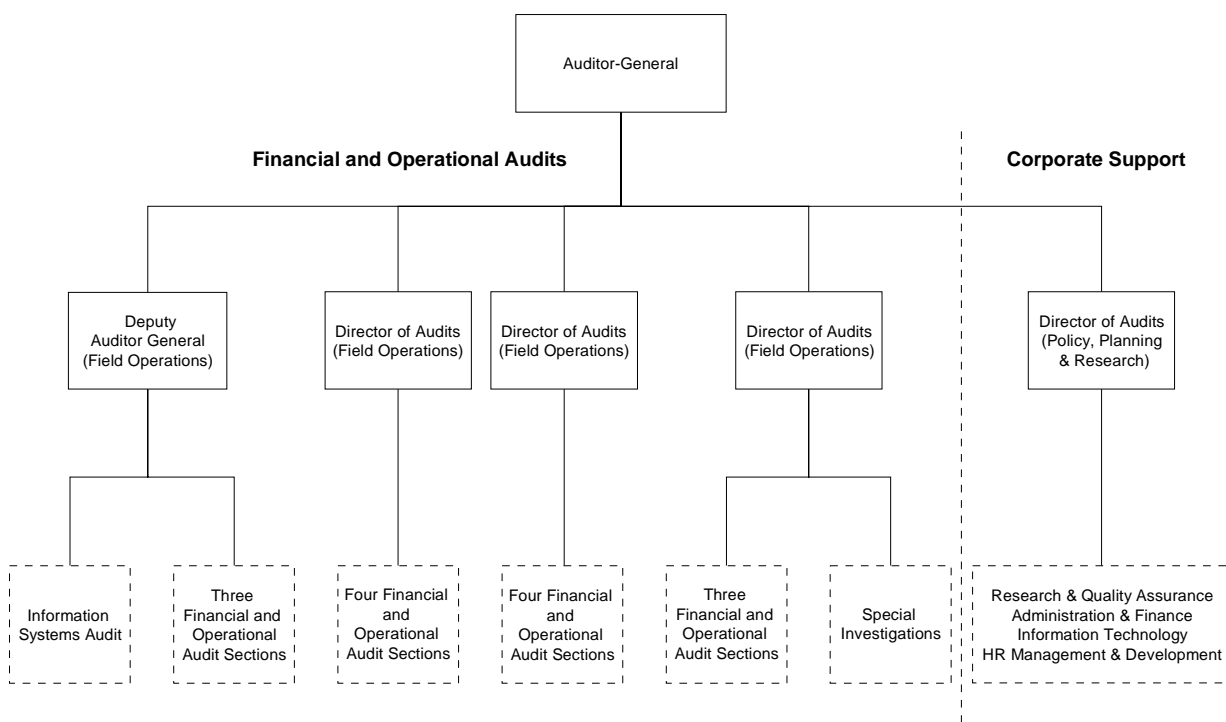
	2000	1999
	\$'000	\$'000
Not later than one year	157	215
Later than one year but not later than five years	27	149
	184	364

AUDITOR-GENERAL'S DEPARTMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The *Public Finance and Audit Act 1987* confers wide powers on the Auditor-General to examine any matters relating to the collection, receipt, issue or expenditure of public monies and to report on the efficiency and economy of public sector operations. In addition, the Auditor-General has been appointed auditor of various statutory corporations and funds; has been appointed auditor of a number of companies associated with the operations of public sector agencies; has a discretionary right under the *Education Act 1972* to inspect or audit the accounts of school councils; is required by the *South Australian Health Commission Act 1976* to audit the accounts of prescribed incorporated hospitals and health units and to approve of the auditor for other incorporated hospitals and units; and, in accordance with the *Local Government Act 1934*, is the auditor of one local government authority.

The structure of the Department is:



AUDIT MANDATE AND COVERAGE

Audit Authority

Under section 35(1) of the *Public Finance and Audit Act 1987*, the Governor, on the recommendation of the Treasurer, has appointed Pannell Kerr Forster as auditor of the Auditor-General's Department. An unqualified Independent Audit Report was issued in respect of the year ended 30 June 2000.

AUDIT FINDINGS AND COMMENTS

Pannell Kerr Forster reported the results of their audit in a management letter dated 18 August 2000. In that letter they indicated, 'no significant matters of concern were encountered in the course of the Audit'.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Employee entitlements		5 058	4 920
Employment on-costs		983	1 001
Administration expenses, minor equipment and sundries		1 027	820
Contract audit fees		687	802
Consultancies		215	252
Special Investigations	4	775	-
Accommodation and service costs		469	489
Depreciation		281	351
Loss on disposal of assets	5	33	6
Total Operating Expenses		9 528	8 641
NET COST OF SERVICES		9 528	8 641
REVENUES FROM GOVERNMENT:			
Recurrent appropriations		9 922	8 641
Other appropriations		-	58
Total Revenues from Government	3	9 922	8 699
INCREASE IN NET ASSETS		394	58

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash	1.7, 10.1	857	342
Receivables		18	-
Total Current Assets		875	342
NON-CURRENT ASSETS:			
Plant and equipment	1.4, 6	489	503
Total Non-Current Assets		489	503
Total Assets		1 364	845
CURRENT LIABILITIES:			
Creditors and accruals	1.7, 7	333	164
Cash advance - Imprest accounts	1.7	3	3
Employee entitlements	1.3, 8	573	611
Total Current Liabilities		909	778
NON-CURRENT LIABILITIES:			
Creditors and accruals	1.7, 7	138	136
Employee entitlements	1.3, 8	1 019	1 027
Total Non-Current Liabilities		1 157	1 163
Total Liabilities		2 066	1 941
NET ASSETS DEFICIENCY	9	702	1 096
EQUITY:			
Opening balance - Deficiency		1 096	1 154
Less: Increase in net assets		394	58
FUNDS DEFICIENCY	9	702	1 096

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		(5 121)	(4 777)
Employment on-costs		(983)	(940)
Administration, minor equipment and sundries		(980)	(807)
Contract audit fees		(687)	(803)
Consultancies		(192)	(250)
Special Investigations		(775)	-
Accommodation and service costs		(468)	(483)
CASH FLOWS FROM GOVERNMENT:			
Recurrent appropriations	3	9 922	8 641
Other appropriations		-	58
Net Cash provided by Operating Activities	10.2	716	639
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of plant and equipment		(247)	(340)
Disposal of plant and equipment		46	40
Net Cash used in Investing Activities		(201)	(300)
NET INCREASE IN CASH HELD		515	339
CASH AT 1 JULY		342	3
CASH AT 30 JUNE	10.1	857	342

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

	Note	Special Acts		Administered Revenue	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
ADMINISTERED EXPENSES:					
Employee entitlements	11.2	208	196	-	-
Revenue paid/payable to consolidated account	1.9, 11.1	-	-	8 236	8 035
Total Administered Expenses		208	196	8 236	8 035
ADMINISTERED REVENUES:					
Fees for audit services	11.1	-	-	8 234	8 030
Sundry revenue		-	-	2	5
Appropriation under Special Acts	11.2	188	172	-	-
Total Administered Revenues		188	172	8 236	8 035
ADMINISTERED REVENUE LESS ADMINISTERED EXPENSES		(20)	(24)	-	-

Schedule of Administered Assets and Liabilities as at 30 June 2000

	Note	Special Acts		Administered Revenue	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
ADMINISTERED ASSETS:					
CURRENT:					
Receivables	1.7, 11.1	-	-	56	211
Total Administered Assets		-	-	56	211
ADMINISTERED LIABILITIES:					
CURRENT:					
Employee entitlements	1.3, 8	89	87	-	-
Revenue payable to consolidated account	1.9, 11.1	-	-	56	211
Total Current Liabilities		89	87	56	211
NON-CURRENT:					
Employee entitlements	1.3, 8	145	127	-	-
Total Non-Current Liabilities		145	127	-	-
Total Administered Liabilities		234	214	56	211

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

1.1 Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* (the Act). The accounts are presented on the accrual basis of accounting using historical cost accounting which does not take into account changing money values or, except where stated, current valuations of non-current assets. Unless otherwise stated, the accounting policies adopted are the same as those in the previous year.

1.2 Appropriations

The Department is funded by Parliamentary appropriations for the full accrual cost of its services. Recurrent appropriations consist of the funding received during the year as departmental cheques are drawn and the funding appropriation for year end accruals.

Appropriations for accrued expense at year end are deposited in a special deposit account in the name of the Department at Treasury titled 'Accrual Appropriation Excess Funds'. Use of the funds requires the approval of the Treasurer. Pursuant to Treasurer's Instruction 3.8, this money is deemed to be controlled by the public authority in the name of which the money is recorded.

Appropriations for Administered Items are detailed in Note 1.6.

1.3 Employee Entitlements

Provision has been made for employee entitlement liabilities arising from services rendered by employees to balance date in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. Employee entitlements comprise entitlements to salaries and wages, long service leave and annual leave.

- Annual Leave**
 Liabilities for salaries and wages and annual leave are recognised, and are measured as the amount unpaid at current pay rates in respect of employee service periods up to the reporting date.
- Long Service Leave**
 Long service leave is recognised on a pro-rata basis for the employee service periods up to the reporting date. Liabilities in respect of these entitlements have been calculated at nominal amounts based on current salary and wage rates. The Department of Treasury and Finance has advised that a benchmark of eight years can be used for a shorthand estimation of long service leave liability in accordance with the provisions of AAS 30. This advice has been adopted and the long service leave liability as at 30 June 2000 has been calculated on that basis.

- **Long Service Leave (continued)**
The long service leave to be taken in the 12 months to 30 June 2001 has been estimated by adding the estimated termination payments in this period to the estimated long service leave to be taken by ongoing employees in the 12 months (based on previous years' experience). The basis of calculation is similar to that used in previous years.
- **Sick Leave**
No liability is recognised, as sick leave taken by employees is considered to be taken from the current year's accrual.
- **Employment On-Costs**
The liability for employment on-costs include superannuation contributions to the Department of Treasury and Finance and payroll tax. These amounts are classified under creditors and accruals.

1.4 Plant and Equipment

Items of plant and equipment are recorded at historical cost less accumulated depreciation.

Non-current assets with acquisition cost greater than \$2 000 are systematically depreciated using the straight line method of depreciation over their useful lives, which reflects the consumption of their service potential.

All assets useful lives have been set at three years.

1.5 Inventories

Consumable supplies are not recognised in the Statement of Financial Position as the value of these supplies is not considered to be material.

1.6 Administered Items

The two Administered Items are Special Acts and Administered Revenue. As provided in subsection 24(4) of the Act, the Department receives a separate appropriation for the salary and allowances of the Auditor-General. All revenue received by the Department is credited to the Consolidated Account.

1.7 Financial Instruments

The Department's accounting policies for financial instruments, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2000, are as follows:

- Cash is held in a Special Deposit Account at Treasury as detailed in Note 1.2 and in two imprest accounts;
- Two interest free imprest accounts are advanced to the Auditor-General by the Treasurer pursuant to section 9 of the Act and are repayable on demand.
- Receivables relate to:
 - Audit Fee debtors (Note 11.1). Terms are 14 days;
 - Subsidies due from the Office for the Commissioner for Public Employment for the employment of graduates. Terms are 30 days.
- Creditors are raised for amounts billed but unpaid and are normally settled within 30 days (Note 7);
- All financial instruments are valued at historical cost in the Statement of Financial Position, which approximates net fair value.

1.8 Goods and Services Tax

The accounting policies adopted for the treatment of the Goods and Services Tax (GST) are in accordance with Urgent Issues Group Abstract 31 (Accounting for the Goods and Services Tax (GST)). Input tax credits due from the Australian Taxation Office are included in receivables.

1.9 Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in 1999-2000.

The Department pays all of its cash receipts into the Consolidated Account. For the first time a recognition has been made in the Administered Items Schedules of the liability to deposit outstanding audit fees to the Consolidated Account. The previous years figures have been amended to conform with this treatment.

2. Objectives of the Department

The Department's main statutory responsibilities are to audit the public accounts and the accounts of public authorities and to report the results to Parliament in accordance with the requirements of the Act.

The Department's sole output class is the provision of Auditing Services covering all the audit responsibilities prescribed under the Act. Within this class there are two outputs:

- **Prescribed Audits**
Includes all audit work to be undertaken for agencies where the Auditor-General is the prescribed auditor and the Department must annually conduct the audit as prescribed by the Act.
- **Special Investigations**
Includes all work defined in the Act that is specifically requested to be undertaken by the Auditor-General. The Auditor-General may be requested to undertake work associated with:
 - conducting and reporting on Special Investigations when requested by the Parliament or Treasurer;
 - reviewing summaries of confidential government contracts and reporting on the adequacy of the document as a summary of the contents of the contract when requested to do so by a Minister.

These projects have specific Terms of Reference requested by the referring party and are therefore treated as a separate output. Consistent with the legislative requirement of audit independence the reports are presented directly to the Parliament.

3. Funding of the Department

Appropriations to the Department in 1999-2000 amounted to \$9 922 000 (\$8 699 000) and included an appropriation of \$411 000 (\$324 000) for unrepresented cheques at the year end.

The appropriations to the Department consisted of \$9 028 000 (\$8 699 000) for Prescribed Audits and \$894 000 (nil) for three Special Investigations being \$500 000 funding for the current year and \$394 000 funding for the 2000-01 year.

At year end a further \$121 000 (\$281 000) funding was required by the Department to meet the full accrual cost of its services. This additional accrual funding, together with the approved Special Investigations funding of \$394 000 for 2000-01, which was unspent at year end, was deposited in an 'Accrual Appropriation Excess Funds' account at Treasury. The balance of that account at 30 June 2000 was \$854 000 (\$339 000).

Appropriations under Special Acts are reported under Administered Items.

A summary of appropriations and other accrual funding for the year is set out below.

	Department		Special Acts	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Appropriations:				
Prescribed audits	9 028	8 699	-	-
Special Investigations	894	-	-	-
Special acts	-	-	188	172
	9 922	8 699	188	172
Accrual Appropriation Excess Funds Account:				
Unspent appropriation for the year	394	58	-	-
Additional accrual funding for the year	121	281	-	-
	515	339	-	-
Add: Balance of funds held at beginning of year	339	-	-	-
Balance of funds held at end of year	854	339	-	-

4. Special Investigations

Expenditure for Special Investigations relates to investigations concerning the long term lease of the State's Electricity Assets, Hindmarsh Stadium and the Pelican Point Power Station Contract Summary.

5. Loss on Disposal of Assets

	2000 \$'000	1999 \$'000
Historic cost of assets disposed	269	237
Less: Accumulated depreciation	190	191
	79	46
Trade-in on disposal	46	40
Total Loss on Disposal of Assets	33	6

6. Plant and Equipment

The Department's fixed assets comprise the following:

Computing and office equipment - At cost	731	767
Less: Accumulated depreciation	383	350
	348	417
Computer software - At cost	252	259
Less: Accumulated depreciation	240	230
	12	29
Library - At cost	27	27
Less: Accumulated depreciation	27	25
	-	2
Leasehold improvements - At cost	76	76
Less: Accumulated depreciation	76	47
	-	29
Projects - At cost	150	31
Less: Accumulated depreciation	21	5
	129	26
Total Plant and Equipment	489	503
7. Creditors and Accruals		
Current:		
Creditors	198	27
Employment on-costs	135	137
Total Current	333	164
Non-Current:		
Employment on-costs	138	136
Total Non-Current	138	136
Total Creditors and Accruals	471	300

8. Employee Entitlements

	Department		Special Acts	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Current:				
Salaries	68	132	4	6
Annual leave provision	325	303	85	81
Long service leave provision	180	176	-	-
Total Current	573	611	89	87
Non-Current:				
Long service leave provision	1 019	1 027	145	127
Total Non-Current	1 019	1 027	145	127
Aggregate Employee Entitlement Liability	1 592	1 638	234	214

Employee entitlements recorded under Special Acts relate to the salary and allowances of the Auditor-General.

9. Funds Deficiency

The funds deficiency arises as a result of the Department's previous funding arrangements. Prior to 1998-99, the Department was funded on a cash basis, which did not take account of the full accrual liabilities. The Department will continue to receive annual appropriations from the Consolidated Account to fund its operations. In the absence of further funding to meet past liabilities the Department will continue to have a funds deficiency.

10. Notes to the Statement of Cash Flows

10.1 Reconciliation of Cash

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

	2000 \$'000	1999 \$'000
Deposits at call - Accrual appropriation excess funds	854	339
Cash - Imprest accounts	3	3
	857	342

10.2 Reconciliation of Net Cost of Services to Net Cash provided by Operating Activities

	2000 \$'000	1999 \$'000
Net cost of services	(9 528)	(8 641)
Cash flows from government	9 922	8 699
Depreciation	281	351
Increase in receivables	(18)	-
(Decrease) Increase in employee entitlements	(46)	143
Increase in creditors and accruals	72	81
Loss on disposal of assets	33	6
Net Cash provided by Operating Activities	716	639

11. Administered Items

11.1 Auditing Fees

Section 39 of the Act provides for the levying of fees for audit services provided by the Department that are paid into the Consolidated Account.

	2000 \$'000	1999 \$'000
Fees outstanding at 1 July	211	167
Add: Billings	8 234	8 030
	8 445	8 197
Less: Receipts*	8 389	7 986
Fees outstanding at 30 June	56	211

* These amounts are credited to the Consolidated Account. In addition, sundry income paid into Consolidated Account during the year totalled \$2 000 (\$5 000).

At 30 June, the value of audit work in progress was \$2.803 million (\$3.161 million). The Department is of the opinion that this amount is recoverable.

11.2 Special Acts

Subsection 24(4) of the Act, provides that the salary and allowances of the Auditor-General will be determined by the Remuneration Tribunal and will be paid from the Consolidated Account.

12. Remuneration of Employees

The number of employees whose total remuneration is within the followings bands was:

	2000 Number of Employees	1999 Number of Employees
\$110 000 - \$119 999	3	4
\$120 000 - \$129 999	1	1
\$130 000 - \$139 999	1	-
\$220 000 - \$229 999	-	1
\$240 000 - \$249 999	1	-

Total remuneration received or receivable by these employees was \$853 000 (\$795 000).

13. Operating Leases

The Department's operating leases are for the leasing of office accommodation and motor vehicles. The leasing arrangements for the two categories are:

- *Office Accommodation*
Office accommodation is leased from the Real Estate Management business unit of the Department for Administrative and Information Services (DAIS). The lease expires on 30 June 2004, however, there is a right of renewal for six years from that date. The rental amount is based on floor space and the time period of the lease, with the rental rate reviewed by Real Estate Management every two years.
- *Motor Vehicles*
Motor vehicles are leased from the Fleet SA business unit of DAIS. The vehicles are leased for a specified time period or a specified number of kilometres, whichever occurs first. The lease rate is determined according to the type of vehicle being leased and the number of months of the lease period. The lease rates are reviewed annually by Fleet SA.

For the current year the total amount of rental expense for minimum lease payments for operating leases was \$467 000.

<i>Operating Lease Commitments</i>	2000	1999
At the reporting date the Department had the following obligations under non-cancellable operating leases (these obligations have not been recognised as liabilities):	\$'000	\$'000
Not later than one year	482	476
Later than one year and not later than five years	1 361	1 761
Later than five years	-	-
Total Operating Lease Commitments	1 843	2 237
<hr/>		
14. Remuneration of Auditor		
Amounts received, or due and receivable, for audit	8	9
Amounts received, or due and receivable, for other services	-	-
	8	9
<hr/>		

DEPARTMENT OF THE PREMIER AND CABINET

FUNCTIONAL RESPONSIBILITY

The purpose of the Department is to support the Premier, Cabinet and Executive Council in the development of a competitive, creative and well managed State. This is achieved through providing the Premier, Cabinet and Executive Council with assistance in developing policies; identifying and providing strategic advice on emerging issues and opportunities; and providing leadership and direction to the public service to achieve management improvements.

To facilitate the achievement of these objectives, the Department has been organised on a broadly functional basis, comprising a number of branches and offices which perform distinct roles consistent with the charter of the Department.

CHANGES TO AGENCY ORGANISATIONAL STRUCTURE

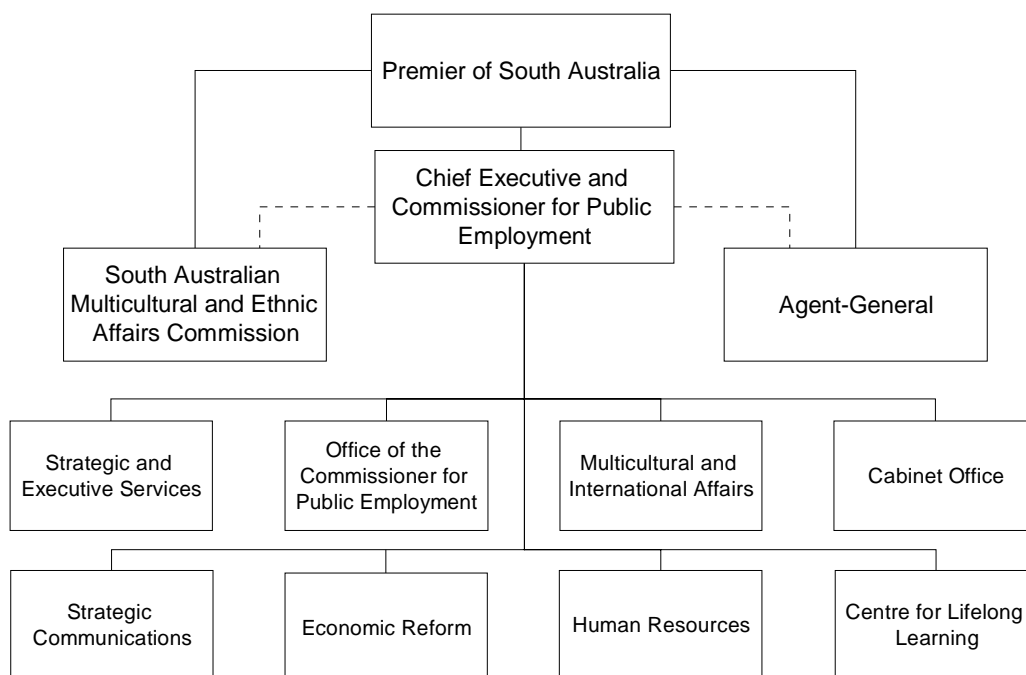
Changes to the structure of the Department during the year have added to the diversity of a multifaceted organisation with a broad focus. In particular, the Department assumed responsibility for the management of Olympic Football Tournament events that were transferred to the Department on 28 January 2000. Whilst costs and revenues associated with the project remain administered by the South Australian Tourism Commission, and are reflected within the Department's financial statements.

In addition, on 1 July 1999 the Office of State Development SA was transferred to the Department of Industry and Trade as part of a Cabinet decision to coordinate economic development activities within the one departmental agency.

Further, following the finalisation of the Year 2000 issue across government agencies, both the Office for the Minister for Year 2000 Compliance and the Office for Year 2000 were closed.

Note 4 to the financial statements further refers to all these changes.

The following depicts the organisation structure of the Department as at 30 June 2000.



SIGNIFICANT FEATURES

- Total operating expenses were \$51.8 million (\$51.1 million).
- Revenues from Government were \$44.9 million (\$45.9 million).
- Increase in net assets resulting from operations before abnormal items was \$0.5 million (\$1.9 million).
- Cash as at 30 June 2000 was \$18.7 million (\$16.6 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 Department 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 coverage included the following areas:

- compliance with legislative and other requirements;
- executive management activities, including a review and assessment of whole-of-government initiatives, policies and procedures and the Department's involvement;
- contract administration with respect to external consultants/contractors;
- use of corporate credit cards;
- revenue raising and receipting, including interpreting and translating services;
- accounting for fixed assets;
- external financial reporting;
- administered items, including the Targeted/Voluntary Separation Packages Scheme and the Government Workers Rehabilitation and Compensation Fund and, Minister's other payments;
- budgetary control and management reporting.

The audit was coordinated with the audit of the activities of the Corporate Services Branch of the Department of Treasury and Finance. The branch provides: accounting, financial management, human resources services, administration and IT services to the Department under a service level agreement.

Audit Communications to Management

Various letters, communicating issues arising from the audit process, were forwarded to the Department. The main issues raised were of a compliance nature and reflected lapses in control rather than a situation where no internal controls were present. Satisfactory responses have been received from the Department in all respects.

A matter of particular importance raised with the Department was to seek clarification regarding its role with respect to the Government Management Framework and Budget Reform agendas. This recognised the collaborative approach needed by the Department and the Department of Treasury and Finance in this area of cultural and managerial reform in the public sector. Further discussion in relation to this issue can be found within Part A of this Report.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control structure of the Department was assessed as satisfactory. Some instances of lapses in control were noted and audit suggestions were made to address those matters, as the underlying principles were considered important.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department of the Premier and Cabinet 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 the Premier and Cabinet in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, 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 represents a brief comparative analysis between years of the most significant aspects of the Department's financial operations:

- The net result from operations, prior to abnormal items, was \$0.5 million (\$1.9 million);
- Cash, again, increased by \$2.1 million (\$1.4 million) to \$18.7 million mainly reflecting an increase in the accrual appropriation to the Department;
- Employee costs decreased by \$1.1 million reflected by the reduction in full time employees from the closure of both the Office for Year 2000 Compliance and the Office for the Minister for Year 2000 Compliance and the transfer of the Office of State Development to the Department of Industry and Trade;
- Payments to consultants were \$1.9 million compared to \$1.4 million last year;
- Other expenses increased by \$2.5 million. This increase predominantly reflects additional grants to various organisations of \$1.3 million and costs associated with the newly transferred Olympic Football Tournament of \$0.9 million.
- The Department assumed responsibility for costs associated with the Olympic Football Tournament. The full year effect of those costs amounted to \$2.3 million. Note 4 to the financial statements refers.

FURTHER COMMENTARY ON OPERATIONS

Responsibility for Administered Items

The Department has the responsibility for administering the Government Workers Rehabilitation and Compensation Fund and the Targeted/Voluntary Separation Package Schemes Fund. Details of the audit coverage and the financial statements relating to the operations of both funds are included after the Department's Financial Statements. Other administered items are shown within the Notes to the Financial Statements.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Employee costs	7(a)	23 842	24 973
Administration expenses		11 623	11 337
Accommodation and service costs		3 763	4 562
Depreciation expenses	8	467	595
Net decrement arising from revaluation	9	-	601
Payments to consultants	10	1 896	1 350
Other expenses	11	10 198	7 707
Total Operating Expenses		51 789	51 125
OPERATING REVENUES:			
User charges and fees	12(a)	4 217	3 884
Interest		783	893
Other sundry revenues	12(b)	2 309	2 229
Total Operating Revenues		7 309	7 006
NET COST OF SERVICES	22	44 480	44 119
REVENUES FROM GOVERNMENT:			
Appropriations	13	44 207	45 675
Grants and subsidies		788	313
Total Revenues from Government		44 995	45 988
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS BEFORE ABNORMAL ITEMS		515	1 869
Abnormal items	14	528	(1 382)
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS AFTER ABNORMAL ITEMS		1 043	487

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash	15	18 679	16 634
Receivables	15,16	1 534	2 143
Other	17	29	510
Total Current Assets		20 242	19 287
NON-CURRENT ASSETS:			
Property, plant, equipment and motor vehicles	18	3 921	4 239
Works of art	18	30	30
Total Non-Current Assets		3 951	4 269
Total Assets		24 193	23 556
CURRENT LIABILITIES:			
Creditors and accruals	15,19	3 068	3 635
Provision for employee entitlements	7(b)	1 733	1 638
Total Current Liabilities		4 801	5 273
NON-CURRENT LIABILITIES:			
Imprest account	15	23	23
Creditors and accruals	15,19	480	466
Provision for employee entitlements	7(b)	3 993	3 941
Total Non-Current Liabilities		4 496	4 430
Total Liabilities		9 297	9 703
NET ASSETS		14 896	13 853
EQUITY:			
Accumulated surplus	20	14 896	13 853
TOTAL EQUITY		14 896	13 853
Commitments and 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:			
PAYMENTS:			
Employee costs		(23 471)	(24 177)
Administration expenses		(10 974)	(10 673)
Accommodation and service costs		(3 690)	(4 596)
Payments to consultants		(1 828)	(1 467)
Other expenses		(10 370)	(7 327)
Total Payments		(50 333)	(48 240)
RECEIPTS:			
User charges and fees		4 269	4 002
Interest		798	904
Other sundry revenues		2 659	1 366
Total Receipts		7 726	6 272
CASH FLOWS FROM GOVERNMENT:			
Appropriations	13	44 207	45 675
Grants and subsidies		803	298
Total Cash Flows from Government		45 010	45 973
Net Cash provided by Operating Activities	22	2 403	4 005
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of non-current assets		(497)	(433)
Proceeds from sale of non-current assets		-	75
Net Cash used in Investing Activities		(497)	(358)
NET INCREASE IN CASH HELD			
CASH AT 1 JULY		1 906	3 647
CASH INCREASE (DECREASE) AS A RESULT OF RESTRUCTURING		16 634	15 246
EFFECT OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCIES		139	(2 340)
		-	81
CASH AT 30 JUNE		18 679	16 634

Output Class Schedule of Department's Expenses and Revenues for the year ended 30 June 2000

Output Class (Note 6)	2000					2000	1999
	1	2	3	4	Unallocated	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Expenses	(25 695)	(20 600)	(4 418)	(966)	(1 511)	(53 190)	(52 507)
Operating Revenues	24 503	21 181	5 038	1 582	1 929	54 233	52 994
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS AFTER ABNORMAL ITEMS	(1 192)	581	620	616	418	1 043	487

Operating revenues and expenses include the gross values for abnormal items. The allocation to output classes are indicative and are based on broad costing methodologies. In particular, appropriations were not developed on the basis of output classes for 1999-2000 and have also been allocated on a broad basis. The unallocated output for 1999-2000 refers to the Olympic Football Tournament administered by the SA Tourism Commission.

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

Output Class (Note 6)	2000				2000	1999
	1	2	3	4	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED EXPENSES:						
Premier - Other payments	1 225	-	-	-	1 225	1 365
Salary and allowances pursuant to:						
Agent-General Act 1901	203	-	-	-	203	319
Parliamentary Remuneration Act 1990	263	-	-	-	263	189
Sensational Adelaide 500 - Group A Endurance Race	-	-	-	-	-	5 600
Targeted Voluntary Separation Package Schemes Account	-	65 217	-	-	65 217	49 215
Government Workers Rehabilitation and Compensation Fund	-	7 679	-	-	7 679	5 998
Total Administered Expenses	1 691	72 896	-	-	74 587	62 686
ADMINISTERED REVENUES:						
National Rose Garden and Wine Centre	9 341	-	-	-	9 341	6 840
State Disaster Relief Fund	4	-	-	-	4	4
Targeted Voluntary Separation Package Schemes Account	-	53 924	-	-	53 924	50 107
Government Workers Rehabilitation and Compensation Fund	-	5 068	-	-	5 068	7 865
Total Administered Revenues	9 345	58 992	-	-	68 337	64 816
ADMINISTERED REVENUES LESS ADMINISTERED EXPENSES	7 654	(13 904)	-	-	(6 250)	2 130

Output Class Schedule of Administered Assets and Liabilities as at 30 June 2000

	2000		1999	
	Assets \$'000	Liabilities \$'000	Net Assets (Liabilities) \$'000	Net Assets (Liabilities) \$'000
ADMINISTERED ASSETS AND LIABILITIES:				
Premier - Other payments	-	(115)	(115)	(11)
National Rose Garden and Wine Centre	16 571	-	16 571	7 230
State Disaster Relief Fund	83	-	83	79
Targeted/Voluntary Separation Package Schemes Account	-	(8 730)	(8 730)	2 563
Government Workers Rehabilitation and Compensation Fund	7 663	(18 120)	(10 457)	(7 846)
	24 317	(26 965)	(2 648)	2 015

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Departmental Objectives

The Department of the Premier and Cabinet has a number of key roles in assisting the Premier and his Cabinet achieve their strategic outcomes for the State. These are to:

- provide the Premier and Cabinet with a whole-of-government perspective which promotes an integrated approach to government policy development and services;
- identify and provide strategic advice and assistance to the Premier and Cabinet on emerging issues and opportunities to promote the State's competitiveness and future prosperity;
- provide leadership and direction to the Public Service to achieve management improvements which lead to excellence and professionalism in public administration;
- provide the Premier and Cabinet with responsive and relevant services through the optimum application of staff and Departmental resources and systems.

2. Summary of Significant Accounting Policies

(a) Financial Reporting Framework

The financial report is a general purpose financial report.

(b) Basis of Accounting

The accounts have been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historical cost principles except where stated.

(c) The Reporting Entity

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account entitled 'Department of the Premier and Cabinet Operating Account' and any other Funds through which the Department controls resources to carry out its functions.

The Department's principal source of funds consists of monies appropriated by Parliament.

Administered Resources

The Department administers, but does not control, certain resources on behalf of the South Australian Government. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Department's objectives. For these resources, the Department acts only on behalf of the South Australian Government.

Transactions and balances relating to these administered resources are not recognised as Departmental revenues and expenses but are disclosed in the applicable output class schedules.

Trust Funds

The Department has received monies in a trustee capacity for various trusts as set out in Note 26. As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the Department's objectives, they are not brought to account in the financial report, but are shown in Note 26.

(d) User Charges and Fees

User charges and fees controlled by the Department are recognised as revenues. User charges and fees are controlled by the Department where they can be deployed for the achievement of Departmental objectives. Such amounts are not required to be paid to the Consolidated Account or other Funds not controlled by the Department.

User charges and fees collected by the Department but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Output Class Schedule of Administered Expenses and Revenues. Such amounts are required to be paid to the Consolidated Account or other Funds not controlled by the Department.

(e) Appropriations

Appropriations, whether operating, investing, or other, are recognised as revenues when the Department obtains control over the assets comprising the contributions. Control over appropriations is normally obtained upon their receipt.

(f) Foreign Currency

Assets and liabilities that are in a foreign currency have been brought into the accounts at the exchange rate applying at 30 June 2000. Income and expenses arising from transactions in a foreign currency are brought to account at the average exchange rate that applied during the period in which they occurred. Unrealised losses resulting from currency transactions have been brought to account in the Operating Statement.

2. **Summary of Significant Accounting Policies (continued)**

(g) **Non-Current Assets**

All non-current assets controlled by the Department are reported in the Statement of Financial Position. The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Specific classes of non-current assets which have a total value greater than \$1 million are revalued every three years in accordance with Treasurer's Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'. Buildings and Improvements and, Furniture and Fittings were revalued as at 30 June 1999 by Edward Rushton (Australia) Pty Ltd (refer Note 18).

(h) **Depreciation of Non-Current Assets**

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of remaining useful lives are reviewed on a regular basis for all assets. The estimated useful lives of each asset class are as follows:

	Years
Agent-General's Residence	40
Buildings and improvements	10
Furniture and fittings	5
Office equipment	3 - 5
Motor vehicles	3

Works of art controlled by the Department are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised for this class of asset.

(i) **Employee Entitlements**

(i) *Wages, Salaries and Annual Leave*

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

(ii) *Long Service Leave*

A liability for long service leave is calculated by using the product of the current liability in time for all employees who have completed eight or more years of service and the current rate of remuneration for each of these employees respectively. The eight years has been based on an actuarial calculation as directed in the Accounting Policy Statements. The liability is measured as the amount unpaid at the reporting date at current pay rates in respect of employees' service up to that date.

(iii) *Superannuation*

The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the Superannuation Funds. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(j) **Leases**

The Department has entered into a number of operating lease agreements for buildings and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Operating Statement in the periods in which they are incurred.

(k) **Cash**

For purposes of the Statement of Cash Flows, cash included cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

3. **Change in Accounting Policy**

During the financial year, the Department changed the point of expense recognition on the Purchase Order module of the Masterpiece financial system from goods expensed at the time of receipt to one where goods are expensed at the time of invoice receipt and recording. The reason behind this change was to reduce the high overhead costs of maintaining a purchase variance liability account and adopt an approach used by other Government agencies. There was minimal effect on the Financial Statements as a result of this change.

4. **Agency Restructuring**

These statements include the financial operations of the transferred functions only for that part of the year the functions were the responsibility of the Department. The net transfer of assets and liabilities as a result of restructuring has been reflected in the Operating Statement (refer Note 14).

Office of State Development

On 1 July 1999, the Office of State Development, a division of the Department, was transferred to the Department of Industry and Trade as part of a Cabinet decision to consolidate economic development activities within the Department of Industry and Trade.

4. **Agency Restructuring (continued)****Year 2000 Compliance**

On 28 January 2000, the Office for the Minister for Year 2000 Compliance and the Office for Year 2000 Compliance were closed following the successful management of the Year 2000 issue within government agencies. Following changes to Ministerial responsibilities by the Government, the Minister for Year 2000 Compliance was appointed Minister for Minerals and Energy with responsibilities for the Department of Primary Industries and Resources SA and all remaining staff from the Office were transferred to the Department of Administrative and Information Services.

Olympic Football Tournament

Responsibility for the Olympic Football Tournament was transferred from the Department of Industry and Trade (DIT) on 28 January 2000. The tournament is being administered by the South Australian Tourism Commission on the Department's behalf.

Expenditure for the Olympic Football Tournament for the full reporting period of 1999-2000, split between DIT and the Department of the Premier and Cabinet (DPC), was as follows:

	1.7.99 to 28.1.2000 (DIT) \$'000	29.1.2000 to 30.6.2000 (DPC) \$'000	1.7.99 to 30.6.2000 \$'000
Employee costs	106	143	249
Administration expenses	26	383	409
Accommodation and service costs	21	36	57
Payments to consultants	9	22	31
Other expenses (includes SOCOG fees)	688	926	1614
	850	1 510	2 360

5. **Comparative Information**

The Operating Statement, Statement of Financial Position and Statement of Cash Flows and the Notes to the Financial Statements disclose comparative figures for the reporting period ended 30 June 2000. The variations between each year's figures are the result of various functions being acquired or transferred during each year. The year ended 30 June 2000 includes transactions from only 28 January 2000 for the new function of the Olympic Football Tournament transferring into the Department on that date. Furthermore, during the year ended 30 June 2000 the Department transferred functions to other agencies (refer Note 4 on Agency Restructuring), resulting in further variations in the operating activities reported.

6. **Output Classes of the Department**

Outputs are defined as goods or services produced, provided to or acquired for external customers. The Department has identified four major classes of outputs that it delivers to the community and the Premier. The identity and description of each major output class of the Department during the year ended 30 June 2000 are summarised below (refer to the Output Class Schedules - Department's Expenses and Revenues):

Output Class 1 - Central Coordination and Policy Advice

To contribute to the effectiveness of strategic planning processes at a whole-of-government level. To assist the efficient implementation of government policy. To facilitate the competitiveness of South Australia's economic and business climate. To operate at a strategic level with other jurisdictions, industry and community groups. To develop and implement government communications strategy and manage protocol and special events.

Output Class 2 - Public Sector Human Resource Management

To facilitate best practice people management in the public sector. To deliver effective employee relations, occupational health and injury management services.

Output Class 3 - Multicultural Services

To provide multicultural advice and community relations support for the development of an open, inclusive, cohesive society. To facilitate the valuing of cultural, linguistic and religious diversity in South Australia.

Output Class 4 - Year 2000 Compliance

To promote and coordinate Year 2000 readiness for the State Government, business and the community of South Australia.

Unallocated

Certain items recorded by the Department are not allocated to output classes.

7. **Employee Entitlements**

	2000 \$'000	1999 \$'000
(a) Employee Costs		
Wages and salaries	17 393	19 233
Superannuation and payroll tax expenses	3 349	3 096
Annual and long service leave expenses	1 394	1 159
Board fees ⁽¹⁾	166	185
Other employee related expenses	1 540	1 300
	23 842	24 973
(b) Employee Entitlement Liability		
Current:		
Annual leave	1 202	1 071
Long service leave	531	567
	1 733	1 638
Non-Current:		
Long service leave	3 993	3 941
	5 726	5 579

(1) Represents fees paid for membership to the South Australian Multicultural and Ethnic Affairs Commission, the Centenary of Federation Committee and the Remuneration Tribunal.

8. Depreciation Expense		2000	1999
Depreciation was charged in respect of:		\$'000	\$'000
Buildings and improvements		97	83
Office equipment		87	140
Furniture and fittings		259	288
Motor vehicles		24	84
		467	595
9. Net Decrement Arising from Revaluation			
Net decrement arising from revaluation was charged in respect of:			
Buildings and improvements		-	214
Furniture and fittings		-	387
		-	601
10. Payments to Consultants		2000	1999
Payments to consultants fell within the following bands:		Number of	Number of
		Consultants	Consultants
\$0 - \$10 000		48	37
\$10 001 - \$50 000		21	20
\$50 001 - \$100 000		3	6
\$100 001 - \$150 000		4	2
\$150 001 - \$200 000		2	-
\$200 001 - \$250 000		1	-
The total payments to the 79 (65) consultants engaged was \$1 896 000 (\$1 350 000) in 1999-2000.			
11. Other Expenses		2000	1999
Other expenses comprised:		\$'000	\$'000
Funding transferred to the Government Workers Rehabilitation and Compensation Fund		4 612	4 019
Grants and sponsorships to various organisations and bodies		2 352	933
Services provided by Corporate Services		1 395	1 406
Subsidies under recruitment programs		914	1 349
Olympic Football - Includes SOCOG fees		925	-
		10 198	7 707
12. Revenues from Operations			
(a) User charges and fees comprised:			
Interpreting and translating services		1 997	1 796
Other recoveries for services		2 220	2 088
		4 217	3 884
(b) Other sundry revenues comprised:			
Reimbursement for TVSPs paid		701	454
Master Media Levy		354	327
Recovery of costs from the Public Administration Industry Training Advisory Body		-	250
Recovery of costs from the Adelaide City Council for the Capital City Project Team		178	104
Recovery of administration costs from the TVSP Scheme Account		-	95
Reimbursement for workers compensation claims		61	29
Net foreign exchange gain		-	81
Other sundry items		1 015	889
		2 309	2 229
13. Appropriations			
Department of the Premier and Cabinet		44 207	44 118
Appropriation as a result of restructuring:			
Department for Administrative and Information Services		-	382
Funding to establish the Office for the Minister for Tourism		-	316
Funding to establish the Office for the Minister for Year 2000 Compliance		-	162
Department of Education, Training and Employment		-	(22)
Department of Industry and Trade		-	719
Recurrent Appropriations		44 207	45 675
14. Abnormal Items			
(a) Revenues (Expenses) from Restructuring			
Net Assets transferred (from) to the Department:			
Cash		(36)	(2 520)
Receivables		(186)	(986)
Other current assets		(194)	-
Property, plant and equipment		(484)	26
		(900)	(3 480)
Net Liabilities transferred from (to) the Department:			
Creditors and accruals - Current		721	3 212
Provision for employee entitlements - Current		198	(128)
Creditors and accruals - Non-Current		54	-
Provision for employee entitlements - Non-Current		455	-
		1 428	3 084
Revenues (Expenses) from Restructuring		528	(396)

14. **Abnormal Items (continued)****(b) Retirement of Non-Current Assets**

During 1998-99, the Abnormal Item comprised of an expense that resulted from the retirement of non-current assets with a cost base for depreciation between \$2 000 and \$5 000.

	2000	1999
	\$'000	\$'000
Non-Current Assets - Increase in capitalisation limit	-	(986)

15. **Financial Instruments**

The following disclosures have been provided to satisfy the requirements of Australian Accounting Standard AAS 33, 'Presentation and Disclosure of Financial Instruments'.

(a) Terms, Conditions and Accounting Policies**(i) Financial Assets**

- Cash on hand is available at call and is recorded at cost.
- Receivables are raised for goods and services provided for which payment has not been received. Receivables are normally settled within 60 days.

(ii) Financial Liabilities

- The imprest account is repayable to the Treasurer and is recorded at the value of the monies received.
- Creditors and accruals are raised for all amounts billed or ordered but unpaid. Sundry creditors are normally settled within 30 days.

(b) Interest Rate Risk

Financial Instrument	2000			Weighted Average Effective Interest Rate Percent	1999			Weighted Average Effective Interest Rate Percent
	Floating Interest Rate \$'000	Non-Interest Bearing \$'000	Total Carrying Amount \$'000		Floating Interest Rate \$'000	Non-Interest Bearing \$'000	Total Carrying Amount \$'000	
Financial Assets:								
Cash on hand	18 636	23	18 679	5.58	16 611	23	16 634	4.63
Receivables	-	1 534	1 534		-	2 143	2 143	-
	<u>18 636</u>	<u>1 557</u>	<u>20 213</u>		<u>16 611</u>	<u>2 166</u>	<u>18 777</u>	
Financial Liabilities:								
Imprest account	-	23	23		-	23	23	-
Creditors and accruals	-	3 548	3 548		-	4 101	4 101	-
	<u>-</u>	<u>3 571</u>	<u>3 571</u>		<u>-</u>	<u>4 124</u>	<u>4 124</u>	<u>-</u>

(c) Net Fair Values

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

16. **Receivables**

	2000	1999
	\$'000	\$'000
Fees receivable	1 577	2 163
Less: Provision for doubtful debts	(43)	(20)
	<u>1 534</u>	<u>2 143</u>

17. **Current Assets - Other**

Prepayments	29	510
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18. **Non-Current Assets**

	2000			1999		
	At Valuation & Current Cost \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000	At Valuation & Current Cost \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Property, plant, equipment and motor vehicles:						
Buildings and improvements	2 352	240	2 112	2 409	165	2 244
Furniture and fittings	2 595	1 654	941	2 717	1 430	1 287
Office equipment	723	477	246	1 060	558	502
Motor vehicles	71	49	22	376	170	206
Work in progress - Systems development	600	-	600	-	-	-
	<u>6 341</u>	<u>2 420</u>	<u>3 921</u>	<u>6 562</u>	<u>2 323</u>	<u>4 239</u>
Works of Art	30	-	30	30	-	30

Valuations of Buildings and Improvements, and Furniture and Fittings were determined as at 30 June 1999 by Edward Rushton (Australia) Pty Ltd. Valuations of assets held by the office of the Agent-General in London were determined as at 30 June 1999 by Wellingtons Estate Agents, RA Creamer and Son Ltd and the Art Gallery of South Australia. The scope of the revaluation did not include assets held by Asian offices of the Department.

The variation between years mainly reflects the transfer of assets of the overseas offices to the Department of Industry and Trade.

19. Creditors and Accruals	2000	1999
Current:	\$'000	\$'000
Employee costs	414	1 191
Department of Industry and Trade - Funds received on behalf of Administration expenses	176	-
Accommodation and service costs	1 388	1 460
Payments to consultants	60	52
Other expenses	157	89
Subsidies under Recruitment Schemes	558	-
Other grants and subsidies	-	488
Unearned revenue	-	85
Purchases of non-current assets	65	262
	250	8
	3 068	3 635
Non-Current:		
Employee costs	480	466
20. Accumulated Surplus		
Balance at 1 July	13 853	11 493
Increase in net assets resulting from operations	1 043	487
Gain on initial recognition of assets not previously recognised	-	1 873
Balance at 30 June	14 896	13 853
21. Commitments for Expenditure		
(a) Operating Leases		
Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than one year	2 603	3 163
Later than one year and not later than five years	7 512	10 764
Later than five years	279	438
	10 394	14 365
These operating lease commitments are not recognised in the financial report as liabilities.		
(b) Contingent Obligations		
The Department is not aware of any contingent liabilities or claims against the Department not accounted for in the Financial Statements.		
22. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services		
Net cash provided by operating activities	2 403	4 005
Cash flows from government	(45 010)	(45 973)
Non-cash items:		
Depreciation expense	(467)	(595)
Net decrement arising from revaluation	-	(601)
Gain (Loss) on disposal of assets	-	7
Write off of miscellaneous assets	(118)	-
Change in operating assets and liabilities:		
(Decrease) Increase in receivables	(409)	815
(Decrease) Increase in prepayments	(274)	360
Decrease (Increase) in creditors and accruals	219	(1 452)
Increase in provision for employee entitlements	(824)	(768)
Effect of exchange rate changes or the balance of cash held in foreign currencies	-	81
Net Cost of Services	(44 480)	(44 119)
23. Remuneration of Employees	2000	1999
The number of employees whose remuneration packages for the year that were equal to or exceed \$100 000 fell within the following bands:	Number of	Number of
Department of the Premier and Cabinet:	Employees	Employees
\$100 000 - \$109 999	4	3
\$110 000 - \$119 999	2	3
\$120 000 - \$129 999	4	5
\$130 000 - \$139 999	4	-
\$140 000 - \$149 999	1	2
\$150 000 - \$159 999	-	4
\$160 000 - \$169 999	2	1
\$170 000 - \$179 999	2	-
\$180 000 - \$189 999	2	-
\$190 000 - \$199 999	2	-
\$200 000 - \$209 999	-	1
\$210 000 - \$219 999	1	-
\$220 000 - \$229 999	-	1
\$250 000 - \$259 999	1	1
\$270 000 - \$279 999	1	-
	26	21

23. Remuneration of Employees (continued)

	2000	1999
	Number of	Number of
	Employees	Employees
Unattached Unit:		
\$100 000 - \$109 999	-	2
\$110 000 - \$119 999	-	2
\$120 000 - \$129 999	3	-
\$150 000 - \$159 999	-	1
\$160 000 - \$169 999	1	-
\$170 000 - \$179 999	-	1
\$200 000 - \$209 999	1	-
	5	6

The table includes all employees who received remuneration of \$100 000 or more during the year paid by the Department of the Premier and Cabinet. The total remuneration received by these employees for the year was \$4.758 million (\$3.762 million).

Unattached unit consists of *Public Sector Management Act 1995* employees who are unable to be placed in government agencies and authorities.

24. Remuneration of Auditors

Audit fees accrued for the year to 30 June 2000 are \$103 000 (\$113 000).

25. Targeted Voluntary Separation Package (TVSPs) Scheme

	2000	1999
	Number of	Number of
	Employees	Employees
Number of employees paid TVSPs	5	5
Amount paid to these employees:	\$'000	\$'000
TVSP	704	454
Accrued annual and long service leave	292	282
	996	736
Amount recovered from the Targeted Voluntary Separation Package Scheme Special Deposit Account	704	454

These amounts are included in the Financial Statements.

26. Trust Funds

The Department administers, but does not control, the Bank of Tokyo Cultural and Social Exchange Program and the SA Okayama Account.

Aggregate details of the transactions and balances relating to the Funds are as follows:

	2000	1999
	\$'000	\$'000
Bank of Tokyo Cultural and Social Exchange Program:		
Cash balance 1 July	151	143
Receipts	8	8
Less: Expenditure	10	-
Cash Balance at 30 June	149	151
SA Okayama Account:		
Cash balance 1 July	34	32
Receipts	2	2
Less: Expenditure	-	-
Cash Balance at 30 June	36	34

As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the Department's objectives, they are not brought to account in the financial report, but are shown here for information purposes.

TARGETED VOLUNTARY SEPARATION PACKAGE (TVSP) SCHEME

SCHEME OBJECTS

The Targeted Voluntary Separation Package (TVSP) Scheme is a method of achieving workforce and budgetary reductions across the public sector.

ADMINISTRATIVE RESPONSIBILITY

The TVSP Scheme is administered by the Department's Office for the Commissioner for Public Employment.

The administration of the costs associated with the Scheme is through a Treasurer's Special Deposit Account. Payments through the account include separation costs, terminal leave payments, workers compensation and costs associated with the processing of packages. Funding is by way of Parliamentary appropriations.

To facilitate Public Sector agencies covered by the Wages Parity Agreement continuing to implement organisational restructuring objectives to improve efficiency and productivity, access to the Government's TVSP Scheme was again approved with effect from 1 July 1999.

The Scheme is the same as that specified under the *Public Sector Management Act 1995*, Direction 1 (Reissue No 3) and which was in force immediately prior to 31 December 1999. It should be noted, however, that at the time of this Report, Direction 1 was in the process of being updated to be more reflective of the new *Public Sector Management Act 1995* format.

For 1999-2000 the TVSP Scheme continued to adopt two levels of separation payment relative to the employee's resignation date. The staged levels were as follows:

Stage 1 A separation package of 8 weeks pay plus 3 weeks pay for every completed year of service up to a maximum of 104 weeks pay, if employees, who are offered a TVSP resign within 4 weeks after the offer being made.

Stage 2 A separation package of 4 weeks pay plus 2 weeks pay for every completed year of service up to a maximum of 52 weeks pay, if employees who are offered a TVSP resign more than 4 weeks after the offer is made.

In addition, to the TVSP, an employee who is under age 55 is entitled to an additional superannuation resignation benefit. The benefit varies depending on the nature of Scheme membership (ie State Pension, State Lump Sum or Triple S).

SIGNIFICANT FEATURES

- Payments for Targeted Voluntary Separation Packages increased by \$18.6 million (41 percent) to \$63.9 million.
- Appropriations increased by \$3.9 million (7.8 percent) to \$53.9 million. The additional appropriation was insufficient to meet the additional payments from the TVSP Scheme, resulting in a decrease in net assets from operations of \$11.3 million.

AUDIT MANDATE AND SCOPE

The audit of the Department of the Premier and Cabinet included matters relating to the audit of the TVSP Scheme which it administers.

Scope of the Audit

The audit program and review covered all major financial systems and processes 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 Communications to Management

Matters arising from the audit were detailed in a management letter. That letter, whilst indicating that existing systems of internal control were, in general, operating satisfactorily, also noted that specific consideration was warranted towards the need to:

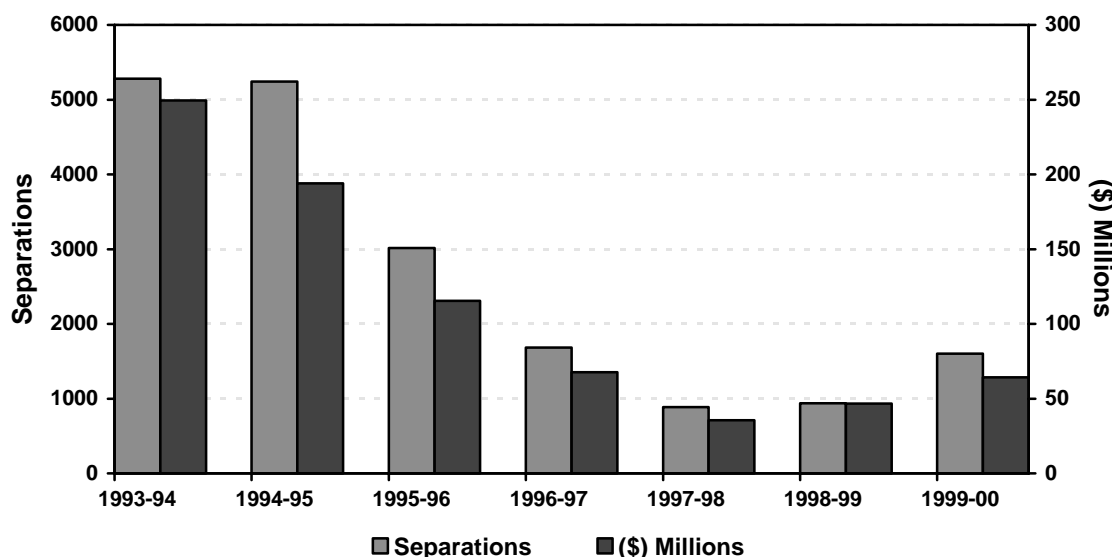
- fully review the effectiveness of the TVSP Scheme to assess whether it had achieved Government objectives;
- improve documentation maintenance; in particular when monitoring TVSP reimbursement against Commissioner for Public Employment approvals.

The response from the Department was positive in most respects. It was noted, however, that the Commissioner for Public Employment did not consider a full review of the Scheme would be useful at this stage.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

The total number of separations and the cost of those separation packages (ie excluding other payments) for the past seven years is illustrated in the following diagram.

The major reason for the increase in the number of separations during 1999-2000 from that of the previous year relate to contracting out arrangements of TransAdelaide. Of the 1603 total separations, this accounted for 940.



Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Targeted Voluntary Separation Packages	3	63 946	45 298
Incentives	4	592	201
Workers compensation		410	3 555
Administration expenses	5	269	160
Total Operating Expenses		65 217	49 214
OPERATING REVENUES:			
Recovery of overpayments		3	107
Total Operating Revenues		3	107
NET COST OF SERVICES	8	65 214	49 107
REVENUES FROM GOVERNMENT			
Appropriations		53 921	50 000
Total Revenues from Government		53 921	50 000
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		(11 293)	893

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash		-	3 869
Receivables		-	-
Total Current Assets		-	3 869
CURRENT LIABILITIES:			
Payments due to agencies	7	8 730	1 306
Total Current Liabilities		8 730	1 306
NET ASSETS		(8 730)	2 563
EQUITY:			
Accumulated (deficit) surplus	6	(8 730)	2 563
TOTAL EQUITY		(8 730)	2 563

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:			
Targeted Voluntary Separation Packages		(56 473)	(47 542)
Incentives		(592)	(201)
Workers compensation		(410)	(3 555)
Administration		(318)	(110)
Total Payments		(57 793)	(51 408)
RECEIPTS:			
Recovery of overpayments		3	168
Total Receipts		3	168
CASH FLOWS FROM GOVERNMENT:			
Appropriations		53 921	50 000
Total Cash Flows from Government		53 921	50 000
Net Cash used in Operating Activities	8	(3 869)	(1 240)
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS:			
Loans and advances		-	-
RECEIPTS:			
Proceeds from loans and advances		-	1 625
Net Cash provided by Investing Activities		-	1 625
NET (DECREASE) INCREASE IN CASH HELD		(3 869)	385
CASH AT 1 JULY		3 869	3 484
CASH AT 30 JUNE		-	3 869

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives

The Targeted Voluntary Separation Package Schemes was established in March 1993 to assist agencies in meeting budget targets set by Cabinet to meet the Government's deficit and debt outcomes. The Schemes take account of workforce reduction requirements and human resource management aspects of contracting out and restructuring of agency operations.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The accounts have been prepared in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historic cost principles except where stated.

(b) The Reporting Entity

The financial arrangements of the Targeted Voluntary Separation Package Schemes are administered by, but not controlled by, the Department of the Premier and Cabinet through a Special Deposit Account entitled 'Targeted Voluntary Separation Package Schemes' (the Account). The Account's principal source of funds consists of monies appropriated by Parliament to the Treasurer - Other Items line entitled 'Funding for Targeted Voluntary Separation Package Schemes'.

(c) Appropriations

Appropriations are recognised as revenue when the Schemes obtain control over the assets comprising the contribution. Control over appropriation is normally obtained upon their receipt.

(d) Cash

For the purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis.

3. Targeted Voluntary Separation Packages

Agencies receiving reimbursements above \$1 million for the year ended 30 June 2000 are:

	2000	1999
	\$'000	\$'000
Department of Education, Training and Employment	6 250	20 630
Department for Transport, Urban Planning and the Arts	39 809	11 611
Department of Human Services	7 384	4 958
Department for Administrative and Information Services	6 271	2 889
Justice	1 305	1 987
Department of the Premier and Cabinet	1 117	-
Other agencies	1 810	3 223
	63 946	45 298

4. Incentives

Agencies receiving reimbursement for the year ended 30 June 2000 are:

Department for Transport, Urban Planning and the Arts	-	191
SA Tourism Commission	-	10
Other agencies	-	-
Department of Human Services	592	-
	592	201

5. Administered Expenses

Expenses incurred in administering the Schemes are reimbursed to the following:

Department of the Premier and Cabinet	203	95
Crown Solicitor	50	50
Accrued audit fees	7	6
State Superannuation Office	9	9
	269	160

6. Accumulated Surplus

Balance at 1 July

(Decrease) Increase in net assets resulting from operations

Balance at 30 June

2 563	1 670
(11 293)	893
(8 730)	2 563

7. Payments due to Agencies

Unreimbursed TVSP payments due to agencies

Accrued legal fees due to the Crown Solicitor's Office

Accrued audit fees due to the Auditor-General's Department

8 723	1 250
-	50
7	6
8 730	1 306

8. Reconciliation of Net Cash used in Operating Activities to Net Cost of Services

Net cash used in operating activities

Cash flows from government

Change in operating assets and liabilities:

Increase (Decrease) in receivables

(Increase) Decrease in creditors

Net Cost of Services

(3 869)	(1 240)
(53 921)	(50 000)
-	(60)
(7 424)	2 193
(65 214)	(49 107)

GOVERNMENT WORKERS REHABILITATION AND COMPENSATION FUND

ADMINISTERED RESPONSIBILITY

The Government Workers Rehabilitation and Compensation Fund (the Fund) is administered by, but not controlled by, the Department of the Premier and Cabinet.

OBJECTS OF THE FUND

The Fund was established to provide for the funding of rehabilitation programs and payments of workers compensation benefits for government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury and disease suffered as a result of work.

AUDIT MANDATE AND COVERAGE

The audit of the Department of the Premier and Cabinet included matters relating to the audit of the Fund.

Scope of the Audit

The audit encompassed a review, evaluation and testing of internal controls surrounding the Fund's operations. The major focus of the audit was with respect to financial reporting, including valuations undertaken of the Fund's liabilities and assets, where applicable. The audit also considered actions taken by management during the year to address findings of an external review undertaken during the previous year.

Audit Communications to Management

There were no material issues that were formally communicated to management during the year. Matters noted during the course of the audit were satisfactorily addressed by the Department.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Government Workers Rehabilitation and Compensation Fund 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 the Premier and Cabinet in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, 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

There was a decrease in Net Assets resulting from Operations of \$2.6 million (an increase of \$1.9 million). This represents a negative turnaround in operations of \$4.5 million. The main reasons for this were:

- an increase in Claims expense of \$1.6 million.
- a decrease in Operating Revenues of \$2.7 million.

The value of the outstanding claims liability was \$18.1 million (\$16.0 million). The increase predominantly reflects a more detailed provision of source data for actuarial estimation, based on individual claim files, compared with previous years. This has enhanced interpretation of the financial position of the Fund.

In addition, the data revealed that income benefits to income maintenance claimants were expected to continue considerably longer than other payment types, thereby contributing to the increased liability.

Claim expenses totalled \$7.4 million (\$5.8 million) an increase of 27.5 percent which is mainly attributed to the increased expenses as a result of the increase in the outstanding claims liability.

The Fund continues to carry an accumulated deficit, which has reached \$10.5 million. This deficit essentially represents unfunded non-current liabilities. The Fund has, however, sufficient cash assets (\$6.2 million) to meet current claim liabilities (\$6.1 million).

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Claims expenses	3	7 415	5 843
Payments to consultants	4	40	15
Other expenses	5	224	140
Total Operating Expenses		7 679	5 998
OPERATING REVENUES:			
Premiums		354	477
Recoveries from third parties		315	267
Transfer from Targeted Voluntary Separation Packages Scheme	2(b)	410	3 072
Other		5	30
Total Operating Revenues		1 084	3 846
NET COST OF SERVICES	10	(6 595)	(2 152)
REVENUES FROM GOVERNMENT:			
Appropriation		3 984	4 019
Total Revenues from Government		3 984	4 019
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		(2 611)	1 867

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash		6 172	6 431
Receivables	6	618	973
Total Current Assets		6 790	7 404
NON-CURRENT ASSETS:			
Receivables	6	873	894
Total Non-Current Assets		873	894
Total Assets		7 663	8 298
CURRENT LIABILITIES:			
Creditors and accruals	8	29	120
Outstanding claims liability	7	6 121	3 789
Total Current Liabilities		6 150	3 909
NON-CURRENT LIABILITIES:			
Outstanding claims liability	7	11 970	12 235
Total Non-Current Liabilities		11 970	12 235
Total Liabilities		18 120	16 144
NET ASSETS		(10 457)	(7 846)
EQUITY:			
Accumulated deficit	9	(10 457)	(7 846)
TOTAL EQUITY		(10 457)	(7 846)

Statement of Cash Flows for the year ended 30 June 2000

	2000	1999
	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:		
PAYMENTS:		
	Note	
Lump sum settlements	\$'000	\$'000
Income maintenance	(4 090)	(4 791)
Medical expenses	(173)	(376)
Legal costs	(397)	(415)
Investigation costs	(123)	(77)
Payments to consultants	(30)	(16)
Other expenses	(35)	(39)
Total Payments	(854)	(125)
RECEIPTS:		
Recoveries from third parties	899	267
Premiums	145	488
Transfer from targeted voluntary separation packages	410	3 072
Other	5	30
Total Receipts	1 459	3 857
CASH FLOWS FROM GOVERNMENT:		
Appropriations	3 984	4 019
Total Cash Flows from Government	3 984	4 019
Net Cash (used in) provided by Operating Activities	(259)	2 037
NET (DECREASE) INCREASE IN CASH HELD	(259)	2 037
CASH AT 1 JULY	6 431	4 394
CASH AT 30 JUNE	6 172	6 431

NOTES TO AND FORMING PART OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

1. Objectives

The Government Workers Rehabilitation and Compensation Fund (the Fund) was established to provide for the funding of rehabilitation programs and payment of workers compensation benefits for government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury and disease suffered as a result of work.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The accounts of the Fund have been prepared in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historical cost principles except where stated.

(b) The Reporting Entity

The financial report encompasses all activities transacted through a Special Deposit Account entitled 'Government Workers Rehabilitation and Compensation Fund'. The Fund is administered by, but not controlled by, the Department of the Premier and Cabinet.

The Fund's principal sources of funding consists of:

- monies appropriated to the Department of the Premier and Cabinet for the Fund by Parliament;
- monies reimbursed from the Targeted/Voluntary Separation Package Schemes Special Deposit Account for the settlement of outstanding workers compensation claims, which is a pre-requisite of the separation process;
- premiums from small government agencies who are insured under the fund;
- recoveries from third parties, mainly in regard to motor vehicle accidents.

(c) Claims Expenses Met from the Fund

The following expenses for claims are met by the Fund:

- All claim expenses associated with small government agencies who pay a premium to the Fund.
- Lump sum settlements, legal costs and costs associated with journey accidents to and from work for certain medium sized government agencies covered by the Fund.
- Redemption payments, legal costs and costs associated with journey accidents to and from work to larger government agencies.

(d) Appropriations

Appropriations are recognised as revenues when the Fund obtains control over the assets comprising the contributions. Control over appropriations is normally obtained upon their receipt.

(e) Receivables

Funding is obtained by recoveries from third parties. The level of receivables in relation to third party recoveries has been established on the basis of an independent actuarial assessment of the estimated revenue expected from recovery action against third parties. The actuarial assessment includes the separation of the receivables into current and non-current.

(f) Cash

For purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis.

(g) Outstanding Claims Liability

The provision for outstanding liability of the Fund covers those claims expenses stated in clause 2(c) as being met from the Fund.

A liability for outstanding claims is recognised in respect of claims incurred but not yet paid, claims incurred but not reported, and the anticipated direct and indirect costs of settling those claims.

The liability for outstanding claims has been established on the basis of an independent actuarial assessment of the estimated costs of settlement of claims, inflated for the anticipated effects of inflation and other factors, and discounted to a present value at balance date.

(h) Financial Instruments

The Fund's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2000, are as follows:

Financial Assets

Cash at bank includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis. Cash deposits are non-interest bearing.

Receivables (Note 6) include client debtors and other debtors and are reported at amounts due.

Financial Liabilities

Creditors (Note 8) are raised for amounts billed but unpaid and are normally settled within 30 days.

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

3. Claims Expense	2000			1999		
	Cash Flow Payments	Movement in Outstanding Liability	Total Expense	Cash Flow Payments	Movement in Outstanding Liability	Total Expense
Claims expense comprised of:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lump sum settlements	4 000	(1 920)	2 080	4 881	1 687	6 568
Income maintenance	173	566	739	376	(401)	(25)
Legal costs	123	543	666	77	(796)	(719)
Other	1 051	2 879	3 930	431	(412)	19
	5 347	2 068	7 415	5 765	78	5 843

4. Payments to Consultants

Amounts paid or payable to a consultant engaged by the Fund was \$40 455 (\$15 000).

5. Other Expenses

Other expenses comprised:

	2000	1999
	\$'000	\$'000
WorkCover exempt employer levy	131	135
Audit fees	4	5
Other	89	-
	224	140

6. Receivables

The Funds third party recoveries receivable was determined by an independent actuary valuation performed by Taylor Fry Consulting Actuaries (Auton Consulting Pty Ltd).

Third party recoveries	1 204	1 788
Premiums receivable	287	79
	1 491	1 867

7. Outstanding Claims Liability

The Funds liability reflects an apportionment of the whole-of-government workers compensation liability, according to the experience of claim numbers and payments over the period 1 July 1987 to 30 June 2000. The whole-of-government estimate can be found in a report prepared by Taylor Fry Consulting Actuaries (Roger Auton, Principal of Auton Consulting Pty Ltd), dated August 2000 and submitted to 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 PS300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance Activities' of the Institute of Actuaries of Australia. The whole-of-government estimate in relation to this Fund is detailed below.

	2000	1999
	\$'000	\$'000
(a) Current:		
Income maintenance	324	284
Lump sum settlements	4 497	3 043
Legal costs	363	286
Other	937	176
	6 121	3 789
(b) Non-Current:		
Income maintenance	1 094	5 69
Lump sum settlements	7 272	10 646
Legal costs	1 115	649
Other	2 489	371
	11 970	12 235

7.	Outstanding Claims Liability (continued)	2000	1999
	(c) Total:	\$'000	\$'000
	Income maintenance	1 418	853
	Lump sum settlements	11 769	13 689
	Legal costs	1 478	935
	Other	3 426	547
		18 091	16 024
8.	Creditors and Accruals		
	Consultant fees	19	14
	Other	10	106
		29	120
9.	Accumulated Deficit		
	Balance at 1 July	(7 846)	(11 501)
	(Decrease) in net assets resulting from operations	(635)	-
	Adjustment due to recognition of Third Party Receivables	-	1 788
	(Increase) Decrease in net liabilities resulting from operations	(1 976)	1 867
	Balance at 30 June	(10 457)	(7 846)
10.	Reconciliation of Net Cost of Services to Net Cash used in Operating Activities		
	Net cash provided by operating activities	(259)	2 037
	Cash flow from Government	(3 984)	(4 019)
	Asset recognised for the first time in 1998-99	-	(1 788)
	Change in operating assets and liabilities:		
	(Decrease) Increase in receivables	(376)	1 778
	Decrease (Increase) in creditors and accruals	91	(82)
	Increase in claims liability	(2 067)	(78)
	Net Cost of Services	6 595	2 152

SEVENTH AUSTRALIAN MASTERS GAMES CORPORATION

FUNCTIONAL RESPONSIBILITY

The Seventh Australian Masters Games Corporation, a subsidiary to the Minister for Tourism (formerly the Minister for Industry Trade and Tourism), was established on 21 May 1998 pursuant to regulations under the *Public Corporations Act 1993* (the Act). The functions of the Corporation are limited by regulation to plan, organise, promote, host and stage the Seventh Australian Masters Games (the Games) and, in particular to:

- develop and implement an organisational plan for the Games;
- market and promote the Games within and outside the State;
- do (whether within or outside the State) all other things necessary for, or incidental or ancillary to, the planning, organisation, hosting and staging of the Games;
- carry out other functions conferred on the subsidiary by the Minister.

The Games were held in the period 25 September to 3 October 1999.

AUDIT MANDATE AND COVERAGE

Audit Authority

The Schedule to the Act, requires the Seventh Australian Masters Games Corporation, established pursuant to section 24 of the Act, to keep proper accounts of its 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 Seventh Australian Masters Games Corporation.

Scope of Audit and Findings

As mentioned previously the Games were completed in early October 1999. The last meeting of the Board of the Seventh Australian Masters Games Corporation was held in late October 1999. At this meeting responsibility for the finalisation of operations (including preparation of the 1999-2000 financial statements) and statutory wind up of the Corporation was given to the South Australian Tourism Commission.

Specific areas of Audit attention to the 1999-2000 operations of the Corporation included:

- revenue, receipting and banking
- salaries and wages
- accounts payable
- general ledger and journals
- management and financial reporting
- finalisation of operations and statutory wind up of the Corporation.

The audit of the Corporation's results of operations and accounts was completed after the finalisation of the Games. Matters identified in the final audit of the Corporation principally related to Audit suggestions provided to facilitate the completion of the 1999-2000 financial statements and statutory wind up of the Corporation. These matters were communicated to the South Australian Tourism Commission and Minister for Tourism and have been responded to in a satisfactory manner.

The financial statements for 1999-2000, presented for audit, have addressed the suggestions made by Audit. In addition, the regulatory process to wind up the Corporation was being progressed at the time 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 Seventh Australian Masters Games 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 Seventh Australian Masters Games 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

- The operating results and net asset position of the Corporation over the period of time since its establishment is summarised as follows:

	2000	1999	1998
	\$'000	\$'000	\$'000
Operating revenues	1 682	1 853	262
Operating expenses	1 745	1 722	227
Operating Surplus (Deficit)	(63)	131	35
Net Assets	3	166	35

- The wind down of the residual net assets is being administered by the South Australian Tourism Commission (Note 22 to the financial statements refers).

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING REVENUES:			
Registration fees		570	198
Revenues from government	3	654	1 130
Corporate sponsorships	4	344	493
Other revenues	5	114	32
Total Operating Revenues		1 682	1 853
OPERATING EXPENSES:			
Salaries, wages and related payments		440	579
Marketing and advertising		254	398
Event staging	6	810	178
Amortisation	7	70	292
Other expenses	8	171	275
Total Operating Expenses		1 745	1 722
OPERATING (DEFICIT) SURPLUS		(63)	131
ACCUMULATED SURPLUS AS AT 1 JULY		166	35
Dividend paid	9	(100)	-
ACCUMULATED SURPLUS AT 30 JUNE		3	166

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash at bank and on hand		33	298
Receivables	10	-	32
Unearned revenue	11	-	70
Inventories		-	85
Other assets	13	-	9
Total Current Assets		33	494
Total Assets		33	494
CURRENT LIABILITIES:			
Creditors and accruals	14	30	160
Sports levies payable		-	110
Licence fee	15	-	50
Other liabilities		-	8
Total Current Liabilities		30	160
Total Liabilities		30	328
NET ASSETS	22	3	166
EQUITY:			
Accumulated surplus		3	166
TOTAL EQUITY		3	166

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 and sponsors		722	379
Receipts from government		468	795
Payments to suppliers and employees		(1 371)	(883)
Interest received		16	8
Total Cash (used in) provided by Operating Activities	16(a)	(165)	299
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of dividend		(100)	-
Net Cash used in Financing Activities		(100)	-
NET (DECREASE) INCREASE IN CASH HELD		(265)	299
CASH AT 1 JULY		298	(1)
CASH AT 30 JUNE	16(b)	33	298

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Establishment, Objectives and Funding**

(a) **Establishment**

In February 1997, Cabinet gave approval for Adelaide to bid for the hosting of the Seventh Australian Masters Games to be held in the latter part of 1999. The Confederation of Australian Sport confirmed (in March 1997) that the Adelaide bid was successful.

In September 1997, Cabinet approved the establishment of the Australian Masters Games Organising Committee and the appointment of a Chairman and Deputy Chairman. Other members were appointed to the Committee in February 1998.

Regulations to establish the Seventh Australian Masters Games Corporation (SAMGC) as a subsidiary of the then Minister for Industry, Trade and Tourism (now Minister for Tourism) under the *Public Corporations Act 1993*, were gazetted on 21 May 1998. Members of the Australian Masters Games Organising Committee constitute the SAMGC Board of Directors.

Principal sources of funding for SAMGC comprise contributions from the South Australian Government, the private sector and registration fees from participants. Contributions are provided in the form of grants and sponsorships, and include both cash and in kind support.

(b) **Objectives**

The Objectives of the SAMGC are:

- Quality management of the event;
- Fair competition in all sports;
- Effective marketing of the Games, to ensure optimum participation;
- An enjoyable sporting and social experience for all participants;
- A financially successful event, achieving a small surplus at the conclusion of the Games, working within budget guidelines;
- A positives economic impact on South Australia, with emphasis on tourism;
- Ongoing benefits to sport in South Australia;
- Continuing development and promotion of the Australian Masters Games concept, in association with the Confederation of Australian Sport.

(c) **Functions**

The primary function of the SAMGC is to plan, organise, promote, host and stage the Seventh Australian Masters Games and in doing so the SAMGC will:

- develop and implement an organisational plan for the Games;
- market and promote the Games within and outside the State;
- do (whether within or outside the State) all other things necessary for, or incidental or ancillary to, the planning, organisation, hosting and staging of the Games;
- carry out other functions conferred on the SAMGC by the Minister.

The Games were held in the period 25 September to 3 October 1999.

2. **Statement of Significant Accounting Policies**

The significant accounting policies that have been adopted in the preparation of the financial statements are:

(a) **Basis of preparation of Financial Statements**

The financial statements have been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, the Treasurer's Instructions and Accounting Policy Statements, issued pursuant to the *Public and Finance and Audit Act 1987* and other mandatory professional reporting requirements (Urgent Issues Group Abstracts).

The financial statements have been prepared using historical costs and do not take into account changing money values.

As the Games were completed in October 1999 these are the final financial statements for the SAMGC (Refer Note 22).

(b) **Recognition of Revenue**

Grants, sponsorship and participation fees are recognised in the period in which monies are received or when the SAMGC obtains control of the associated assets.

(c) **Non-Current Assets**

Furniture and fittings and computing equipment have been provided by way of donation for the life of the SAMGC from various government and private sector agencies. All equipment is ultimately to be returned to the respective donor. The equipment is of importance to the operations of the SAMGC. However, as the economic benefits are not considered to be material they have not been brought to account in the financial statements.

(d) **Inventories**

Inventories are carried at the lower of cost or net realisable value.

(e) **Amortisation**

Unearned Revenue

Sponsorships of in-kind nature that were expected to provide material benefit to the SAMGC for more than the current reporting period were capitalised as unearned revenue. Unearned revenue is amortised over the period in which the benefits were consumed.

(e) **Amortisation (continued)**

Licence Rights

The licence rights provide the SAMGC with the exclusive right to host and derive income as a result of staging the Games. The licence rights are amortised over the period of time revenue is received by the SAMGC. As at 30 June 2000 licence rights totalling \$200 000 had been fully amortised.

(f) **Employee Entitlements**

SAMGC staff were provided by both government and private sector agencies. Some staff costs were recharged to the SAMGC whilst others were provided as part of sponsorship arrangements. Therefore there were no accruing liabilities to the SAMGC as recharges and sponsorships include on-costs for all employees.

(g) **Superannuation**

During 1999-2000 a total of \$15 000 was paid, or due and payable, to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of the SAMGC's employees.

(h) **Financial Instruments**

Financial Assets

At 30 June 2000, cash at bank comprises deposits at call in a Business Cheque Account with the Adelaide Bank. Interest revenues were earned on the Business Cheque Account and a Money Market Account with the Adelaide Bank that was closed during the year. Interest revenues were recognised as they accrue. For the deposit in the Business Cheque Account the average interest rate was 3.49 percent. For the deposit in the Money Market Account the average interest rate was 4.25 percent.

Receivables (Note 10) are reported at amounts due less the provision for doubtful debts (maximum credit risk).

Financial Liabilities

Trade creditors (Note 14) are recognised for goods and services that have been supplied but have not been paid as at 30 June. Trade creditors are normally settled within 30 days or in accordance with the terms of credit offered by the trade creditor.

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

(i) **Comparative Figures**

Where applicable, certain comparative figures have been restated in order to comply with the current year's presentation of the financial statements.

3.	Revenues from Government	2000	1999
		\$'000	\$'000
	Cash	468	795
	In-kind support	186	335
		654	1 130
4.	Corporate Sponsorship		
	Cash	27	79
	In-kind support	317	414
		344	493
5.	Other Revenues		
	Merchandising	43	9
	Advertising sales	14	7
	Bank interest	14	8
	Opening ceremony ticket sales	11	-
	Other revenue	32	8
		114	32
6.	Event Staging		
	Functions and events	136	21
	Registration kits	96	-
	Signage and venue expenses	93	91
	First aid expenses	83	-
	Accommodation - Games Centre	72	2
	Insurance	54	9
	Volunteer expenses	49	3
	Medals	49	-
	Sports levies	39	42
	Event results	34	-
	Communication and media	31	-
	Security	30	-
	Uniforms	21	10
	Transportation	23	-
		810	178
7.	Amortisation		
	Licence rights	-	200
	Unearned revenue	70	92
		70	292

8. Other Expenses	2000	1999
	\$'000	\$'000
Computing	29	82
Board fees and related expenses	25	71
Accounting and audit fees	21	18
Motor vehicle expenses	18	3
Legal fees	15	11
Photocopying	11	18
Telephone and fax charges	8	15
Bad debts expense	7	-
Travel and accommodation	2	36
Other expenses	35	21
	<u>171</u>	<u>275</u>
9. Dividend		
The Treasurer, in accordance with the Public Corporations (Seventh Australian Masters Games Corporation) Regulations 1998, approved the payment of a \$100 000 dividend by the SAMGC to the South Australian Tourism Commission.		
10. Receivables	2000	1999
	\$'000	\$'000
Trade debtors	7	32
Less: Provision for doubtful debts	7	-
	<u>-</u>	<u>32</u>
11. Unearned Revenue		
Unearned revenue	180	180
Less: Accumulated amortisation	180	110
	<u>-</u>	<u>70</u>
12. Licence Rights		
Licence rights	200	200
Less: Accumulated amortisation	200	200
	<u>-</u>	<u>-</u>
13. Other Assets		
Accrued income	-	2
Prepayments	-	7
	<u>-</u>	<u>9</u>
14. Creditors and Accruals		
Trade creditors	-	104
Accruals	30	56
	<u>30</u>	<u>160</u>
15. Licence Fee		
In consideration of the Confederation of Australian Sport granting the licence and rights to permit the SAMGC to promote, host and stage the Games, the SAMGC must pay the Confederation of Australian Sport a licence fee.		
16. Notes to the Statement of Cash Flows	2000	1999
(a) Reconciliation of Net Cash provided by (used in) Operating Surplus (Deficit)	\$'000	\$'000
Operating (deficit) surplus	(63)	131
Amortisation	70	292
Doubtful debts expense	7	-
Change in assets and liabilities:		
Decrease (Increase) in unearned revenue	-	(135)
Decrease (Increase) in trade debtors	25	(32)
Decrease (Increase) in inventories	85	(85)
Decrease (Increase) in other assets	9	(9)
(Decrease) Increase in creditors and accruals	(130)	119
(Decrease) Increase in sports levies payable	(110)	110
(Decrease) Increase in other liabilities	(8)	8
Decrease in licence fee	(50)	(100)
Net Cash (used in) provided by Operating Activities	<u>(165)</u>	<u>299</u>
(b) Reconciliation of Cash		
For the purposes of the Statements of Cash Flows, cash includes cash deposits which can be readily converted to cash and which are used in the cash management function on a day to day basis.		
17. Related Party Information		
(a) Directors		
The names of persons who held office as a Director of the Board of the SAMGC during the year were:		
Barry Fitzpatrick	(Chairman)	Kathy Stanton
Don Sarah, AM	(Deputy Chairman)	Bill Spurr
Simon Forrest		Peter Wylie
Michael Nunan		Sue Baker-Finch
Sam Ciccarello		Judie Munro
Nigel Winter		

17. Related Party Information (continued)
(b) Transactions

Organisations associated with a number of the Directors have entered into sponsorship agreements with the SAMGC Board. Benefits flowing to these organisations under the sponsorship agreements are no more beneficial than those offered to other organisations.

Some staffing resources are provided by organisations associated with the Board of Directors and the SAMGC is recharged on a cost basis for these staff.

18. Remuneration of Directors of the Board

The number of Directors who received, or were due to receive, remuneration were:

	2000	1999
	Number of	Number of
	Directors	Directors
Nil	4	4
\$1 - \$10 000	7	6
\$10 000 - \$20 000	-	1

The aggregate remuneration of the Board of Directors was \$25 000 (\$66 000).

19. Employee Remuneration

The number of employees who received, or were due to receive, directly or indirectly from the SAMGC a total remuneration in connection with the SAMGC was:

	2000	1999
	Number of	Number of
	Employees	Employees
\$100 000 - \$110 000	-	1

20. Auditor's Remuneration

Amounts due and receivable by the Auditor-General's Department for the audit of the SAMGC were \$10 000 (\$7 500).

21. Consultants

Payments to consultants during the year were nil (\$29 000).

22. Wind Up of the SAMGC and Administration of Residual Net Assets

Following the completion of the Games in early October 1999, the last meeting of the Board of the SAMGC was held in late October 1999. At this meeting responsibility for the statutory wind up of the SAMGC was given to the South Australian Tourism Commission (SATC). At 30 June 2000 the regulatory process to wind up the SAMGC was being progressed.

The wind down of the residual net assets of \$3 000 at 30 June 2000 is being administered by the SATC.

SOUTH AUSTRALIAN MOTOR SPORT BOARD

FUNCTIONAL RESPONSIBILITY

The South Australian Motor Sport Board was established pursuant to the *South Australian Motor Sport Act 1984*. The *South Australian Motor Sport (Miscellaneous) Amendment Act 2000* proclaimed on 13 July 2000 provides for (amongst other things) amendments to the functions of the South Australian Motor Sport Board.

The functions of the Board are to:

- enter into agreements on behalf of the State under which motor sport events, whether promoted by the Board or by some other person approved by the Minister, are held in the State;
- undertake on behalf of the State the promotion of motor sport events;
- establish a temporary motor racing circuit and conduct and manage motor racing events promoted by the Board;
- provide advisory, consultancy, management or other services on the conduct of sporting, entertainment or other special events or projects, whether within or outside the State;
- such other functions as the Minister may from time to time approve.

The Board comprises nine members appointed by the Governor and is subject to the general control and direction of the Premier.

The Board has the right to stage a motor sport event for a fixed period of five years, commencing in 1999, with an option to extend the contract for a further five years. Pursuant to a Naming Rights Sponsorship Agreement effective 1 April 1999, the event is known as the 'Clipsal 500 Adelaide'.

The Board also has a responsibility under certain contractual arrangements entered into by the Premier of the State of South Australia and the Board with a company, 'Panoz Motorsport Australia Pty Ltd', to provide a motor racing circuit and promote a race event in the 'Le Mans' style to be known as 'The Race of a 1000 Years' which is to be staged on 29, 30 and 31 December 2000.

SIGNIFICANT FEATURES

- In relation to the Financial Statements and notes thereto, figures presented in the statements for 1999-2000 cover the 12 month period ending 30 June 2000, whereas the comparative figures cover the eighteen month period, 1 January 1998 to 30 June 1999.
- The Board's Financial Statements show an operating deficit of \$398 000 (\$1.22 million) for the reporting period. As commented under the heading 'Interpretation and Analysis of Financial Statements' of this section of this Report, had the Board applied an Accounting Policy Statement requirement of the Treasurer in relation to 'contributions', the operating result would have been an operating deficit of \$513 000 (operating surplus of \$2.54 million). The same accounting treatment was applied in respect of the financial reporting period ending 30 June 1999.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 18(3) of the *South Australian Motor Sport Act 1984* provides for the Auditor-General to audit the accounts of the Board in respect of each financial year.

Scope of Audit

The Board's administration and financial accounting operations are not large and complex in nature. Furthermore, major activities associated with the staging of the 'Clipsal 500 Adelaide' were contracted out to external parties.

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:

- contracting out arrangements
- revenue, including receivables
- expenditure, including accounts payable and salaries and wages
- plant and equipment, including the adequacy of asset register maintenance
- reporting and monitoring of Board operations.

The review of the Board's general financial control structure and operations was assessed as satisfactory.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Motor Sport 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 Motor Sport 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

Financial Reporting Period

The Financial Statements and notes thereto, reflect a summary of transactions on an accrual basis of accounting for the 12 month period ending 30 June 2000 (18 month period, 1 January 1998 to 30 June 1999 in respect of comparative figures).

State Government Contributions

During the reporting period, the Board received contributions from the State Government comprising, \$1.1 million (\$4.7 million) for capital works and \$780 000 (\$900 000) for operating. The Statement of Cash Flows refers.

Operating Result

The Operating Statement of the Board for the 12 month period ended 30 June 2000 records an operating deficit of \$398 000 (\$1.22 million for the 18 month period 1 January 1998 to 30 June 1999).

As explained in Notes 3.1 and 3.2 to the Financial Statements, the Board has applied an International Accounting Standard in difference to the mandatory Accounting Policy Statement of the Treasurer, in relation to the financial accounting and reporting treatment of the capital contribution (grant) of \$1.1 million (\$4.7 million). The application of the Accounting Policy Statement APS 11 'Contributions', rather than the International Accounting Standard, would have resulted in the Board recording an operating deficit of \$513 000 (operating surplus of \$2.54 million).

As such, the Independent Audit Report covering the Financial Statements of the Board has again been qualified in respect of this matter.

EXTRACT FROM INDEPENDENT AUDIT REPORT

As mentioned, with respect to my Independent Audit Report on the Financial Statements of the South Australian Motor Sport Board, I have again issued a Qualified Audit Opinion.

An extract from the Independent Audit Report is provided hereunder:

Qualification

Note 3.1 to the Financial Statements - Basis of Accounting - states that 'The financial statements have been prepared as a general purpose financial report in accordance with ... the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the Public Finance and Audit Act 1987 ... except ... in relation to the entity's financial accounting and reporting treatment of the State Government Grant - Capital'.

Accounting Policy Statement APS 11 'contributions' requires that grants be recognised as revenue when received. The Board has determined that the capital grants received be amortised over the fixed five year race staging period. The Board has based its determination on the application of International Accounting Standard IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'.

As a result, of the total of \$5.8 million received by way of capital grants only \$2.2 million has been recognised as revenue with the remaining \$3.6 million recognised as a liability. This has resulted in the Board showing an operating deficit for the reporting period of \$398 000 against an operating deficit of \$513 000 had there been compliance with APS 11.

Qualified Audit Opinion

In my opinion, except for the effect on the financial report of the matter referred to in the qualification paragraphs, 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 South Australian Motor Sport Board as at 30 June 2000, the results of its operations and its cash flows for the period then ended.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	*1999 \$'000
REVENUE:			
OPERATING:			
Ticket sales		2 964	2 772
Corporate facilities		2 804	1 823
State Government grant - Operating	1	780	900
Official suppliers		951	563
Other sponsorship		578	225
Interest from non-related persons		97	270
OTHER:			
State Government grant - Capital	1, 3.2, 13	1 215	940
Asset hire		30	3
Other		27	82
Total Revenue		9 446	7 578
EXPENDITURE:			
Circuit construction		4 406	4 344
Event staging and contracts		1 634	1 379
Support events		388	301
Historical program		311	375
Salaries, wages and related payments	4	459	263
Administration expenses, minor equipment and sundries		489	303
Marketing and advertising		1 033	934
Public relations and media		151	93
Loss on sale of fixed assets		4	-
Depreciation and amortisation		969	806
Total Expenditure		9 844	8 798
OPERATING DEFICIT		(398)	(1 220)
ACCUMULATED SURPLUS AT 1 JULY		1 618	2 838
ACCUMULATED SURPLUS AT 30 JUNE		1 220	1 618

* Relates to the 18 month period 1 January 1998 to 30 June 1999.

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash	15.1	22	1 703
Receivables	6	1 566	846
Other	7	176	75
Total Current Assets		1 764	2 624
NON-CURRENT ASSETS:			
Property, plant and equipment	8	5 874	4 584
Other	9	211	114
Total Non-Current Assets		6 085	4 698
Total Assets		7 849	7 322
CURRENT LIABILITIES:			
Accounts payable	10	2 847	1 931
Borrowings	11, 15.1	110	-
Provisions	12	27	13
State Government grant - capital	13	1 215	940
Total Current Liabilities		4 199	2 884
NON-CURRENT LIABILITIES:			
State Government grant - capital	13	2 430	2 820
Total Non-Current Liabilities		2 430	2 820
Total Liabilities		6 629	5 704
NET ASSETS		1 220	1 618
EQUITY:			
Accumulated surplus		1 220	1 618
TOTAL EQUITY		1 220	1 618
Contingent Liabilities	14		

Statement of Cash Flows for the year ended 30 June 2000

		2000	1999
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and sponsors	Note	\$'000	\$'000
Payments to suppliers and employees		8 070	5 855
Interest received		(9 578)	(7 360)
Contributions from State Government		97	264
Net Cash used in Operating Activities	15.2	780	900
		(631)	(341)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for plant and equipment		(2 216)	(5 234)
Proceeds from the sale of plant and equipment		15	-
Payments for intangible assets		(59)	(270)
Contributions from State Government		1 100	4 700
Net Cash used in Investing Activities		(1 160)	(804)
NET DECREASE IN CASH HELD		(1 791)	(1 145)
CASH AT 1 JULY		1 703	2 848
CASH AT 30 JUNE	15.1	(88)	1 703

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Organisational Structure, Objectives and Funding

The South Australian Motor Sport Board was established pursuant to the *South Australian Motor Sport Act 1984*. The *South Australian Motor Sport (Miscellaneous) Amendment Act 2000* proclaimed on 13 July 2000 provides for (amongst other things) amendments to the functions of the South Australian Motor Sport Board.

The principal objectives of the Board are to:

- enter into agreements on behalf of the State under which motor sport events, whether promoted by the Board or by some person approved by the Minister, are held in the State;
- undertake on behalf of the State the promotion of motor sport events;
- establish a temporary motor racing circuit and conduct and manage motor racing events promoted by the Board;
- provide advisory consultancy, management or other services on the conduct of sporting, entertainment or other special events or projects, whether within or outside the State.

The Board has the right to stage a motor sport event for a fixed period of five years, commencing in 1999, with an option to extend the contract for a further five years. Pursuant to a Naming Rights Sponsorship Agreement effective 1 April 1999, the event is known as the 'Clipsal 500 Adelaide'.

The Board also has a responsibility under certain contractual arrangements entered into by the Premier of the State of South Australia and the Board with a company, Panoz Motorsport Australia Pty Ltd, to provide a motor racing circuit and promote a race event in the 'Le Mans' style to be known as 'The Race of a 1000 Years' which is to be staged on 29, 30 and 31 December 2000.

The Board received funding from the State Government of \$1.88 million, comprising \$1.1 million for race staging capital requirements and \$0.78 million for operating in the year. The State Government received signage and other promotional benefits from the event under the 'Sensational Adelaide' logo.

2. Financial Statement Reporting Period

Comparative financial figures relate to a reporting period of 18 months ending 30 June 1999.

3. Statement of Significant Accounting Policies

3.1 Basis of Accounting

The Financial Statements have been prepared as a general purpose financial report in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), except as described below in relation to the entity's financial accounting and reporting treatment of the State Government Grant - Capital.

The Financial Statements have also been prepared in accordance with the historical cost convention and do not take into account changing money values except where it is specifically stated.

3.2 Amortisation of State Government Grant - Capital

As mentioned in Note 1 the Government of South Australia provided funding of \$1.1 million for race staging capital requirements during the year. This is in addition to \$4.7 million capital funding in the previous year.

In accordance with International Accounting Standard IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance', the grant is being amortised over the fixed five year period of the race staging contract. The South Australian Motor Sport Board (the Board) considers that this amortisation policy provides an accurate matching of the grant receipt to the minimum period over which benefits will be obtained from the assets purchased. The grant has been disclosed as a liability.

The Treasurer's Accounting Policy Statement APS 11 'Contributions' requires that all non-reciprocal transfers be brought to account as revenue in the period in which they are received. The Board believes that application of this policy would incorrectly report the trading result for the current period. If APS 11 had been applied, the result for the reporting period would have been as follows:

3.2	Amortisation of State Government Grant - Capital (continued)	2000		1999	
		APS 11 \$'000	Board Policy \$'000	APS 11 \$'000	Board Policy \$'000
	Revenue - State Government Grant - Capital	1 100	1 215	4 700	940
	Operating (Deficit) Surplus	(513)	(398)	2 540	(1 220)
	Assets	7 849	7 849	7 322	7 322
	Liabilities	2 984	6 629	1 944	5 704
	Equity	4 865	1 220	5 378	1 618

Therefore the application of APS 11 would result in an operating deficit for the year of \$513 000. The application of IAS 20 results in an operating deficit of \$398 000 which the Board believes to be a true reflection of the result for the year.

3.3 **Property, Plant and Equipment**

The entity owns no land or permanent buildings.

Property, plant and equipment, excluding freehold land, are depreciated over their useful economic lives (2-10 years) on a straight line basis. Where assets retain some realisable value at the completion of the initial five year staging contract, these assets are depreciated over their useful economic lives. Where assets retain value only in use (ie track), these assets are depreciated over the five year initial staging contract period.

3.4 **Principles of Consolidation**

There were no controlled entities during the reporting period.

3.5 **Income Tax**

The entity is exempt from income tax.

3.6 **Recoverable Amounts of Non-Current Assets**

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount.

3.7 **Leased Assets**

The entity has no finance leases.

3.8 **Provision for Employee Entitlements**

Provision has been made in the Financial Statements for benefits accruing to employees in relation to annual leave. All on-costs are included in the determination of provisions.

3.9 **Cash on Hand and on Deposit**

For purposes of the Statement of Cash Flows, cash includes cash deposits, which are used in the cash management function on a day to day basis. Interest revenues are recognised as they accrue. The average interest rate for the reporting period was 4.0 percent.

3.10 **Financial Liabilities**

Creditors and accrued expenses are raised for goods and services supplied that have not been paid for and are normally settled within 30 days.

4.	Salaries, Wages and Related Payments		2000	1999
	Salaries, wages and related payments comprise:		\$'000	\$'000
	Salaries, wages annual and sick leave		399	233
	Superannuation		28	16
	Other employee on-costs		32	14
	Total		459	263
5.	Superannuation			
	The superannuation costs included in the Financial Statements relate to the Commonwealth Government's Superannuation guarantee legislation. The payments of \$28 000 (\$16 000) have been made to an externally managed fund.			
6.	Receivables			
	Current:			
	Trade debtors		928	599
	Amount owing by BASS for funds held in trust (refer Note 10)		607	250
	Provision for doubtful debts		(9)	(17)
	Non-trade amounts:			
	Unrelated parties		40	14
			1 566	846
7.	Other Assets			
	Current:			
	Deposits		-	10
	Prepayments		175	26
	Other		1	39
			176	75

8. Property, Plant and Equipment	2000	1999
Non-Current:	\$'000	\$'000
Plant and equipment - At cost	7 555	5 362
Less: Accumulated depreciation	1 681	778
	5 874	4 584
9. Other Assets		
Non-Current:		
Establishment costs	302	142
Less: Accumulated amortisation	91	28
	211	114
10. Accounts Payable		
Current:		
Trade creditors	1 853	1 064
Other creditors and accruals	387	617
Funds held in trust ⁽ⁱ⁾	607	250
	2 847	1 931
 (i) Advanced ticket sales for Year 2001 event, forwarded to BASS		
11. Borrowings		
Current:		
Unsecured:		
Bank overdraft	110	-
 The interest rate during the year on the bank overdraft ranged from 7.9 percent to 14.35 percent.		
12. Provisions		
Current:		
Employee entitlements	27	13
13. State Government Grant - Capital		
State Government Grant - Capital	5 800	4 700
Less: Accumulated amortisation	2 155	940
	3 645	3 760
Reconciled to:		
Current	1 215	940
Non-Current	2 430	2 820
	3 645	3 760
14. Contingent Liabilities		
There are no contingent liabilities identifiable at balance date.		
15. Notes to the Statement of Cash Flows		
15.1 Reconciliation of Cash		
Cash on hand	1	111
Cash at bank	21	1 592
	22	1 703
Less: Bank overdraft (unsecured)	110	-
	(88)	1 703
15.2 Reconciliation of Net Cash used in Operating Activities to Operating Deficit		
Operating deficit	(398)	(1 220)
Adjustments from non-cash income and expense items:		
Depreciation and amortisation	969	806
Amortisation of State Government grant - capital	(1 215)	(940)
Net loss on sale of property, plant and equipment	4	-
Transfers to (from) provisions:		
Employee entitlements	14	12
Doubtful debts	(8)	17
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Accounts receivable	(712)	(863)
Prepayments	(101)	(74)
Increase (Decrease) in liabilities:		
Trade creditors	559	1 671
Other liabilities	357	250
Net Cash used in Operating Activities	(531)	(341)
16. Financing Arrangements		
The Government of South Australian pledges financial support for the entity.		
17. Employee Remuneration		
One employee received remuneration greater than \$100 000 (nil). The total remuneration paid was \$141 000.		

18. Remuneration of Auditors		2000	1999
Remuneration received, or due and receivable, by the auditor of the entity for:		\$'000	\$'000
Audit or review of Financial Statements		14	10
Other services		-	-
		14	10

19. Related Parties**19.1 Directors**

The *South Australian Motor Sport Act 1984* requires two members to be nominated by the Corporation of the City of Adelaide, and one member to be nominated by the Confederation of Australian Motor Sport. The following persons held the position of director during the reporting period:

		Appointed	Resigned
R Cook	Chairman	10.9.98	
D McNeil	Deputy Chairman	10.9.98	
M Brock		10.9.98	
P Hansen		18.11.99	
R Hayward		1.1.99	
J Patten		10.9.98	
D Rainsford		10.9.98	3.1.00
A Taylor		8.10.98	16.5.00
J Turbill		10.9.98	

19.2 Directors Loans

There are no loans to directors.

19.3 Other Director Transactions

Directors of the economic entity and directors of its related parties, or their director related entities, conduct transactions with entities within the economic entity that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arms length in similar circumstances. These transactions include the following and have been quantified below where transactions are considered likely to be of interest to the users of these financial statements:

P Hansen	License and Permit Fees and Insurance	CAMS Ltd (\$112 086)
D Rainsford	Coordination of Formula Adelaide	Rally & Motorsport SA Pty Ltd (\$7 975)
J Turbill	Formula Adelaide advertising	Young & Rubicam Ltd (\$4 058)

All corporate facilities purchased by directors or by related entities are at arms-length rates.

20. Remuneration of Directors of the Board

The number of Directors who received, or were due to receive, remuneration were:

	2000	1999
	Number of	Number of
	Directors	Directors
\$1 - \$10 000	7	8
\$10 001 - \$20 000	2	1

The total remuneration of the Directors was \$82 000.

21. Consultants

During the period, the following consultants were employed for individual amounts exceeding \$10 000.

Killy Withy Punshon Advertising Pty Ltd - Event review	2000
	\$'000
	78

Consultancies in the period totalled \$82 000.

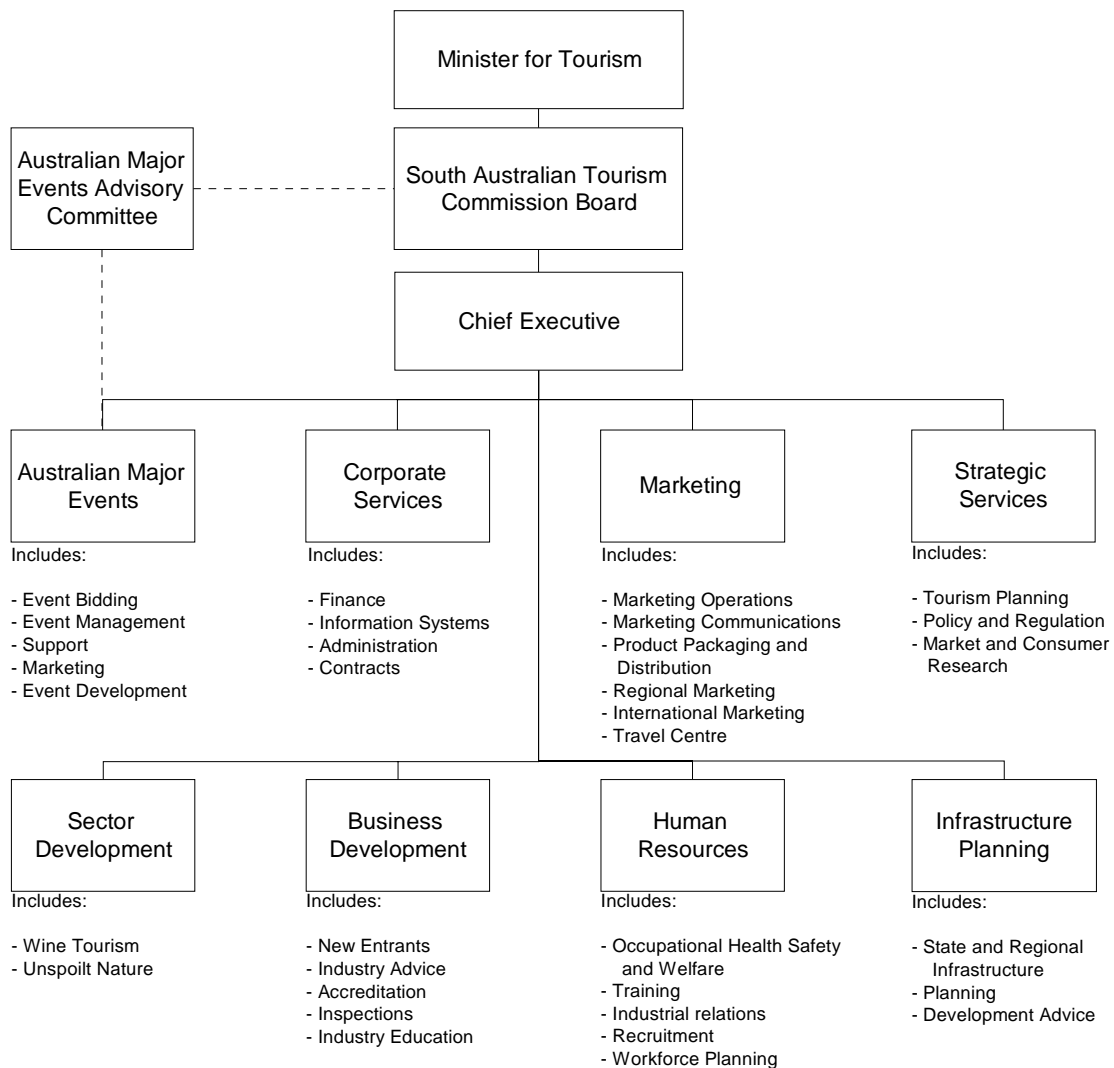
SOUTH AUSTRALIAN TOURISM COMMISSION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Commission, a body corporate, was established pursuant to the *South Australian Tourism Commission Act 1993*.

The principal goal of the Commission is to promote and expand South Australia's tourism industry for the benefit of both residents and visitors. To meet this the Commission's objectives are to:

- facilitate the development of a strong, competitive industry;
- develop a strong competitive market position;
- build strong networks and partnerships for mutual benefit;
- achieve sustainability of environment and economic benefits.



In 1999-2000 the Sector Development and Business Development divisions were established as separate divisions. Functions of these divisions were undertaken formerly by the Industry Development division.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 23(3) of the *South Australian Tourism Commission Act 1993* provides for the Auditor-General to audit the accounts of the Commission in respect of each financial year.

Scope of Audit

During 1999-2000 specific areas of audit attention included:

- accounts payable
- salaries and wages
- credit card expenditure
- revenue, receipting and banking
- non-current assets
- budgetary control
- general ledger
- preparation for the Goods and Services Tax
- compliance with the Financial Management Framework.

The review of the specific areas of financial accounting activity included a general assessment of the adequacy of the financial accounting record keeping systems and processes (including internal control practices) and the test verification of financial transactions processed and recorded during the year.

In relation to the Financial Management Framework the review process included consideration of the Commission's application of the prescribed elements of this framework.

Audit Communications to Management

Matters relating to audit coverage and findings in respect of the 1999-2000 review were conveyed in an audit management letter to the Chief Executive of the Commission in July 2000. A response received in August 2000 has adequately responded to the audit issues raised.

AUDIT FINDINGS AND COMMENTS

Financial Management Framework

As mentioned the audit review process included an assessment of the Commission's compliance with the prescribed elements of the Financial Management Framework. The Commission has progressed well in regard to application of many of the elements covering strategic and financial planning, asset and liability management and management and financial reporting. However, progress is still required in regard to certain other matters which were the subject of communication with the Commission and these related to:

Risk Management Practice

The implementation of the Financial Management Framework 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.

Although the Commission undertook risk review activity in relation to certain operational areas of the Commission, it had not yet formulated a Risk Management Plan covering all operational areas of the organisation.

The Commission is in the process of establishing such a Plan for 2000-01.

Audit Activity

The Financial Management Framework requires agency Chief Executives 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 Financial Management Framework suggests that the agency Chief Executive should consider the potential role that an internal audit activity could play in relation to monitoring and reporting on internal controls.

A formal program of internal audit activity under the supervision of an Audit Committee did not operate during 1999-2000 consistent with the previous year. The Commission focussed resource effort to ensuring the adequate implementation of the Goods and Services Tax.

The Commission intends to proceed with a formal program of internal audit activity, utilising the 2000-01 Risk Management Plan as a basis to perform such activity.

Policies and Procedures

The Financial Management Framework also emphasises the importance of the agency establishing and monitoring an effective control environment by, among other things, documenting and distributing policies and procedures covering all major activities.

The Commission is in the process of completing a Policies and Procedures Manual and intends finalisation of the Manual in November 2000.

Commentary on General Financial Controls

The audit of the financial accounts and accounting systems and processes operating within the Commission indicated a generally satisfactory position.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Tourism 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 Tourism Commission 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 Commission's overall expenditure for 1999-2000 amounted to \$49.9 million (\$43.1 million). Principal items of expenditure related to Advertising and Promotion of \$14.3 million (\$15.3 million) and Industry Assistance of \$15.8 million (\$6.6 million).

In relation to Advertising and Promotion, expenditure for 1999-2000 included the costs for the second phase of 'The Secrets Book' campaign initiated during 1998-99. The second phase encompassed several smaller more focussed editions of 'The Secrets Book', cinema, radio and press advertising and associated media familiarisation program. With the lead up to the Sydney 2000 Olympics, a greater emphasis was also placed on the international market place with additional resources channelled into overseas marketing and the visiting journalist program.

As regards Industry Assistance the increase of \$9.2 million is due mainly to expenditure during 1999-2000 on Tourism Infrastructure projects.

Statement of Financial Position

The Commission's 'Cash' balance at 30 June 2000 was \$9.1 (\$5.6 million). This balance includes funds committed to projects of an infrastructure nature. To reflect these committed but unspent funds a reserve has been created within Equity (Note 13 to the financial statements refers).

Administered Items

In 1998-99 the South Australian Tourism Commission received an appropriation of \$5.9 million towards the costs Administered Items of the expansion of the Adelaide Convention Centre. These funds were transferred to the Adelaide Convention Centre during 1999-2000.

In January 2000 the South Australian Tourism Commission took on the administration of the Olympic Football Tournament on behalf of the Department of the Premier and Cabinet. Note 1 to the financial statements refers.

FURTHER COMMENTARY ON OPERATIONS

Major Events

Major Events that occurred during the year which were supported by the Commission included:

- Tour Down Under
- Adelaide International Horse Trials
- World Solar Challenge
- Australian Open Golf
- AAPT Tennis Championship
- Christmas Pageant.

In addition the Commission is committed to supporting future events including:

- Tasting Australia
- International Rose Festival
- Encounter 2002
- Wagner's Parsifal Opera.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Salaries, wages and related payments		8 342	8 331
Advertising and promotion		14 327	15 298
Industry assistance		15 849	6 562
Operating		5 051	3 698
Event operations		3 938	6 653
Accommodation and services costs		1 705	2 081
Depreciation and amortisation		505	442
Loss on disposal of assets	4	166	9
Total Operating Expenses		49 883	43 074
OPERATING REVENUES:			
Commission on sales		444	308
Interest		656	204
Participation fees		3 537	928
Other income		868	682
Total Operating Revenues		5 505	2 122
NET COST OF SERVICES		44 378	40 952
REVENUES FROM GOVERNMENT:			
Recurrent appropriations		44 062	38 310
Contribution from other State Government agency		3 000	4 221
Tourist road grants		524	655
Total Revenues from Government		47 586	43 186
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		3 208	2 234
ACCUMULATED SURPLUS AS AT 1 JULY			
Net transfer (to) from reserves	13	(2 245)	2 237
ACCUMULATED SURPLUS AT 30 JUNE		2 165	1 202

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash	16(b)	9 083	5 624
Receivables	5	733	480
Prepayments	6	74	189
Total Current Assets		9 890	6 293
NON-CURRENT ASSETS:			
Plant and equipment	7	2 528	861
Intangibles	8	348	388
Total Non-Current Assets		2 876	1 249
Total Assets		12 766	7 542
LIABILITIES:			
CURRENT LIABILITIES:			
Creditors and accruals	9	4 725	2 674
Other liabilities	10	235	64
Leases	11	-	4
Employee entitlements	12	680	717
Total Current Liabilities		5 640	3 460
NON-CURRENT LIABILITIES:			
Creditors and accruals	9	51	68
Employee entitlements	12	428	575
Total Non-Current Liabilities		479	643
Total Liabilities		6 119	4 103
NET ASSETS		6 647	3 439
EQUITY:			
Tourism infrastructure reserve	13	4 482	2 237
Accumulated surplus		2 165	1 202
TOTAL EQUITY		6 647	3 439
Commitments	14		
Contingent Obligations	15		

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:			
Salaries, wages and related payments		(8 526)	(7 831)
Goods and services		(40 216)	(31 723)
RECEIPTS:			
Commission earned		444	308
Interest received		581	186
Participation fees		3 537	1 105
Other		861	674
CASH FLOWS FROM GOVERNMENT:			
State Appropriation:			
Recurrent		44 062	38 310
Other state government funding		3 000	4 221
Tourist road grants		524	511
Net Cash provided by Operating Activities	16(a)	4 267	5 761
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchase of non-current assets		(833)	(338)
Proceeds from disposal of assets		25	9
Net Cash used in Investing Activities		(808)	(329)
NET INCREASE IN CASH HELD		3 459	5 432
CASH AT 1 JULY		5 624	192
CASH AT 30 JUNE	16(b)	9 083	5 624

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

	2000 \$'000	1999 \$'000
ADMINISTERED REVENUES:		
State Government appropriation	-	5 927
Transfers from other Government agency	1 929	-
	1 929	5 927
ADMINISTERED EXPENSES:		
Employee costs	144	-
Advertising and promotion	83	-
Operating expenses	1 135	-
Event operations	114	-
Accommodation and service costs	36	-
Transfer to other Government agency	5 927	-
	7 439	-

Schedule of Administered Assets and Liabilities as at 30 June 2000

	2000 \$'000	1999 \$'000
ADMINISTERED ASSETS:		
Cash	443	5 927
Receivables	156	-
Other	5	-
Total Administered Assets	604	5 927
ADMINISTERED LIABILITIES:		
Creditors and accruals	182	-
Employee entitlements	5	-
Total Administered Liabilities	187	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding
Objectives

The purpose of the South Australian Tourism Commission is, on behalf of the Government, to work in partnership with the private sector in marketing South Australia nationally and internationally as a world-class tourist and event destination. The principle goals of the Commission are to:

- add value to the efforts of the tourism industry and other government agencies, by ensuring a coordinated approach to the promotion of South Australia which results in an increase in visitor numbers to all regions of the State thereby increasing the value of tourism to the economy and generating employment for South Australians;

Objectives (continued)

- attract, develop, own and support major and strategic events that generate substantial economic and social benefits for South Australia and promote the image and profile of Adelaide and South Australia;
- ensure the development of South Australia's tourism resources in a socially responsible way with emphasis on the continued maintenance and preservation of South Australia's environmental and cultural heritage and the profitability and effective utilisation of infrastructure;
- achieve a strong corporate team and positive corporate culture that uses its resources in the most effective and efficient manner.

Financial Arrangements

The Commission's principal source of funding consists of monies appropriated by Parliament.

The financial activities of the Commission are primarily conducted through a Special Deposit Account held at the Reserve Bank of Australia pursuant to section 21 of the *Public Finance and Audit Act 1987*.

Administered Funds

The Commission is responsible for the administration of the funds described below. These funds are not recorded in the Commission's Operating Statement or Statement of Financial Position as the Commission does not have control over how these funds are to be spent. Administered revenues, expenses, assets and liabilities are detailed separately within these statements and are shown in the Schedules of Administered Items. Administered items comprise:

- (i) *Funds for Upgrade of Adelaide Convention Centre*
Funding for the upgrade of the Adelaide Convention Centre were administered by the Commission until November 1999 on behalf of the Minister for Tourism.
- (ii) *Olympic Football Tournament*
Receipts and payments in respect of the Olympic Football Tournament were administered by the Commission from January 2000 on behalf of the Department of the Premier and Cabinet.

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

The financial statements have been drawn up in accordance with the requirements of the Statements of Accounting Concepts, applicable Australian Accounting Standards, Treasurer's Instructions and applicable Accounting Policy Statements issued pursuant of the *Public Finance and Audit Act 1987* and other mandatory professional reporting requirements (Urgent Issues Group Abstracts). The accrual basis has been used in the preparation of the financial statements.

(b) Comparative Figures

Where applicable, certain comparative figures are restated in order to comply with the current years presentation of the financial statements.

(c) Depreciation

Items of plant and equipment are depreciated over the following periods using the straight line method.

Office and electrical equipment	Years 5
Computer equipment	3
Christmas Pageant assets	5-15

Fitouts are depreciated over the length of the lease of the property using the straight line method.

(d) Property, Plant and Equipment

Items of plant and equipment are recorded at historic cost less accumulated depreciation.

(e) Inventories

Consumable supplies are not recognised in the Statement of Financial Position as the value of these supplies is not considered material.

(f) Intangible Assets

Goodwill and intellectual property arising from acquisition of the Christmas Pageant is accounted for at cost and is amortised on a straight line basis over 20 years, the period in which the benefits are expected to arise. Purchase of the World Solar Challenge event is accounted for at cost and is amortised on a straight line basis over 10 years.

(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 30 June. Related on-costs consequential to the employment of employees has been included in Creditors and Accruals (Note 9).

Accrued Salaries and Wages

Liability for salaries and wages is recognised for the portion of unpaid service at 30 June and is measured at current pay rates.

Annual Leave

Provision has been made for the unused component of annual leave at 30 June. The provision has been calculated at nominal amounts based on current pay rates.

(g) Employee Entitlements (continued)*Long Service Leave*

Provision has been made for employee entitlements to long service leave at 30 June. The provision has been calculated at nominal amounts based on current pay rates using a benchmark of eight years service as a shorthand estimation of long service leave liability in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

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.

Superannuation

During 1999-2000 a total of \$609 000 (\$546 000) was paid, or due and payable, to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of the Commission's employees. In addition, \$97 000 (\$55 000) was paid to other externally managed superannuation schemes. Superannuation contributions are charged as an expense in the period in which they occur. The Commission is not liable for payments to beneficiaries as this is the responsibility of the superannuation schemes.

(h) Financial Instruments

The Commission's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2000, are as follows:

Financial Assets

Cash (Note 16(b)) includes funds held in Deposit Accounts at the Department of Treasury and Finance. These deposits are recorded at cost and comprise:

- *Operating Accounts* - the average interest rate for 1999-2000 calculated on a quarterly basis was 4.9 percent and interest revenues are recognised as they accrue.
- *Accrual Appropriation Funds Deposit Account* - Interest accruing to this account has been calculated at 5.1 percent.

Receivables (Note 5) are reported at amounts due less provision for doubtful debts (maximum credit risk).

Financial Liabilities

Creditors and accruals are raised for goods and services supplied that have not been paid for and with the exception of on-costs on employee entitlements are normally settled within 30 days. On-costs on employee entitlements are recognised when the leave entitlement is used.

Finance leases (Note 11) are recognised at the current cost of the minimum lease payments. At reporting date, the Commission had no finance leases. Lease liabilities are reduced by the principal component of lease payments and are secured by the leased assets.

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

3. Output Class Schedule of Expenses and Revenues for the year ended 30 June 2000

	Marketing South Australia	Tourism Development	Central Coordination & Policy Advice	2000 Total \$'000	1999 Total \$'000
EXPENSES:					
Salaries, wages and related payments	6 352	1 323	667	8 342	8 331
Advertising and promotion	13 903	267	157	14 327	15 298
Industry assistance	7 237	8 577	35	15 849	6 562
Operating	4 087	646	318	5 051	3 698
Event operations	3 938	-	-	3 938	6 653
Accommodation and services costs	1 403	217	85	1 705	2 081
Depreciation and amortisation	413	66	26	505	442
Loss on disposal of assets	126	29	11	166	9
Total	37 459	11 125	1 299	49 883	43 074
REVENUES:					
Commission on sales	444	-	-	444	308
Participation fees	3 345	190	2	3 537	204
Interest	497	114	45	656	928
Other revenue	749	95	24	868	682
Revenues from Government	34 420	11 693	1 473	47 586	43 186
Total	39 455	12 092	1 544	53 091	45 308
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	1 996	967	245	3 208	2 234

4. Loss on Disposal/Write-off of Assets

	2000 \$'000	1999 \$'000
Historic cost of assets disposed/written-off	963	568
Less: Accumulated depreciation	772	550
	191	18
Proceeds from disposal	25	9
	166	9

5. Receivables	2000	1999
	\$'000	\$'000
Debtors	743	490
Less: Provision for doubtful debts	10	10
	733	480
6. Prepayments		
Accommodation	-	65
Event sponsorship and advertising	65	115
Other	9	9
	74	189
7. Plant and Equipment		
Office equipment	1 162	1 515
Less: Accumulated depreciation	828	1 000
	334	515
Pageant assets	571	531
Less: Accumulated depreciation	264	189
	307	342
Work in progress	28	-
	335	342
Fitout	1 969	311
Less: Accumulated depreciation	110	311
	1 859	-
Leased plant and equipment	-	27
Less: Accumulated amortisation	-	23
	-	4
	2 528	861
8. Intangibles		
Goodwill		
Goodwill in Christmas Pageant at cost	200	200
Less: Accumulated amortisation	42	32
	158	168
Event Naming Rights		
World Solar Challenge at cost	300	300
Less: Accumulated amortisation	110	80
	190	220
	348	388
9. Creditors and Accruals		
Current:		
Trade creditors	2 052	326
Accrued expenses	2 576	2 215
Employee on-costs	97	134
	4 725	2 675
Non-Current:		
Employee on-costs	51	68
	51	68
10. Other Liabilities		
Unclaimed monies	33	18
Unearned revenue	202	46
	235	64
11. Finance Lease		
At the reporting date, the Commission had the following obligations under finance leases, the sum of which is included as a liability:		
Payable no later than one year	-	5
Minimum lease payments	-	5
Less: Future finance charges and contingent rentals	-	1
Current Lease Liability	-	4
12. Employee Entitlements		
Current:		
Accrued salaries and wages	-	229
Provision for annual leave	466	387
Provision for long service leave	214	101
	680	717
Non-Current:		
Provision for long service leave	428	575
	428	575

13. Tourism Infrastructure Reserve

The Commission receives appropriation from government for specific Tourism Infrastructure projects. Funds not expended during the year are transferred to the Tourism Infrastructure Reserve. The movement in the Reserve for the year was:

	2000 \$'000	1999 \$'000
Balance 1 July	2 237	-
Add: Transfer to Reserve	3 944	2 237
Less: Transfer from Reserve	1 699	-
Movement for the year	2 245	2 237
Balance 30 June	4 482	2 237

14. Commitments**(a) Operating Lease Commitments**

At the reporting date, the Commission had the following obligations under non-cancellable leases, the sum of which is not recognised as a liability:

	2000	1 180
Not later than one year	791	
Later than one year but not later than five years	2 472	2 344
	3 263	3 524

These commitments have been calculated at current rates as lease terms are reviewed at regular intervals.

(b) Other Commitments

Commitments are items in the nature of liabilities which, as at the reporting date, are not recognised in the Statement of Financial Position because they have been assessed as having a future rather than a present obligation for the Government to make payments in respect of them.

	2000 \$'000	1999 \$'000
Tourism marketing boards	-	2 170
Tourism infrastructure projects	5 991	5 626
Events	1 880	3 075
Privatised offices/Cooperative marketing	-	375
Grant/support to Tourism Council of Australia	30	46
Adelaide Convention and Tourism Authority grants	615	465
Grant to 'One and All'	150	150
Other programs	50	50

15. Contingent Obligations

Contingent obligations are items in the nature of liabilities which, as at the reporting date, are not recognised in the Statement of Financial Position because they have been assessed as being dependent on certain events taking place before a present obligation for the Commission to make payments in respect of them will arise.

The Commission is currently contesting a claim for damages in relation to the termination of the employment contract of a former employee.

16. Notes to the Statement of Cash Flows**(a) Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services**

	2000 \$'000	1999 \$'000
Net cash provided by operating activities	4 267	5 761
Cash flow from Government	(47 586)	(43 186)
Depreciation and amortisation	(505)	(442)
Net loss on disposal of equipment	(166)	(9)
Change in assets and liabilities:		
Decrease in prepayments	(115)	(1 946)
Increase (Decrease) in receivables	253	(94)
Decrease in lease liabilities	4	5
Decrease in employee entitlements	184	60
(Increase) Decrease in other liabilities	(171)	87
Increase in creditors and accruals	(543)	(1 188)
Net Cost of Services	(44 378)	(40 952)

(b) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes Cash on hand and at Treasury and Deposits at call. 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 at 30 June comprised:		
Cash on hand and at Treasury (unexpended balance)	8 585	5 126
Deposits at call (accrual appropriation funds)	498	498
	9 083	5 624

17. Targeted Voluntary Separation Packages (TVSPs)

In accordance with government policy to reduce the public sector work force, 11 (15) employees of the Commission were paid TVSPs during 1999-2000. Payments totalling \$391 000 (\$745 000) were met by the Commission and have been or will be recovered from the Department of the Premier and Cabinet. During the year \$297 000 (\$939 000) was recovered from the Department of the Premier and Cabinet.

In addition, accrued annual leave and long service leave entitlements amounting to \$91 000 (\$281 000) were paid to those employees who received a TVSP.

18. Related Party Information**(a) Directors**

The following persons held office as a Director of the Board of the South Australian Tourism Commission during the year:

R Cook	(Chairman)	L Bowes	(appointed September 1999)
P Styles	(Deputy Chairman)	P Hoffman	(appointed September 1999)
T Bettess		A Lloyd	(resigned December 1999)
P Hurley		R Bonnano	(resigned July 1999)
M Angelakis		R McLean	(resigned July 1999)
N Downer			

(b) Transactions

There have been a number of transactions with Board members which have been carried out under terms and conditions no more favourable than those which would have applied if the transactions were at arm's length.

19. Remuneration of Directors of the Board

	2000	1999
	Number of Board Members	Number of Board Members
The number of Directors whose total remuneration received or due and receivable fell within the following bands was:		
\$0 - \$10 000	5	-
\$10 001 - \$20 000*	4	7
\$20 001 - \$30 000*	2	1
\$30 001 - \$40 000*	-	1

* There were Directors within brackets who represented the Commission on committees in addition to the South Australian Tourism Commission Board.

The total remuneration received, or due and receivable, by Directors was \$143 000 (\$144 000).

20. Remuneration of Employees

	2000	1999
	Number of Employees	Number of Employees
The number of employees whose total remuneration received or due and receivable fell within the following bands was:		
\$100 001 - \$110 000	2	1
\$110 001 - \$120 000	2	-
\$120 001 - \$130 000	1	-
\$130 001 - \$140 000	2	-
\$150 001 - \$160 000	-	1
\$230 001 - \$240 000	1	-
\$320 001 - \$330 000	-	1

The total remuneration received or due and receivable by employees whose remuneration exceeded \$100 000 was \$1 056 000 (\$707 000). The remuneration includes salary, employer's superannuation costs, use of a motor vehicle, associated fringe benefits tax and termination payments where applicable.

21. Auditor's Remuneration

	2000	1999
	\$'000	\$'000
Amounts received, or due and receivable by the Auditor-General's Department for auditing of the accounts	50	50

22. Consultants

Total expenditure on 27 (22) consultancies in 1999-2000 amounted to \$774 000 (\$913 000).

	2000	
	Number of Consultancies	\$'000
Less than \$10 000	14	79
\$10 000 - \$50 000	8	202
Greater than \$50 000	5	493

Consultancies costing between \$10 000 and \$50 000 per Consultancy

<i>Project</i>	<i>Consultants</i>
Concept Development for Encounter 2000	Geoffrey Robinson
Tourism Awards	Strategic Public Relations
GST implementation	Myers-Holum International Pty Ltd
Adelaide Hills Marketing Plan	Adelaide Institute of TAFE
Tourism Activity Index	Harrison Marketing Research
Holiday Tracking Survey	The Roy Morgan Research Centre
Travel Centre Redesign and Review	Hassels Pty Ltd
Data Processing and Tracking	NCS Australia Pty Ltd

Consultancies Costing in Excess of \$50 000 per Consultancy

World Solar Challenge	Energy Australia
Rose Festival	Adrian B Greenoak
Programming Support Services	Aspect Computing Pty Ltd
Cruise Shipping Strategy	People for Places and Spaces
Marketing Retainer	Killey Withy Punshon

**DEPUTY PREMIER; MINISTER ASSISTING THE DEPUTY PREMIER;
MINISTER FOR MINERALS AND ENERGY;
MINISTER FOR PRIMARY INDUSTRIES AND RESOURCES;
MINISTER FOR REGIONAL DEVELOPMENT**

PORTFOLIO – PRIMARY INDUSTRIES AND RESOURCES

INTRODUCTION

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

- Deputy Premier
- Minister Assisting the Deputy Premier
- Minister for Minerals and Energy
- Minister for Primary Industries and Resources
- Minister for Regional Development

The agency included herein relating to the portfolio of Primary Industries and Resources is the Department of Primary Industries and Resources.

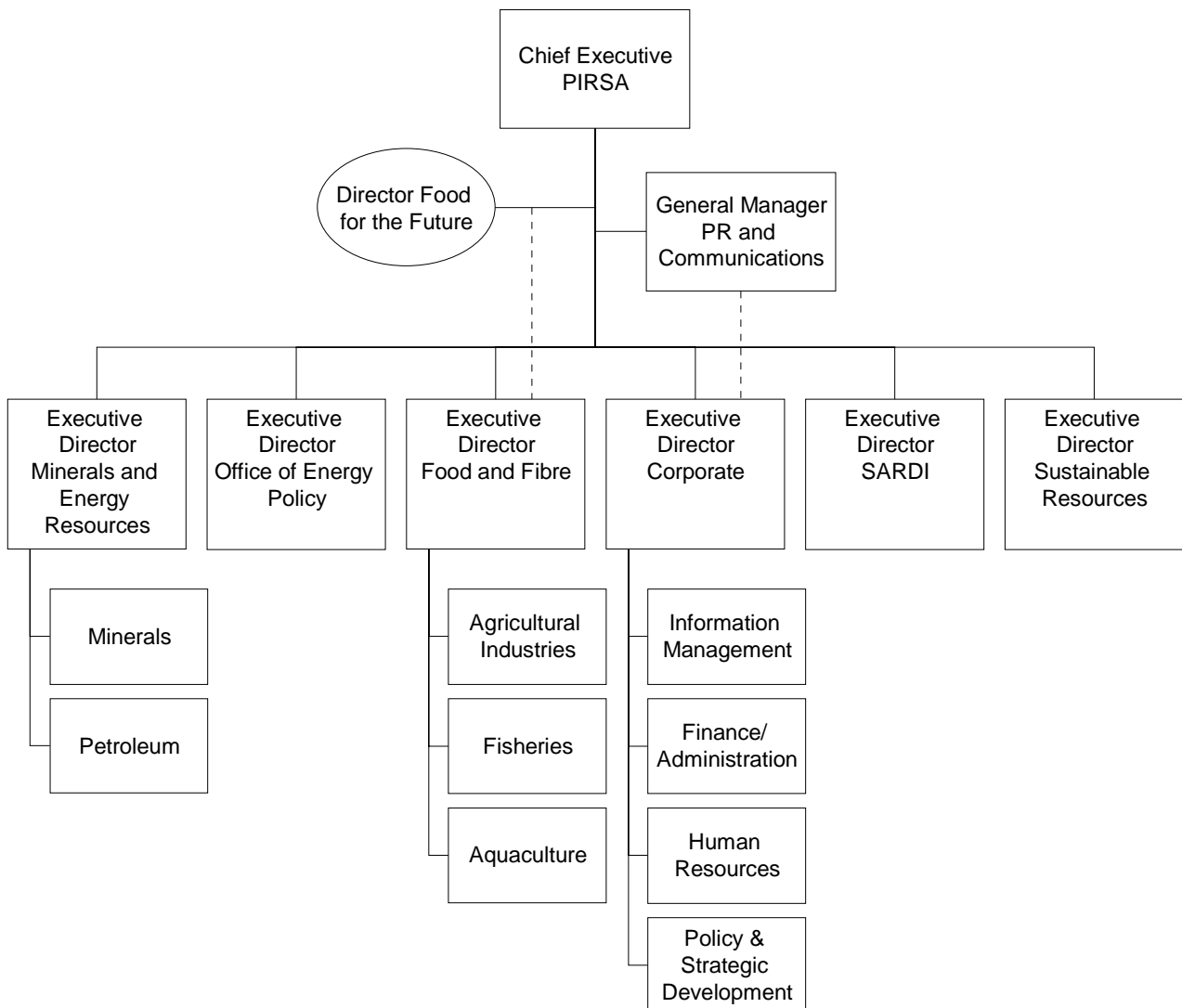
DEPARTMENT OF PRIMARY INDUSTRIES AND RESOURCES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department of Primary Industries and Resources (PIRSA), a key agency for economic development, is focused on delivering services that increase the prosperity of South Australians and ensuring the sustainable development of the State's resource base for future generations.

The Department:

- contributes to the development of new and existing industries across the agricultural, fisheries, minerals and petroleum sectors in South Australia;
- contributes to the management of resources across the agricultural, aquaculture, environment and natural resources, fisheries, minerals and petroleum sectors;
- provides a range of policy advice, decision advice and support, legislation development and review which covers all primary industry and resource sectors and other services to the Minister and Government;
- contributes to the health, welfare and safety of the communities in the rural and metropolitan areas of South Australia.



SIGNIFICANT FEATURES

- Net cost of services increased by \$18 million to \$113.6 million.
- The cost of supplies and services increased by \$9.3 million to \$72.5 million.
- Advances and grants received decreased by \$4.4 million to \$25.5 million.
- Assets with a book value of \$3.4 million were transferred to the Department for Water Resources for no consideration.
- The Brukunga mine site was purchased for \$3.2 million. The assets were written down to \$1.2 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 Department in respect of each financial year.

Scope of Audit

The audit covered the main areas of financial activity and entailed an assessment of the adequacy of financial accounting systems and processes (including internal control practices) and the test verification of financial transactions processed and recorded during the year.

During 1999-2000 specific areas of audit attention included:

- expenditure, including accounts payable and payroll;
- revenue, incorporating grants, fees and user charges;
- non-current assets, including adequacy of asset register maintenance.

In addition, Audit ascertained whether the Department had adequately prepared for both the introduction of the Goods and Services Tax (GST) and the whole-of-government procurement reform strategy.

Audit Communications to Management

Issues arising from the audit were communicated in a letter forwarded to the Chief Executive and a satisfactory response was received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Although the Department's general financial control environment was assessed as satisfactory, a number of areas were identified where internal controls could be further strengthened.

The response received from the Department regarding these issues indicated that appropriate action would be taken to address the matters raised.

Financial Management Framework

Previous Reports have commented on the action taken by the Department, in accordance with the Financial Management Framework, to document and implement policies, systems and processes that will assist the Chief Executive and the responsible Minister to discharge accountability in relation to important matters, such as, financial management and reporting, internal control systems and risk management. Furthermore, last year's Report noted the Department's intention to develop, in 1999-2000, a Risk Management Framework.

During the year, an external review, initiated by the Department, identified the high level strategic risks and recommended the development of an overall Risk Management Framework. This task has not been undertaken as a Risk Manager has not yet been appointed.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department of Primary Industries and Resources 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 Primary Industries and Resources in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, 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 increased by \$18 million to \$113.6 million as a result of an increase in operating expenses of \$13.9 million and a reduction in operating revenues of \$4.1 million.

The principal increases in expenses were employee costs \$5.5 million, professional services \$4.4 million and utility and property costs \$2 million.

A decrease of \$4.4 million in advances and grants was the main reason for the reduction in operating revenues.

Restructuring

On 1 March 2000, staff and assets relating to Groundwater and Drilling Services were transferred to the Department for Water Resources which was established on the same date. No consideration was received for the assets which had a book value of \$3.4 million. The assets transferred included the Borehole Network with a book value of \$3 million.

Adverse Events

Notes 4 and 5 to the financial statements make comments on costs of \$5 million for adverse events. The major costs related to the locust and grasshopper plague programs \$2 million (\$2.1 million) and the fruit fly eradication program \$1.6 million (\$1.3 million).

Statement of Financial Position

Transfer of Brukunga Mine Site

Although Cabinet approved the transfer of the Brukunga Mine site from SA Water in May 1997, the transfer did not occur until 1999-2000. The consideration paid for the land and buildings, site improvements and plant and equipment was \$3.2 million which was specifically provided for in the Department's appropriation. The assets were written down to \$1.2 million as a result of a departmental valuation.

FURTHER COMMENTARY ON OPERATIONS

Targeted Exploration Initiative South Australia

The Targeted Exploration Initiative South Australia (TEISA) was launched in December 1998 and is a \$23.2 million four year program. Funds will be expended over the period 1998-2002 on a phased, regional exploration strategy for minerals, petroleum and groundwater aimed at accelerating resource exploration. Expenditure in 1999-2000 was \$3.6 million and total expenditure to date is \$4.1 million.

Resources Task Force

A Resources Task Force was established in February 1999 to prepare a five year Mineral Resources Plan to create growth in the minerals sector. A report completed in November 1999 stated that:

... There is a prime opportunity for a strong focus, funded by private industry, with high quality technical and administrative support from the Government, to produce minerals worth \$3 billion, processed mineral output of another \$1 billion, and exploration and development investments of \$300 million a year by 2020 ...

This compares with an expected aggregate value of mineral exploration, production and processing investment and output of \$1.9 billion in 2000.

The Mineral Resources Plan identified nine objectives, with related strategies and actions to create the necessary business environment for the minerals industry to reach the targets identified in the Report. The Task Force identified three key objectives that required immediate action namely, making land more accessible, stimulating vigorous exploration activity and a supportive and responsive government.

In May 2000, the State Government responded to the Task Force Report by commenting on each of the nine objectives.

An Industry Development Board is to be established to support the Government's response to the Mineral Resources Plan, report on the performance of the industry and to provide strategic advice to Government.

Upper South East Dryland Salinity and Flood Management Plan

In June 1995 Cabinet endorsed an integrated catchment management plan to address the problems of dryland salinity and flooding in the Upper South East of South Australia. The Department is responsible for the implementation of the management plan.

The drainage component of the Upper South East Dryland Salinity and Flood Management Plan will be constructed in three stages over six years. Construction of the first stage of the drainage works commenced in October 1997. The project is funded on the basis of the State and Commonwealth each contributing 37.5 percent and the local community contributing 25 percent of the cost. The estimated total project cost is \$24 million. Infrastructure works ownership is transferred to the South Eastern Water Conservation and Drainage Board (SEWCDB) at nil consideration at the completion of each stage.

During 1999-2000 expenditure on this project was \$4.5 million with total program costs to date being \$11 million. Levies received from the local community were \$873 000 (\$1.1 million) and Commonwealth funding was \$674 000 (\$1.5 million).

Loxton Irrigation District Rehabilitation

This is a continuing program of refurbishment of the irrigation distribution infrastructure and upgrading the pumps for the existing district and including areas for new development outside the current boundaries of the Loxton Irrigation District. The estimated total project cost is \$40 million with the State's share being \$16 million over the projected construction period of five years.

During 1999-2000 expenditure on the project was \$1.9 million with total program costs to date being \$3.7 million. External funding received during 1999-2000 was \$700 000 (\$1.2 million).

Remote Areas Energy Scheme

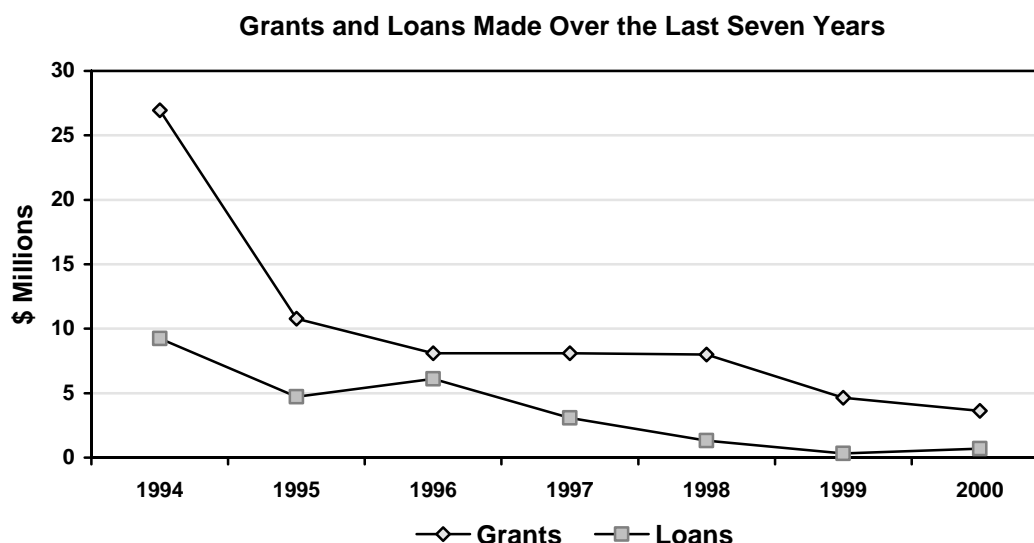
The Department assumed sole responsibility for electricity supply and service of customers in the areas covered by the Remote Areas Energy Scheme (RAES) Electricity Distribution Systems.

During 1999-2000 subsidies paid relating to RAES amounted to \$3 million (\$2.9 million). In this period RAES electricity sales totalled \$791 000 (\$784 000).

Rural Finance and Development

Assistance to Primary Producers

The following graph shows that over the last seven years the pattern of assistance provided to the rural sector have changed with the emphasis from lending funds to providing grants.



Assistance to the rural sector was \$4.3 million (\$5 million) comprising:

	2000 \$'000	1999 \$'000
Grants ⁽ⁱ⁾	3 636	4 650
Loans	704	324
	4 340	4 974

(i) Includes:

- Interest rate subsidy \$412 000 (\$2.1 million)
- The Eyre Peninsula Regional strategy \$1.9 million (\$2.3 million). This strategy is part of a Strategic Plan developed under the provision of a Memorandum of Understanding between the Commonwealth, the State of South Australia and the Eyre Peninsula Strategic Task Force for the Eyre Peninsula Rural Partnership Project. Support is either by way of a re-establishment grant or interest rate subsidy.
- The FarmBis program \$786 000 (\$39 000). The program, which is part of the Commonwealth Government's Agriculture - Advancing Australia package, is a \$14.5 million initiative to provide grants to farmers to improve their business management skills.

Loans Outstanding by the Rural Sector

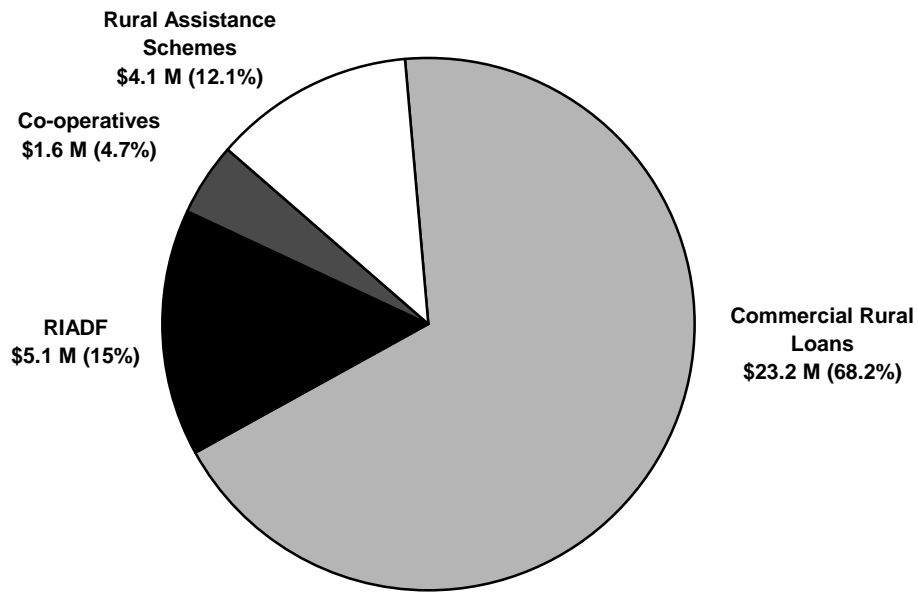
As at 30 June 2000 the rural sector had balances of loans outstanding totalling \$34 million (\$40 million).

These loans have been made under various schemes and conditions. For example, Commercial Rural Loans were made on a commercial basis which required equity of at least 60 percent in the security provided. On the other hand, loans made under the Rural Assistance Scheme (RAS) were generally at a concessional rate of interest with a lower level of security being required.

The reduction in the loan portfolio can be attributed to the decision to cease to provide loans under both schemes. The existing loans are being managed to completion. New loans continued to be provided under the loans to Co-operative Scheme and the Rural Industry Adjustment and Development Fund (RIADF) The following chart shows the composition of the outstanding loan portfolio as at 30 June 2000 divided into the schemes under which the loans were made.

Total advances for the year amounted to \$704 000 (\$324 000) and \$6.7 million (\$13.3 million) was repaid by the rural sector.

Analysis of Loans Outstanding as at 30 June 2000 by Scheme



Administered Funds

Included in the Program Schedule of Departmental Administered Expenses and Revenues for the 1999-2000 financial year are the following:

National Heritage Trust

The Natural Heritage Trust of Australia Reserve was established by the *National Heritage Trust of Australia Act 1997* (Commonwealth). The Trust is a major capital initiative aimed at conserving and managing Australia's bio-diversity, land, water, vegetation and sea on an ecologically sustainable basis. Funds provided by the Commonwealth will be spent on the environment, sustainable agriculture and natural resources management.

The Commonwealth's objectives are to:

- provide a framework for strategic capital investment, to stimulate additional investment in the natural environment;
- achieve complementary environmental protection, including bio-diversity conservation, sustainable agriculture and natural resources management outcomes consistent with agreed national strategies;
- provide a framework for co-operative partnerships between communities, industry and all levels of government.

For the 1999-2000 financial year Commonwealth Grants were \$25.1 million (\$23.9 million). Expenditure was \$25.5 million (\$22.6 million).

Natural Gas Authority of South Australia

On 1 September 1995, the Natural Gas Authority of South Australia (NGASA) became operative pursuant to the provisions of the *Pipelines Authority (Sale of Pipelines) Amendment Act 1995*.

The principal activities of NGASA are:

- the purchase, sale and delivery of gas;
- administration of gas supply contracts with respect to the South Australian Cooper Basin, South West Queensland Cooper Basin and Katnook;

- the administration of downstream gas sale contracts for Terra Gas Trader Pty Ltd and Origin Energy;
- gas price reviews, gas nominations, reserves and adequacy, take-or-pay and Trade Practice Commission issues;
- gas billing, gas quality and measurement.

Under the terms of the contracts, NGASA is responsible for invoicing and collecting payments from Terra Gas Trader Pty Ltd and Origin Energy for gas purchased and the subsequent forwarding of those monies to the gas producers.

The transactions pertaining to this activity are processed through a Special Deposit Account. During 1999-2000 receipts from the major customers were \$209.2 million (\$187 million) and payments to gas producers totalled \$209.2 million (\$187 million).

Trust Funds

Extractive Areas Rehabilitation Fund

The Extractive Areas Rehabilitation Fund (the Fund) was established pursuant to section 63 of the *Mining Act 1971*.

The Fund, which is administered by the Department (refer to Notes 2(b) and 30 to the Financial Statements), is operated through a Deposit Account and is credited with the proceeds of a levy on minerals extracted by mining companies. Funds are applied for the purposes of the rehabilitation of land disturbed by mining operations and also for measures designed to limit damage to the environment caused by such mining operations.

An analysis of operations on account of this Fund over the past five years is as follows:

Financial Year	Funds held		
	Receipts \$'000	Payments \$'000	at 30 June \$'000
1995-96	826	876	4 922
1996-97	806	817	4 911
1997-98	1 025	790	5 146
1998-99	887	885	5 148
1999-2000	1 104	1 441	4 811

Royalties

Royalties received in respect to mineral and petroleum production and gas licences increased by \$15 million to \$81.5 million during 1999-2000. The increase is the result of a reduction of \$3 million in royalties from gas licences due to a decrease in the gas sales levy, an increase of \$9.5 million in royalties from natural gas/liquids mainly as a result of an increase in oil prices and a lower exchange rate, and an increase of \$8.8 million in royalties from minerals following increased production after commissioning of a new plant at Roxby Downs.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Employee costs	4	78 783	73 277
Supplies and services	5	72 472	63 209
Grants	6	19 181	18 110
Interest		1 842	2 930
Provision for doubtful debts		(297)	147
Depreciation and amortisation	8	5 389	4 905
Other	9	1 649	2 560
Total Operating Expenses		179 019	165 138
OPERATING REVENUES:			
User charges, fees and rentals	10	24 655	24 315
Advances and grants	11	25 549	29 930
Interest	12	6 102	7 255
Sales of goods	13	4 300	3 832
Other	15	4 839	4 235
Total Operating Revenues		65 445	69 567
NET COST OF SERVICES		113 574	95 571
REVENUES FROM GOVERNMENT:			
Pursuant to <i>Appropriation Act 1999</i>	2(d)	107 635	104 229
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS BEFORE RESTRUCTURING		(5 939)	8 658
NET EXPENDITURE FROM RESTRUCTURING	2(b)	(3 398)	-
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS AFTER RESTRUCTURING	36	(9 337)	8 658
ACCUMULATED SURPLUS BROUGHT FORWARD		154 351	143 871
Transfer (to) from committed grants reserve	36	(10 497)	1 822
ACCUMULATED SURPLUS CARRIED FORWARD	36	134 517	154 351

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash	2(i),33	69 750	79 906
Receivables	16	5 942	4 527
Loans	17	1 729	2 010
Inventories	18	2 654	2 003
Prepayments		516	-
Other	20	32	51
Total Current Assets		80 623	88 497
NON-CURRENT ASSETS:			
Loans	17	29 977	35 448
Inventories	18	264	125
Property, plant and equipment	19	96 883	102 532
Other	20	42	35
Total Non-Current Assets		127 166	138 140
Total Assets		207 789	226 637
CURRENT LIABILITIES:			
Creditors and accruals	21	5 787	4 525
Borrowings	22	462	1 280
Accrued interest on borrowings		542	643
Provision for employee entitlements	23	4 455	5 909
Total Current Liabilities		11 246	12 357
NON-CURRENT LIABILITIES:			
Creditors and accruals	24	3 098	2 810
Borrowings	22	24 547	30 804
Provision for employee entitlements	23	15 231	15 254
Lease incentive	2(g)	3 210	3 607
Total Non-Current Liabilities		46 086	52 475
Total Liabilities		57 332	64 832
NET ASSETS		150 457	161 805
EQUITY:			
General reserve	25	2 000	2 000
Committed grants reserve	26	12 187	1 690
Asset revaluation reserve		1 753	3 764
Accumulated surplus		134 517	154 351
TOTAL EQUITY	36	150 457	161 805
Commitments	27		
Contingent Liabilities	35		

Statement of Cash Flows for the year ended 30 June 2000

		2000 Inflows (Outflows) \$'000	1999 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:	Note		
Payments to suppliers and employees		(153 474)	(136 390)
Grants paid		(19 181)	(18 075)
Interest paid on loans		(2 070)	(3 147)
RECEIPTS:			
Receipts from customers		32 287	32 955
Grants received		25 139	29 884
Interest on loans to the rural sector		3 300	4 744
Interest on cash balances		2 991	3 039
CASH FLOWS FROM GOVERNMENT:			
Pursuant to <i>Appropriation Act 1999</i>	2(d)	107 635	104 229
Net Cash (used in) provided by Operating Activities	33	(3 373)	17 239
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(8 017)	(6 815)
Proceeds from sale of property, plant and equipment		2 294	550
Loans advanced to the rural sector		(704)	(324)
Loans repaid by the rural sector		6 737	13 338
Net Cash provided by Investing Activities		310	6 749
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings from Treasury		695	45
Principal repaid to Treasury/SAFA		(7 788)	(7 028)
Net Cash used in Financing Activities		(7 093)	(6 983)
NET (DECREASE) INCREASE IN CASH HELD		(10 156)	17 005
CASH AT 1 JULY		79 906	62 901
CASH AT 30 JUNE	33	69 750	79 906

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

	2000														
	Sheep Industry Levy \$'000	Grains Industry Levy \$'000	Cattle Compen- sation \$'000	Gulf St Vincent Prawn Fishery \$'000	Soil Conser- vation \$'000	Swine Compen- sation \$'000	Fisheries Research and Develop- ment \$'000	Sale of land Parafield Research Centre \$'000	Egg Industry Dereg- ulation \$'000	Natural Heritage Trust \$'000	Natural Gas Authority \$'000	Energy Mngmt Task Force \$'000	SA Water Corpor- ation \$'000	Other \$'000	Total \$'000
ADMINISTERED EXPENSES:															
Payment to Cooper Basin Producers	-	-	-	-	-	-	-	-	-	-	209 224	-	-	-	209 224
Natural Heritage Trust	-	-	-	-	-	-	-	-	-	25 539	-	-	-	-	25 539
Fisheries licences	-	-	-	-	-	-	9 437	-	-	-	-	-	-	-	9 437
Salaries costed to administered funds	-	-	-	-	-	-	-	-	-	-	-	-	-	202	202
Supplies and services	166	400	294	-	-	126	230	-	1	26	-	397	-	376	2 016
Grants	-	-	-	-	-	86	268	-	-	1	-	-	-	122	477
Subsidy	32	-	-	-	-	-	-	-	-	-	-	-	75 108	-	75 140
Other	1	-	-	-	-	-	-	1 389	-	-	-	-	-	335	1 725
Total Expenses:	199	400	294	-	-	212	9 935	1 389	1	25 566	209 224	397	75 108	1 035	323 760
ADMINISTERED REVENUES:															
Natural Gas revenue	-	-	-	-	-	-	-	-	-	-	209 222	-	-	-	209 222
Natural Heritage Trust	-	-	-	-	-	-	-	-	-	25 118	-	-	-	-	25 118
Fisheries licences	-	-	-	851	-	-	9 083	-	-	-	-	-	-	6	9 940
Advances and grants	-	-	-	-	-	-	152	-	-	-	-	-	-	-	152
Commonwealth levies	-	393	-	-	-	-	-	-	-	-	-	-	-	689	1 082
Stamp duties	658	-	145	-	-	68	-	-	-	-	-	-	-	14	885
Interest on cash balances	4	5	140	30	1	49	-	-	-	-	-	-	-	11	240
Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	75 108	-	75 108
Other	-	-	21	-	-	14	-	1 389	-	68	2	538	-	478	2 510
Total Revenues	662	398	306	881	1	131	9 235	1 389	-	25 186	209 224	538	75 108	1 198	324 257
ADMINISTERED REVENUES LESS EXPENSES	463	(2)	12	881	1	(81)	(700)	-	(1)	(380)	-	141	-	163	497

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

	1999														
	Barley Industry Levy \$'000	Wheat Industry Levy \$'000	Cattle Compen- sation \$'000	Gulf St Vincent Prawn Fishery \$'000	Soil Conser- vation \$'000	Swine Compen- sation \$'000	Fisheries Research and Develop- ment \$'000	Sale of land Parafield Research Centre \$'000	Egg Industry Dereg- ulation \$'000	Natural Heritage Trust \$'000	Natural Gas Authority \$'000	Energy Mngmt Task Force \$'000	SA Water Corpor- ation \$'000	Other \$'000	Total \$'000
ADMINISTERED EXPENSES:															
Payment to Cooper Basin Producers	-	-	-	-	-	-	-	-	-	-	187 046	-	-	-	187 046
Natural Heritage Trust	-	-	-	-	-	-	-	-	-	22 637	-	-	-	-	22 637
Interest payment	-	-	-	535	-	-	-	-	-	-	-	-	-	-	535
Fisheries licences	-	-	-	-	-	-	8 841	-	-	-	-	-	-	-	8 841
Compensation payments	-	-	63	-	-	-	-	-	-	-	-	-	-	-	63
Commonwealth levies	130	617	-	-	-	-	-	-	-	-	-	-	-	121	868
Salaries costed to administered funds	-	-	-	-	-	-	-	-	-	-	-	-	-	192	192
Supplies and services	-	-	222	-	10	28	-	-	-	4	-	752	-	38	1 054
Sitting fees	-	-	-	-	-	-	-	-	-	11	-	-	-	1	12
Grants	-	-	-	-	-	61	64	-	-	1	-	-	-	-	126
Subsidy	-	-	-	-	-	-	-	-	-	-	-	-	70 838	-	70 838
Other	-	-	-	-	-	-	75	1 220	3	-	-	-	-	18	1 316
Total Expenses:	130	617	285	535	10	89	8 980	1 220	3	22 653	187 046	752	70 838	370	293 528
ADMINISTERED REVENUES:															
Natural Gas revenue	-	-	-	-	-	-	-	-	-	-	187 047	-	-	-	187 047
Natural Heritage Trust	-	-	-	-	-	-	-	-	-	23 885	-	-	-	-	23 885
Fisheries licences	-	-	-	916	-	-	8 288	-	-	-	-	-	-	4	9 208
Advances and grants	-	-	-	-	-	-	180	-	-	-	-	-	-	-	180
Commonwealth levies	284	461	-	-	-	-	-	-	-	-	-	-	-	148	893
Stamp duties	-	-	180	-	-	68	-	-	-	-	-	-	-	-	248
Interest on cash balances	4	1	134	7	1	53	-	-	-	-	-	-	-	11	211
Appropriation	-	-	-	-	-	-	-	-	-	-	-	-	70 838	1	70 839
Other	-	-	25	-	-	-	21	1 220	-	39	-	899	-	130	2 334
Total Revenues	288	462	339	923	1	121	8 489	1 220	-	23 924	187 047	899	70 838	294	294 845
ADMINISTERED REVENUES LESS EXPENSES	158	(155)	54	388	(9)	32	(491)	-	(3)	1 271	1	147	-	(76)	1 317

Program Schedule of Departmental Administered Assets and Liabilities as at 30 June 2000

		2000												
		Sheep Industry Levy	Grains Industry Levy	Cattle Compensation	Gulf St Vincent Prawn Fishery	Soil Conservation	Swine Compensation	Fisheries Research and Development	Egg Industry Deregulation	Natural Heritage Trust	Natural Gas Authority	Energy Mngmt Task Force	Other	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED ASSETS:														
Current Assets:														
	Receivables	-	-	-	-	-	-	-	-	-	-	219	38	257
	Cash	465	4	2 794	1 268	22	936	776	466	1 393	399	1 257	679	10 459
	Total	465	4	2 794	1 268	22	936	776	466	1 393	399	1 476	717	10 716
ADMINISTERED LIABILITIES:														
Current Liabilities:														
	Creditors and accruals	2	-	6	-	-	-	21	-	-	-	10	58	97
	Total	2	-	6	-	-	-	21	-	-	-	10	58	97
Non-Current Liabilities:														
	Borrowings	-	-	-	2 655	-	-	-	-	-	-	-	-	2 655
	Total Liabilities	2	-	6	2 655	-	-	21	-	-	-	10	58	2 752
NET ASSETS		463	4	2 788	(1 387)	22	936	755	466	1 393	399	1 466	659	7 964
EQUITY:														
	Accumulated surplus (deficit)	463	4	2 788	(1 387)	22	936	755	466	1 393	399	1 466	659	7 964

Program Schedule of Departmental Administered Assets and Liabilities as at 30 June 1999

		1999												
		Barley Industry Levy*	Wheat Industry Levy*	Cattle Compensation	Gulf St Vincent Prawn Fishery	Soil Conservation	Swine Compensation	Fisheries Research and Development	Egg Industry Deregulation	Natural Heritage Trust	Natural Gas Authority	Energy Mngmt Task Force	Other	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED ASSETS:														
Current Assets:														
	Receivables	-	-	-	-	-	-	-	-	-	-	18	41	59
	Cash	158	(152)	2 776	387	21	1 017	1 455	467	1 773	399	1 320	457	10 078
	Total	158	(152)	2 776	387	21	1 017	1 455	467	1 773	399	1 338	498	10 137
ADMINISTERED LIABILITIES:														
Current Liabilities:														
	Creditors and accruals	-	-	-	-	-	-	-	-	-	-	13	-	13
	Total	-	-	-	-	-	-	-	-	-	-	13	-	13
Non-Current Liabilities:														
	Borrowings	-	-	-	2 655	-	-	-	-	-	-	-	153	2 808
	Total Liabilities	-	-	-	2 655	-	-	-	-	-	-	13	153	2 821
NET ASSETS		158	(152)	2 776	(2 268)	21	1 017	1 455	467	1 773	399	1 325	345	7 316
EQUITY:														
	Accumulated surplus (deficit)	158	(152)	2 776	(2 268)	21	1 017	1 455	467	1 773	399	1 325	345	7 316

* Due to changes in legislation, the Barley Industry Levy and Wheat Industry Levy Funds have been merged to form a new account titled the Grains Industry Levy Fund for 1999-2000.

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

	2000				2000 Total \$'000
	Information Services \$'000	State Resource Regulation Services \$'000	Coordination and Advice \$'000	Facilitation Services \$'000	
EXPENSES:					
Employee costs	40 332	14 458	5 778	18 215	78 783
Supplies and services	33 428	12 696	3 058	23 290	72 472
Grants	3 241	638	71	15 231	19 181
Depreciation and amortisation	2 810	965	402	1 212	5 389
Interest	1	-	-	1 841	1 842
Provision for doubtful debts	-	-	-	(297)	(297)
Other	1 218	79	53	299	1 649
Total Expenses	81 030	28 836	9 362	59 791	179 019
REVENUES:					
User charges, fees and rentals	11 487	11 015	106	2 047	24 655
Advances and grants	12 737	977	75	11 760	25 549
Sales of goods	2 575	11	-	1 714	4 300
Interest	241	241	241	5 379	6 102
Other	1 914	1 025	5	1 895	4 839
Total Revenues	28 954	13 269	427	22 795	65 445
NET COST OF SERVICES	52 076	15 567	8 935	36 996	113 574
GOVERNMENT REVENUES:					
Pursuant to <i>Appropriation Act 1999</i>	48 986	14 643	8 403	35 603	107 635
DECREASE IN NET ASSETS RESULTING FROM OPERATIONS BEFORE RESTRUCTURING	3 090	924	532	1 393	5 939

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Department Purpose and Funding

The Department of Primary Industries and Resources (PIRSA), is a key department for economic development, focused on delivering services which increase the prosperity of South Australians, improve their quality of life and ensure the sustainable development of the State's resource base for future generations. PIRSA's major customer and stakeholder is the Government of South Australia but PIRSA works with and delivers a wide range of services to the agriculture, aquaculture, natural resources, fisheries, minerals and petroleum, research and development and energy sectors, regional communities and government through 58 locations around South Australia.

The principle source of funds for PIRSA programs consists of monies appropriated by Parliament, research grants from Industry Research Corporations, licence receipts, Commonwealth grants and trading operations.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements present the operations of PIRSA for the year 1 July 1999 to 30 June 2000.

The accounts have been prepared in accordance with applicable Australian Accounting Standards, Statements of Accounting Concepts and Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The accounts have been prepared on the accrual basis of accounting. Except for certain assets which are at current cost valuation, the accounts have been prepared in accordance with the historical cost convention.

(b) The Reporting Entity

All funds through which the Department controls resources to carry on its functions have been included in these financial statements.

In the process of reporting on the Department as a single unit, all internal transactions have been eliminated in full.

Administered Resources

The Department administers but does not control certain resources on behalf of the South Australian Government, the Commonwealth Government, private sector organisations and other State Government Departments. The Department is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Department's objectives. The Department acts only on behalf of the aforementioned bodies. The accrual basis of accounting has been used in accounting for administered resources.

Transactions and balances relating to these administered resources are not recognised as departmental revenues, expenses, assets or liabilities but are disclosed in the applicable program schedules.

Trust Funds

The Department has received monies in a trustee capacity for trusts as set out in Note 30. As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the Department's objectives, they are not brought to account in the financial statements, but are shown in Note 30.

(b) The Reporting Entity (continued)

Transfer of Water Related Activities to the Department for Water Resources

In February 2000, Cabinet approved a number of administrative changes to portfolios under the *Public Sector Management Act 1995* to coincide with changes to Ministerial portfolios. As a result of these changes, the water related activities and associated assets of PIRSA were transferred to the newly established Department for Water Resources effective from 1 March 2000. The revenue, expenditure and cash flows up to 1 March 2000 of the transferred activities have been included in these statements.

(c) User Charges, Fees and Rentals

User charges, fees and rentals controlled by the Department are recognised as revenues. User charges, fees and rentals are controlled by the Department where they can be deployed for achievement of departmental objectives.

User charges, fees and rentals collected by the Department but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Program Schedule - Administered Expenses and Revenues.

(d) Appropriations, Grants and Other Contributions

All appropriations, grants and other contributions are recognised as revenues when the Department obtains control over the assets, this would normally be upon receipt.

Amounts appropriated to the Department for transfer to eligible beneficiaries in accordance with legislation or other authoritative requirements are not controlled by the Department and therefore not recognised as revenues, but are reported as administered revenues in the Program Schedule - Administered Expenses and Revenues. Similarly, the amounts transferred, are not recognised as expenses, but are reported as administered expenses in the Program Schedule - Administered Expenses and Revenues.

(e) Royalties

PIRSA receives royalties, levied on minerals and petroleum production, on behalf of the State Government. The royalties received are deposited into the Consolidated Account. As PIRSA has no control over these monies and is unable to use the monies to achieve its own objectives, royalties received are not recognised in the financial statements, but are disclosed in Note 14.

(f) Revaluation Decrement

During the year, in accordance with a direction from the Treasurer and a Cabinet decision, the Department recognised the transfer of the Brukunga mine and associated works from the SA Water Corporation for the value at which those assets were held in SA Water's accounts (\$3.2 million).

In accordance with Australian Accounting Standard AAS 10 'Accounting for the Revaluation of Non-Current Assets', the mine and associated works were subsequently revalued by the Department with the resultant decrement of \$2 million being charged against the asset revaluation reserve.

(g) Non-Current Assets

Items of property, plant and equipment are recorded in the Statement of Financial Position as detailed below unless otherwise indicated:

(i) Land and Buildings

The Department has adopted the requirements of the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' and Accounting Policy Statement APS 6 'Land and Improvements'.

The majority of land and buildings have been independently valued by Valcorp Pty Ltd as at 30 June 1999, on the basis of deprival value being written-down current cost or current market buying price. Some land is brought to account at valuations by the South Australian Valuer-General. Buildings include 'infrastructure' which represents roads, fencing, signage etc. Updated valuations are obtained every three years.

(ii) Plant and Equipment

Plant and equipment are brought to account at cost. Items of \$2 000 and greater are capitalised and amounts less than \$2 000 are expensed in the period incurred.

(iii) Depreciation

All buildings, plant and equipment having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential.

Depreciation is provided on a straight line basis which is reviewed annually. The major depreciation periods are:

	Years
Buildings	60 - 70
Plant and equipment	3 - 20
Infrastructure	2 - 32

(iv) Leasehold Improvements

Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

(v) Lease Incentives under Non-Cancellable Operating Leases

On 1 August 1998, the Department, through the Department for Administrative and Information Services, entered into a 10 year non-cancellable operating lease over part of a property located at 101 Grenfell Street, Adelaide.

- (v) **Lease Incentives under Non-Cancellable Operating Leases (continued)**
 The fit-out costs for this leased property were met by the lessor. In accordance with Urgent Issues Group Abstract 3 'Lessee Accounting for Lease Incentives under a Non-Cancellable Operating Lease', this fit-out has been treated as a lease incentive giving rise to both an asset and a liability being the cost of the fit-out. Both the asset and liability are amortised over the period of the lease.

(h) Employee Entitlements

- (i) **Salaries and Wages and Annual Leave**
 Liabilities for salaries and wages and annual leave 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. Expenses consequential to employment but which are not employee entitlements, for example payroll tax and superannuation on-costs, have been recognised as non-employee entitlement liabilities where the entitlement to which they relate has been recognised as a liability.

- (ii) **Long Service Leave**
 A liability for long service leave is recognised, and is measured as the current value of payments to be made in respect of employees with eight or more years service up to the reporting date. This base provides a reasonable approximate of the present value of the estimated future cash outflows to be made for these entitlements. Expenses consequential to employment but which are not employee entitlements, for example payroll tax and superannuation on-costs, have been recognised as non-employee entitlements liabilities where the entitlement to which they relate has been recognised as a liability.

- (iii) **Superannuation**
 The Department does not record a liability for the value of superannuation payments to be made to employees at preservation ages, this liability is recorded by the SA Superannuation Board. The Department records a liability for any outstanding employer superannuation contributions payable to the SA Superannuation Board. The Department also recognises a non-employee entitlement liability for the superannuation on-cost on long service leave, annual leave and accrued salaries and wages (Refer Note 4).

During the year PIRSA paid \$7.3 million to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of its employees.

- (iv) **Workers Compensation**
 The workers compensation provision is an actuarial estimate of the outstanding liability at 30 June provided by a consulting actuary engaged through the Government Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet. This actuarial estimate provides for the estimated cost of ongoing payments to employees as required under current legislation.

(i) Cash

For the purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

The Department's appropriation from the Department of Treasury and Finance included an accrual component of \$3.5 million. As at 30 June 2000 this appropriation had not been expended. In accordance with a directive from the Department of Treasury and Finance this accrual appropriation has been classified as a deposit at call.

(j) Inventory

Inventories are measured at the lower of cost and net realisable value on an item by item basis, as illustrated in Note 18. Where the net market value of an inventory item is less than cost, provision is made for the anticipated loss on realisation.

The Department controlled the following types of assets at the reporting date meeting the definition of self-generating and regenerating assets as defined by Australian Accounting Standard AAS 35 'Self Generating and Regenerating Assets'. Livestock has been brought to account at net market value in the Statement of Financial Position. Crops, orchards and vineyards are grown primarily for research purposes but also have a commercial element. As these items are not considered to be material in terms of total asset value and are difficult to measure reliably, they have been excluded from the Statement of Financial Position.

(k) Provisions for Doubtful Debts

The collectibility of trade debts is assessed at balance date and provision is made for any doubtful accounts.

In 1997-98 the Rural Finance and Development Steering Committee adopted the policy of calculating the general doubtful debt provision as 5 percent of the balance of the loan portfolio. This approach has been retained for 1999-2000 and will be reviewed in 2000-01.

3. Outputs of the Department

(a) General

Information about the Department's output classes is set out in the Output Class Summary. As from 1 July 1999, PIRSA has reclassified the two outputs titled 'Portfolio Program' and 'Infrastructure' from the output class 'Coordination and Advice' to the output class 'Facilitation Services'.

(b) Output Class Summary

Output Class 1 — Information Services

The focus for this class of service delivery is on services for generation, synthesis and dissemination of information and technology.

Output Class 2 — State Resource Regulation Services

The focus is on services that are required to regulate the use of and protect the State's natural and productive resources. These services are the responsibility of PIRSA through either legislation or Government policy.

Primary Industries and Resources

(b) Output Class Summary (continued)

Output Class 3 — Coordination and Advice

The focus is on policy advice, decision support, legislation development and review.

Output Class 4 — Facilitation Services

This class of outputs includes facilitation services that establish strategic alliances and strategies in the areas of wealth, health, welfare, safety, sustainability or self-reliance of industries, enterprises or communities and portfolio project management which covers all Primary Industry and Resource sectors and other services to government.

4. Employee Costs**	2000 \$'000	1999 \$'000
Salaries and wages	66 597	60 344
Superannuation	7 381	6 923
Payroll tax	4 405	4 312
Annual and long services leave expenses*	400	1 698
	78 783	73 277

* Annual leave and long service leave expenses only include changes in the provision assessed at balance date. In service and lump sum payments are classified as salary expenses.

** 1999-2000 figures include costs of \$1.5 million (\$1.2 million) for adverse events and \$130 000 for the South-Eastern Water Conservation Drainage Board. Supply and service costs associated with these activities are disclosed in Note 5.

5. Supplies and Services	2000 \$'000	1999 \$'000
Professional services	20 474	16 074
Operational and administrative costs	13 739	13 879
Utility and property costs	10 045	8 030
Computing costs	4 537	3 398
Travel	7 521	6 539
Vehicle and equipment operating costs	2 133	1 919
Adverse events ⁽¹⁾	3 534	4 029
South Eastern Water Conservation Drainage Board ⁽²⁾	4 349	3 496
Telephone calls and rental	2 293	1 949
Loxton Irrigation Scheme ⁽³⁾	1 900	1 772
Staff training and development	1 618	1 434
Other	329	690
	72 472	63 209

(1) Expenditure on ad-hoc emergencies that affect the agricultural and fisheries sectors (eg fruit fly and locusts). Employee costs associated with adverse events are disclosed in Note 4.

(2) The drainage component of the Upper South East Dry-land Salinity and Flood Management Plan will be constructed over six years. The project is funded on the basis of the State and Commonwealth each contributing 37.5 percent and the local community 25 percent of the cost. The estimated total project cost is \$24 million. Infrastructure works ownership will be transferred to the South-Eastern Water Conservation Drainage Board, upon completion of each stage. Employee costs associated with the South-Eastern Water Conservation Drainage Board are disclosed in Note 4.

(3) Represents a continuing program of refurbishment of the irrigation distribution infrastructure and upgrading of the pumps for the existing district and including areas for new development outside the current boundaries of the Loxton Irrigation District. The total cost of the program is estimated to be around \$40 million with the State's share being \$16 million spread over the projected construction period of five years.

6. Grants Paid	2000 \$'000	1999 \$'000
Rural Finance and Development:	\$'000	\$'000
Rural Adjustment Scheme	363	1 463
Eyre Peninsula Regional Strategy	1 941	2 271
Young Farmers Scheme	49	666
FarmBis	786	39
Project funding	84	191
Riverland Rural Partnership Program	413	20
	3 636	4 650
Other Government Agencies:		
Animal and Plant Control Commission	3 558	3 615
University of Adelaide	742	592
Roxby Downs Council	321	74
Dog Fence Board	350	300
Natural Heritage Trust	392	-
Other	423	456
	5 786	5 037
Private Sector:		
Remote Areas Energy Scheme	2 995	2 927
Collaborative payments	4 089	3 460
SA Food and Beverage Exporters Association	-	300
SA Steel and Energy Project	750	-
Anangu-Pitjantjatjara Council	150	-
Papaya Fruit Fly Program	-	190
Soil Conservation Board	213	-
Ovine Johne's disease	22	105
Other	1 540	1 441
	9 759	8 423
Total Grants Paid	19 181	18 110

7. Provision for Doubtful Debts	2000	1999
Movements in the provision for doubtful debts (refer Note 2(k)) during the period were:	\$'000	\$'000
Balance at 1 July	2 891	2 810
Less: Write-offs	-	66
	2 891	2 744
Add: Amount provided	(420)	147
Balance at 30 June	2 471	2 891
8. Depreciation and Amortisation Expenses		
Depreciation:		
Plant and equipment	3 652	3 351
Building and improvements	1 601	1 418
Borehole network	120	120
	5 373	4 889
Amortisation:		
Buildings and improvements	16	16
	5 389	4 905
9. Other Expenses		
Capital loss on early repayment of debt to the Department of Treasury and Finance	126	29
Guarantee fees	72	89
Loss on revaluation of the Borehole Network	-	263
Contributions to external bodies	328	-
Prior period adjustments	-	2 179
Department for Water Resources externally funded projects	872	-
Other	251	-
	1 649	2 560
10. User Charges, Fees and Rentals		
Fishing licences*	8 750	8 384
Mining and petroleum application fees	391	381
Gas and electricity licence fees	1 520	2 631
Remote Areas Energy Scheme electricity sales	791	784
Mining and petroleum rentals	4 743	4 843
Consultancy and service	6 405	4 802
Other licences	259	353
Seed analysis and certification	765	1 196
Inspection and registration	587	866
Other	444	75
	24 655	24 315

* Represents allocation of licence fees from the Fisheries Research and Development Fund.

11. Advances and Grants

The Department received contributions from various funding sources as detailed below, expressly for the purpose of undertaking specific projects. As at 30 June 2000 \$1.8 million of those contributions, which have been recognised as revenue in the Operating Statement are yet to be spent in the manner specified by the contributors.

	2000			1999		
	Grants Received	Expenditure	nexpended Grants	Grants Received	Expenditure	Unexpended Grants
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Commonwealth Grants						
Rural Adjustment Scheme	226	226	-	1 204	1 204	-
Eyre Peninsula Regional Strategy	532	532	-	2 121	2 121	-
Riverland Rural Partnership Program	661	413	248	179	19	160
FarmBis	1 073	786	287	91	33	58
Loxton Irrigation Scheme	-	-	-	1 200	1 200	-
Natural Heritage Trust	7 253	6 958	295	10 097	6 089	4 008
Branched Broomrape	39	39	-	-	-	-
Murray Darling Basin Commission	262	262	-	287	283	4
Other	62	62	-	-	-	-
Total Commonwealth Grants	10 108	9 278	830	15 179	10 949	4 230
State Grants						
Natural Heritage Trust	82	82	-	1 102	474	628
Fire Blight	-	-	-	167	73	94
Online Food Development	-	-	-	113	82	31
Natural Gas Pipelines Authority Committee	387	-	387	376	-	376
Aquaculture Industry and Regional Development	-	-	-	154	141	13
Farmed Seafood Initiative	180	112	68	-	-	-
Food Plan	141	141	-	-	-	-
Branched Broomrape	360	360	-	-	-	-
Other	726	726	-	448	448	-
Total State Grants	1 876	1 421	455	2 360	1 218	1 142

Primary Industries and Resources

11. Advances and Grants (continued)	2000			1999		
	Grants		Unexpended Grants	Grants		Unexpended Grants
	Received	Expenditure		Received	Expenditure	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Industry Grants						
Fisheries RDC	1 289	1 191	98	943	943	-
Fisheries RDC Pro-active Grant	79	67	12	101	101	-
Grains RDC	5 996	5 996	-	5 809	5 238	571
Horticulture RDC	990	990	-	1 183	1 022	161
Pig RDC	698	512	186	681	600	81
Rural Industries RDC	308	308	-	285	227	58
Meat RDC	102	102	-	246	207	39
Dried Fruits RDC	214	135	79	71	71	-
Dairy RDC	181	134	47	-	-	-
International Wool Secretariat	174	174	-	281	281	-
SA Grains Industry Trust Fund	693	649	44	711	624	87
Co-operative RDC	-	-	-	239	235	4
Grape and Wine RDC	437	406	31	137	118	19
Animal Health Council	126	126	-	-	-	-
Other	2 278	2 278	-	1 704	1 527	177
Total Industry Grants	13 565	13 068	497	12 391	11 194	1 197
Total Grants Received	25 549	23 767	1 782	29 930	23 361	6 569
12. Interest Revenue				2000	1999	
				\$'000	\$'000	
Loans to the rural sector				3 087	4 213	
Deposits lodged with Treasury				3 015	3 042	
				6 102	7 255	
13. Sales of Goods						
Plants				1 349	1 225	
Livestock				352	485	
Publications, books, maps and compact discs				672	553	
Milk				627	425	
Soil test kits				-	188	
Fruit and vegetables				231	245	
Cereals				396	234	
Wool and skins				162	213	
Other				511	264	
				4 300	3 832	
14. Royalties						
The following royalties were received and deposited into the Consolidated Account (refer Note 2(e)):						
Licences:						
Gas licences				4 810	7 851	
				4 810	7 851	
Based on production:						
Natural gas/liquids				50 686	41 214	
Minerals				24 796	15 991	
Coal				1 224	1 476	
				76 706	58 681	
Total Royalties				81 516	66 532	
15. Other Revenue						
South-Eastern Water Conservation Drainage Board levies				873	1 067	
Loxton Irrigation external contributions				700	-	
Seed royalties				390	290	
Rent and lease				-	181	
Workers compensation recoveries				58	70	
Government Employment Scheme recoups				579	191	
Project research services and supply of data				-	398	
National quality evaluation for Australian pulses				-	247	
Information services				-	116	
National Registration Authority				-	52	
National Land and Water Authority				-	73	
National residues survey				-	54	
Transfer of Natural Disaster Relief Funding from administered funds				132	-	
Hire of equipment				54	-	
Reimbursements of salaries and project costs				677	-	
Compensation for losses caused by delay in payment for Thebarton property				130	-	
Other				1 246	1 496	
				4 839	4 235	
16. Current Asset – Receivables						
Trade accounts receivable				4 689	3 208	
Less: Provision for doubtful debts				119	242	
				4 570	2 966	
Accrued interest on loans and deposits				1 372	1 561	
				5 942	4 527	

		2000		1999	
		\$'000	\$'000	\$'000	\$'000
17. Loans					
(i)	Rural Sector - Rural Finance and Development:				
	Balance at 1 July		40 027		53 107
	Advances during the year	704		324	
	Interest capitalised	3 300		4 744	
			4 004		5 068
			44 031		58 175
	Less: Principal repayments	10 037		18 082	
	Principal written off	-		66	
			10 037		18 148
	Balance at 30 June		33 994		40 027
	Other Loans:				
	Balance 1 July		80		96
	Less: Amortisation of loan		16		16
	Balance at 30 June		64		80
	Total Loan Balance at 30 June		34 058		40 107
(ii)	Balance on Loans Outstanding comprises:				
	Principal not yet due for repayment		33 821		39 745
	Principal due but not yet paid		237		362
	Total Principal Outstanding		34 058		40 107
(iii)	Balance of Loans Classification:				
	Current assets		1 729		2 010
	Non-current assets		32 329		38 097
	Less: Provision for doubtful debts		2 352		2 649
			29 977		35 448
			31 706		37 458
18. Inventories:				2000	1999
	Current:			\$'000	\$'000
	Livestock (Net realisable value)			1 454	1 152
	Plants and related items (At cost)			526	559
	Publications and other finished goods (At cost)*			459	59
	Raw materials and stores (At cost)			-	117
	Other (At cost)			215	116
				2 654	2 003
	Non-Current:				
	Publications and maps (Net realisable value)			264	125
	* Includes publications which have not previously been included within inventories.				
19. Property, Plant and Equipment					
	Land:				
	Land at independent valuation (30 June 1999)			9 682	9 789
	Land at valuation (30 June 2000)			60	-
	Land at cost			474	1 009
				10 216	10 798
	Buildings and Improvements:				
	Buildings at independent valuation (30 June 1999)			92 996	93 059
	Buildings at valuation (30 June 2000)			461	-
	Buildings at cost			1 526	2 211
	Leasehold improvement			3 210	3 607
				98 193	98 877
	Less: Accumulated depreciation and amortisation			27 963	26 362
				70 230	72 515
	Plant and Equipment:				
	Plant and equipment at cost			44 976	55 343
	Plant and equipment at valuation (30 June 2000)			668	-
	Less: Accumulated depreciation			29 207	36 124
				16 437	19 219
	Total Property, Plant and Equipment			96 883	102 532
20. Other Assets					
	Current:				
	Amdel loan			16	16
	Workers compensation recoveries			16	35
				32	51
	Non-Current:				
	Workers compensation recoveries			42	35

Primary Industries and Resources

21. Current Liabilities – Creditors and Accruals	2000	1999
	\$'000	\$'000
Employee related	695	927
Creditors and accruals	4 619	3 088
Workers compensation	462	497
Commonwealth excise funding	11	13
	5 787	4 525
22. Borrowings		
(i) Indebtedness to SA Department of Treasury and Finance	1 728	5 782
Indebtedness to SA Financing Authority	23 171	26 188
Indebtedness to Department of Industry and Trade	110	114
Total Borrowings	25 009	32 084
(ii) Balance of Borrowings Outstanding Classifications:		
Current	462	1 280
Non-Current	24 547	30 804
	25 009	32 084
23. Provision for Employee Entitlements		
Current:		
Accrued salaries and wages	-	1 906
Annual leave	3 975	3 603
Long service leave	480	400
	4 455	5 909
Non-Current:		
Long service leave	15 231	15 254
	15 231	15 254
24. Non-Current Liabilities - Creditors and Accruals		
Employee related	1 752	1 755
Workers compensation	1 346	1 055
	3 098	2 810
25. General Reserve		
The General Reserve for PIRSA Rural Finance and Development was previously established to cover unforeseen losses which may arise from the loan portfolio. The need to maintain this General Reserve will be reviewed in 2000-01.		
26. Committed Grants Reserve		
The Committed Grants Reserve for PIRSA Rural Finance and Development was established to provide for grants commitments which as at 30 June 2000 were committed but not advanced.		
27. Commitments for Expenditure	2000	1999
Operating Leases	\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than one year	3 551	3 715
Later than one year and not later than five years	12 122	6 970
Later than five years	8 085	6 878
	23 758	17 563

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

The property leases are non-cancellable leases, with rental payable monthly in advance. Contingent rental provisions within the lease agreements allow for the review of lease payments every two years. Any changes in lease payments would be based on market rates. Options exist to renew the leases at the end of the term of the leases.

28. Targeted Voluntary Separation Packages (TVSPs)

In accordance with Government policy to reduce the public sector workforce, 17 employees of the Department were paid TVSPs during the period.

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

As at 30 June 2000 payments amounted to \$1.2 million and \$859 000 has been recovered. In addition to this \$443 000 was paid in accrued annual leave and long service leave entitlements to those employees who received a TVSP.

29. Consultants Costs

During the reporting period the Department incurred expenses of \$2.2 million on consultants (\$2.3 million).

30. Trust Funds

The Department administers but does not control the following Trust Funds:

Pleuro Pneumonia Fund

This Fund consists of monies belonging to all State Governments and the Federal Government. The Fund is controlled by the Standing Committee of Agriculture and all expenditure is subject to the approval of the Chairman. Funds are to be used principally for publication of the history of the Pleuro Pneumonia Eradication Campaign and are held in a Section 21 Deposit Account.

30. Trust Funds (continued)**Unclaimed Salaries Fund**

This Fund is used to retain unclaimed monies for which no claim has been made against PIRSA by the owner. Monies are retained for six years by PIRSA and then transferred to the Department of Treasury and Finance.

Extractive Areas Rehabilitation Fund

This Fund is credited amounts by way of royalty on extractive minerals and is used for the rehabilitation of land disturbed by mining operations. The funds collected are used to limit damage to any aspect of the environment by such mining operations in addition to the promotion of research into methods of mining engineering and practice by which environmental damage might be reduced.

Fisheries Research and Development Corporation Pro-active Grant Fund

This Fund consists of monies belonging to the Fisheries Research and Development Corporation (FRDC) which were distributed to the South Australian Government in 1992. The Fund is controlled by the FRDC with all project expenditure subject to written approval. The monies, which are held in an interest bearing Section 21 Deposit Account, are used to promote collaboration between the fishing industry, fisheries managers, researchers and other stakeholders through the South Australian Fisheries Research Advisory Body.

Aggregate details of the transactions and balances relating to these Trust Funds for the year ended 30 June are as follows:

	2000				Total	
	Pleuro Pneumonia \$'000	Unclaimed Salaries \$'000	Extractive Areas Rehabilitation Fund \$'000	FRDC Pro-active Grant Fund \$'000	2000 \$'000	1999 \$'000
Operations:						
Receipts	5	-	1 104	12	1 121	900
Less: Expenditure	38	1	1 441	95	1 575	1 020
Excess of receipts (expenditure)	(33)	(1)	(337)	(83)	(454)	(120)
Funds:						
Balance of funds 1 July	106	1	5 148	83	5 338	5 458
Less: Deficit for year	(33)	(1)	(337)	(83)	(454)	(120)
Fund balance at 30 June	73	-	4 811	-	4 884	5 338
Less: Commitments	-	-	2 150	-	2 150	1 378
Balance of Funds Available	73	-	2 661	-	2 734	3 960

As the Department performs only a custodial role in respect of these monies and because the monies cannot be used for the achievement of the Department's objectives, they are not brought to account in the financial statements, but are shown here for information purposes.

31. Employee Remuneration Packages

The number of employees whose total remuneration package was \$100 000 or more in relation to the reporting period was as follows:

	2000 Number of Employees	1999 Number of Employees
\$100 000 - \$109 999	2	5
\$110 000 - \$119 999	6	2
\$120 000 - \$129 999	2	1
\$130 000 - \$139 999	-	2
\$140 000 - \$149 999	2	1
\$150 000 - \$159 999	1	1
\$160 000 - \$169 999	1	-
\$180 000 - \$189 999	1	-
\$210 000 - \$219 999	-	1
\$220 000 - \$229 999	1	-
\$230 000 - \$239 999	1	-

Total remuneration received by the above employees was \$2.4 million (\$1.8 million).

Note: 1999 figures have been amended to exclude separation packages.

32. Audit Fees

These accounts include \$210 000 (\$217 000) in audit fees paid to the Auditor-General's Department during the period.

33. (a) Cash

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

	2000 \$'000	1999 \$'000
Cash	66 214	76 370
Deposits at call	3 536	3 536
	69 750	79 906

35. Contingent Liabilities (continued)

Since mining ceased at Brukunga in 1972, the residual sulphides in the quarry, two waste rock dumps and tailings storage have been actively oxidising and generating acid water via natural process. SA Water has operated a neutralisation plant at the site to minimise the environmental impact of the site. In February 1998 PIRSA assumed responsibility for the Brukunga mine site from SA Water Corporation. The consequences of this will be the transfer of a significant environmental risk from SA Water Corporation to PIRSA. The ongoing cost to operate the water treatment plant is in the order of \$750 000 per annum. Ownership of the Brukunga property was formally transferred to PIRSA during 1999-2000.

36. Equity

Equity represents the residual interest in PIRSA's net assets. The South Australia Government holds the equity interest in PIRSA on behalf of the community.

	2000				
	Accumulated	Committed	General	Asset	
	Surplus	Grants	Reserve	Revaluation	Total
	\$'000	Reserve	\$'000	Reserve	\$'000
Balance at 1 July	154 351	1 690	2 000	3 764	161 805
Change in net assets resulting from operations	(9 337)	-	-	-	(9 337)
Transfers to (from) Reserves	(10 497)	10 497	-	(2 011)	(2 011)
Balance at 30 June	134 517	12 187	2 000	1 753	150 457

MINISTER FOR TRANSPORT AND URBAN PLANNING; MINISTER FOR ABORIGINAL AFFAIRS; MINISTER FOR LOCAL GOVERNMENT; MINISTER FOR THE ARTS; MINISTER FOR THE STATUS OF WOMEN

PORTFOLIO – TRANSPORT, URBAN PLANNING AND THE ARTS

INTRODUCTION

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

- Minister for Transport and Urban Planning
- Minister for Aboriginal Affairs
- Minister for Local Government
- Minister for the Arts
- Minister for the Status of Women

The agencies included herein relating to the portfolio of Transport, Urban Planning and the Arts are:

- Adelaide Festival Corporation
- Adelaide Festival Centre Trust
- Art Gallery Board
- Department for Transport, Urban Planning and the Arts
- History Trust of South Australia
- Libraries Board of South Australia
- Local Government Finance Authority of South Australia
- Museum Board
- Passenger Transport Board
- South Australian Film Corporation
- State Opera of South Australia - The
- State Theatre Company of South Australia
- TransAdelaide

ADELAIDE FESTIVAL CORPORATION

FUNCTIONAL RESPONSIBILITY

The Corporation is a body corporate established pursuant to the *Adelaide Festival Corporation Act 1998*. The Corporation is an instrumentality of the Crown. The functions of the Corporation, as set out by section 5 of the Act, are to:

- conduct in Adelaide and other parts of the State the multifaceted arts event that is known as the Adelaide Festival of Arts;
- continue to further develop the Adelaide Festival of Arts as an event of international standing and excellence;
- conduct or promote other events and activities;
- provide advisory, consultative, managerial and support services within areas of the Corporation's expertise;
- undertake other activities that promote the arts or public interest in the arts, or that otherwise involve appropriate use of its resources;
- carry out such other functions assigned to the Corporation by or under this or any other Act, or by the Minister.

The Board of the Corporation consists of eight members appointed by the Governor and includes a representative from each of the Friends of the Adelaide Festival Incorporated and the Corporation of the City of Adelaide. The Board is subject to the control and direction of the Minister except in relation to the artistic content of an event or activity conducted by the Corporation and the manner for dealing with a testamentary or other gift.

The Adelaide Festival of Arts is a biennial event with 2000 being a Festival year.

SIGNIFICANT FEATURE

The Corporation incurred an Operating Deficit for the year of \$1.8 million. However, as explained later under the heading 'Interpretation and Analysis of Financial Statements' over the two-financial-year cycle for the 2000 Festival and other projects, the result was an Operating Deficit of \$205 000.

AUDIT MANDATE AND COVERAGE

Audit Authority

The Auditor-General audits the accounts of the Adelaide Festival Corporation pursuant to subsection 19(3) of the *Adelaide Festival Corporation Act 1998*.

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:

- revenue, including cash receipting and debtors
- expenditure, including accounts payable and salaries and wages
- contracts
- budgetary control.

Audit Communications to Management

An audit management letter conveying the scope of the audit and related findings was forwarded to the Chief Executive Officer of the Corporation. A satisfactory response was received to the matters raised.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control environment was assessed as satisfactory.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Adelaide Festival 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. 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 Adelaide Festival 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 Result

The operating result for the year was an Operating Deficit of \$1.8 million. In reviewing this result consideration needs to be given to the unique financial operations of the Corporation, which because the biennial nature of the Adelaide Festival of Arts, effectively operates over a two-financial-year cycle. 1999-2000 is the second year of that cycle.

To gain an appreciation of the operation's of the Corporation over that current two year cycle it is necessary to consider the operating result of the Corporation for the period 1 April 1999 to 30 June 1999, as well as the operating result of its predecessor, the Adelaide Festival Board, for the period 1 July 1998 to 31 March 1999.

The following table highlights the operating result of the Corporation and the former Adelaide Festival Board for the 1998-99 and 1999-2000 financial years which cover the period of operation relating to the conduct of the 2000 Adelaide Festival of Arts and other projects.

	Operating Result Surplus/(Deficit)
Adelaide Festival Board (1 July 1998 - 31 March 1999)	\$'000 1 425
Adelaide Festival Corporation (1 April 1999 - 30 June 1999)	208
Adelaide Festival Corporation (1 July 1999 - 30 June 2000)	(1 838)
	<u>(205)</u>

As can be seen from the foregoing table the overall result of the operation's of the Corporation for the 2000 Festival cycle just concluded, was an Operating Deficit of \$205 000.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING REVENUES:			
Grant from South Australian Government		2 750	438
Other grants		983	489
Box office		2 454	-
Sponsorship		4 105	12
Interest		93	32
Donations		55	33
Sundry income		727	7
Total Operating Revenues		11 167	1 011
OPERATING EXPENSES:			
Administration	3	866	237
Development		432	-
Marketing		1 612	96
Writers' Week		276	2
Projects		795	-
Performing Arts		7 180	231
Visual arts		240	-
Employee entitlements		1 604	237
Total Operating Expenses		13 005	803
OPERATING (DEFICIT) SURPLUS		(1 838)	208
ACCUMULATED SURPLUS AT 1 JULY		1 984	1 776
ACCUMULATED SURPLUS AT 30 JUNE		146	1 984

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash on hand and at bank	12	50	668
Investments	12	-	1 361
Receivables and prepayments	4	1 198	109
Total Current Assets		1 248	2 138
NON-CURRENT ASSETS:			
Property, plant and equipment	13	94	58
Total Non-Current Assets		94	58
Total Assets		1 342	2 196
LIABILITIES:			
CURRENT LIABILITIES:			
Bank overdraft	12	248	-
Creditors and accruals	5	826	128
Provision for employee entitlements	6	94	63
Total Current Liabilities		1 168	191
NON-CURRENT LIABILITIES:			
Provision for employee entitlements	6	28	21
Total Non-Current Liabilities		28	21
Total Liabilities		1 196	212
NET ASSETS		146	1 984
EQUITY:			
Accumulated surplus		146	1 984
TOTAL EQUITY		146	1 984

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:			
Grants from Commonwealth Government and other bodies		983	489
State Government grant		2 750	438
Receipts from patrons/sponsors/donors and others		6 071	52
Interest received		93	28
Payments to performers and suppliers		(10 497)	(592)
Payments for wages and related payments		(1 559)	(238)
Net Cash (used in) provided by Operating Activities	14	(2 159)	177
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for office equipment and furniture		(68)	(14)
Net Cash used in Investing Activities		(68)	(14)
NET (DECREASE) INCREASE IN CASH HELD		(2 227)	163
CASH AT 1 JULY		2 029	1 866
CASH AT 30 JUNE	12	(198)	2 029

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Functions of the Adelaide Festival Corporation

The functions of the Adelaide Festival Corporation are to:

- (a) conduct in Adelaide and other parts of the State the multifaceted arts event that is known as the Adelaide Festival of Arts;
- (b) continue and further develop the Adelaide Festival of Arts as an event of international standing and excellence;
- (c) conduct or promote other events and activities;
- (d) provide advisory, consultative, managerial or support services within the areas of the Corporation's expertise;
- (e) undertake other activities that promote the arts or public interest in the arts, or that otherwise involve an appropriate use of its resources;
- (f) carry out other functions assigned to the Corporation by or under the *Adelaide Festival Corporation Act 1998* or any other Act or by the Minister.

2. Statement of Significant Accounting Policies

2.1 Basis of Accounting

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards and applicable Urgent Issues Group Consensus Views. The report is prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

2.2 Future Festivals

Expenditure related to the 2002 Adelaide Festival of Arts is treated as prepaid expenditure to be allocated against the income of that future festival.

2.3 Foreign Exchange

Transactions in foreign currencies are translated at rates of exchange applicable at the date the foreign currency is acquired. Gains or losses arising from translations are taken directly to operating revenues or operating expenses.

2.4 Employee Entitlements

Provision has been made in the financial report for the Corporation's liability for employee entitlements arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in current creditors and accruals.

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.

Sick Leave

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

Long Service Leave

Provision has been made for employee entitlements to long service leave based on a benchmark of five years service and represents the present value of the estimated future cash flows to be made for those entitlements.

2.5 Superannuation

Contributions are made by the Corporation to a number of State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

2.6 Income Tax

The income of the Adelaide Festival Corporation is exempt from income tax.

2. Statement of Significant Accounting Policies (continued)

2.7 Comparative Figures

The Adelaide Festival Corporation was established on 1 April 1999. The comparative figures in the Operating Statement and Statement of Cash Flows represent the operations of the Corporation for the three month period 1 April 1999 to 30 June 1999.

Where applicable, comparative amounts have been adjusted to conform with changes in presentation and classification in the current financial year.

2.8 Property, Plant and Equipment

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation of office furniture and equipment is calculated using the straight line method of allocation over a useful life of four years and is recognised in the report from the date of acquisition.

2.9 Revenue Recognition

Operating and Performing Arts Grants

In accordance with Department of Treasury and Finance Accounting Policy Statement APS 11 'Contributions', all grants are recognised as operating revenue when received.

Sponsorship, Sundry Income and Interest

All income of this nature is recognised as operating revenue as it accrues.

Donations

All income of this nature is recognised as operating revenue when received.

2.10 Economic Dependency

The normal business activity of the Adelaide Festival Corporation is dependent on the contribution of grants from the State at the appropriate levels. The State Government has advised that funding will be maintained and accordingly this financial report has been prepared on a going concern basis.

3. Administration Expenses	2000	1999
Significant items of expenditure included in the total of administration expenses were:	\$'000	\$'000
Depreciation	32	4
Travel domestic and international	80	18
Communications	81	10
Property costs	128	27
Contractor fees	82	22
4. Receivables and Prepayments		
Trade debtors	876	13
Prepayments	243	44
Other receivables	79	52
	1 198	109
Prepayments in 2000 relate to the advance expenditure incurred for the 2002 Adelaide Festival of Arts.		
5. Creditors and Accruals		
Unsecured trade creditors and accruals	745	103
Employee costs	81	25
	826	128
6. Provisions		
Provision for employee entitlements:		
Current:		
Annual leave	76	58
Long service leave	18	5
	94	63
Non-Current:		
Long service leave	28	21
	28	21
7. Remuneration to Auditors		
The amount due to and receivable by the Auditor-General's Department for auditing the accounts for the year was \$9 600 (\$3 000). The auditors received no other benefits.		
8. Consultancies		
During the year the Board engaged consultants to assist in its operation. The costs of these consultancies was \$272 000 (\$35 000).		
The number of consultancies whose payments fell within the following bands were:	2000	1999
	Number of	Number of
	Consultancies	Consultancies
\$nil - \$10 000	1	-
\$10 001 - \$50 000	2	1
\$50 001 and above	2	-

9. Commitments for Expenditure	2000	1999
Operating leases:	\$'000	\$'000
Commitments under non-cancellable operating lease at the reporting date are payable as follows:		
Not later than one year	2	13
Later than one year and not later than five years	-	2

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

The motor vehicle leases are non-cancellable leases, with motor vehicle leases payable monthly in arrears.

Options exist to renew the leases at the end of the term of the leases.

10. Remuneration of Employees	2000	1999
The number of employees whose total remuneration fell within the following bands:	Number of Employees	Number of Employees
\$120 000 - \$129 999	-	1
\$130 000 - \$139 999	1	1

The amount earned during the year was \$132 000 (\$64 000).

11. Remuneration of Board Members	2000	1999
Remuneration of the Board Members fell between the following bands:	Number of Members	Number of Members
\$nil - \$10 000	8	7
\$10 001 - \$15 000	1	1

The aggregate remuneration referred to in the above table for Board Members is \$67 000 (\$14 000).

12. Reconciliation of Cash	2000	1999
For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and investments.	\$'000	\$'000
Cash on hand and at bank	50	668
Investments	-	1 361
Bank overdraft	(248)	-
	(198)	2 029

13. Property, Plant and Equipment		
Office equipment and furniture - At cost	128	67
Less: Accumulated depreciation	34	9
	94	58

14. Reconciliation of Operating Deficit to Net Cash used in Operating Activities		
Operating (deficit) surplus	(1 838)	208
Items not involving cash:		
Depreciation	32	4
Changes in Assets and Liabilities:		
(Increase) Decrease in receivables and prepayments	(1 089)	(18)
Increase (Decrease) in creditors and accruals	698	(16)
Increase (Decrease) in provision for employee entitlements	38	(1)
Net Cash (used in) provided by operating activities	(2 159)	177

15. Financial Instruments			
(a) Terms, Conditions and Accounting Policies			
Financial Instrument	Note	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial Assets:			
Cash at bank	12	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	All funds attract interest. The rate is determined by the bank at its discretion. The interest rate as at 30 June 2000 was 4 percent. Interest is paid monthly.
Receivables and Prepayments:	4	Receivables are recognised at their nominal amounts. Amounts are recognised when services are provided, or for some grants when received. Collectibility of debts is assessed at balance date with any bad debts being written off prior to balance date.	Standard credit terms are 30 days.
Investments	12	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	All funds attract interest. The rate is determined by the bank at its discretion.
Financial Liabilities:			
Creditors and Accruals	5	Creditors are recognised at their nominal amounts. Liabilities are recognised once the goods or services have been received.	Creditors are generally paid within 30 days.

15. **Financial Instruments (continued)**
(b) Interest Rate Risk

Financial Instrument	Note	2000			Weighted Average Effective Interest Rate Percent	1999			Weighted Average Effective Interest Rate Percent
		Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000		Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000	
Financial Assets:									
Cash at bank	12	(198)	-	(198)	4.0	668	-	668	4.0
Investments	12	-	-	-	-	1 361	-	1 361	4.7
Receivables and prepayments	4	-	1 198	1 198		-	109	109	
Total		(198)	1 198	1 000		2 029	109	2 138	
Financial Liabilities:									
Creditors and Accruals	5	-	826	826		-	128	128	
Total		-	826	826		-	128	128	

(c) Net Fair Values of Financial Assets and Liabilities

The net fair values of the financial assets and liabilities in this report approximate their carrying value.

(d) Credit Risk Exposure

The maximum credit risk exposure at reporting date in relation to each class of recognised financial asset and financial liability is the amount as indicated in the Statement of Financial Position.

16. **Related Party Disclosures**

The Board members are appointed by the Governor in accordance with the *Adelaide Festival Corporation Act 1998*.

During the period the following persons occupied the position of Board Members of the Adelaide Festival Corporation:

Dr E D Tweddell (Chair)	Ms J Worth
Councillor A Huang	Mr J Sharman
Ms R Clemente	Dr I Smylie
Mr F J Ford AM	Ms N Downer
Mr A G Steel AM	

Dr E D Tweddell has an interest in the firm F H Faulding and Co Limited as the Chief Executive. This firm entered into a sponsorship contract for the 2000 Telstra Adelaide Festival. All dealings with the firm are in the ordinary course of business and on normal commercial terms and conditions.

Councillor A Huang is a council member of the Adelaide City Council. The Council entered into a sponsorship contract for the 2000 Telstra Adelaide Festival. All dealings with the Council are in the ordinary course of business and on normal commercial terms and conditions.

As part of the duties of office, from time to time, Board members receive complimentary tickets to shows or events conducted by the Adelaide Festival Corporation. These benefits serve to involve the Board members in the product and business that is being managed and/or involve the execution of office in liaison with external parties.

ADELAIDE FESTIVAL CENTRE TRUST

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Trust is a body corporate established pursuant to the *Adelaide Festival Centre Trust Act 1971* (the Act).

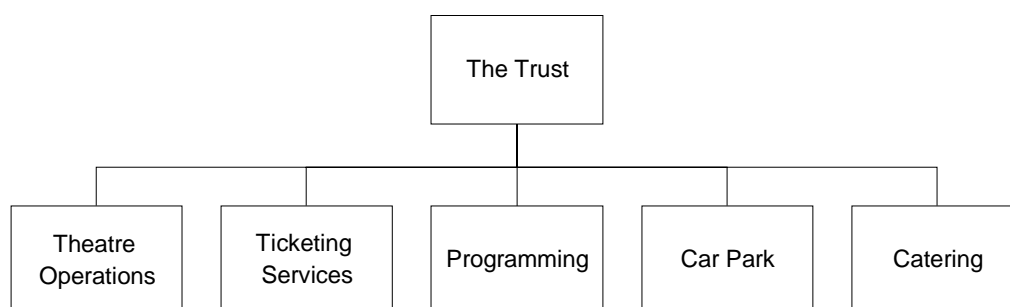
In November 1998 regulations were enacted under the *Public Corporations Act 1993* requiring that certain provisions of that Act be applied to the Trust. The provisions applied relate mainly to the governance and performance aspects of the Trust's operations.

The Trust has eight trustees and is subject to the general control and direction of the Minister for the Arts. To assist in its deliberations the Trust has established certain committees. One of these committees is the Finance and Audit Committee which focuses on matters of a financial and audit nature.

The Trust is charged with the responsibility of encouraging and facilitating artistic, cultural and performing arts activities throughout the State; and controlling, managing and maintaining the Adelaide Festival Centre and Her Majesty's Theatre.

In essence, the Trust is a presenter of arts programs and it aims to provide a balance of art forms for a variety of tastes and age levels. In recognition of its obligations under the Act, the Trust receives an operating and capital grant from the State Government (refer Note 3 to the financial statements).

The following functions are undertaken by the Trust.



Theatre Operations

The Trust maintains various theatre facilities including the Adelaide Festival Centre complex comprising the Festival Theatre, the Space Theatre, the Amphitheatre and the Playhouse in addition to Her Majesty's Theatre. All of the theatre facilities are available for public hire.

From time to time the Trust undertakes entrepreneurial activities which include production of, and investment in, shows most of which tour Australia and sometimes overseas. Depending on the arrangements in place with respect to these shows, the Trust may receive income from royalty fees, management fees and a share of profits. Other activities undertaken include the building of sets for other producers on a contract basis, and the provision of management and accounting services to external productions on a fee-for-service basis.

Ticketing Services

The BASS ticketing system is operated by the Trust pursuant to a licence agreement. The BASS system is an integrated network encompassing many agents across the State.

Programming

The Trust is involved in the staging of various theatrical productions in Adelaide either as a producer or presenter. It is through this activity at the Adelaide Festival Centre complex and Her Majesty's Theatre that income is generated from theatre rental income, ticket booking fees, catering income and car parking income.

Car Park

The Trust owns and operates the car park located within the Adelaide Festival Centre complex.

Catering

The Trust utilises the services of a contractor to operate the catering function on its behalf. The contractor pays to the Trust profits after meeting the costs of providing the function (including a management fee and an incentive fee based on profit).

SIGNIFICANT FEATURES

- The Operating Surplus after Abnormal Items was \$3.8 million compared with an Operating Deficit after Abnormal Items of \$567 000 in the previous year.
- There was an Accumulated Surplus at 30 June 2000 of \$680 000 compared with an Accumulated Deficit of \$3.1 million at 30 June 1999.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 25(2) of the *Adelaide Festival Centre Trust Act 1971* specifically provides for the Auditor-General to audit the accounts of the Trust 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:

- cash receipting and banking
- accounts payable
- payroll
- BASS operations
- workshop operations
- catering operations
- budgetary control.

Audit Communications to Management

A letter communicating issues arising from the audit was forwarded to the Chief Executive Officer of the Trust. A satisfactory response to those issues has been received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The 1998-99 audit of the Trust identified that there was significant scope for improvement in the internal controls within individual accounting systems. These findings arose primarily because the Trust had implemented the Masterpiece financial system and decentralised some of its accounting functions. An assessment of the Trust's internal control structure in 1999-2000 revealed that although improvement had been made there remained scope to enhance controls in a number of areas, some of which were raised last year. Detailed below are the main activities in which Audit considers improvement is possible.

Accounts Payable and Purchasing

The audit of the accounts payable and purchasing activities identified opportunities for improvement in the documentation of policies and procedures, the authorisation of transactions and the certification of receipt of goods and services.

In response the Trust indicated that documentation of policies and procedures would be completed by December 2000 and that revised procedures have been implemented to ensure adequate authorisation of transactions and evidence of receipt of goods is provided.

Systems Access

The audit of access to the Masterpiece financial system identified that improvements could be made in procedures relating to approval of system access requests and the removal of access for officers no longer employed by the Trust.

The Trust responded that revised procedures have been implemented to address the issues raised by Audit.

Payroll

The audit of the payroll activity identified that it would be appropriate to revise the existing procedures with respect to the authorisation of the appointment of new employees, the regular review of user access to the payroll system, and the independent review of payroll transactions and accounting information.

In response the Trust indicated that revised procedures will be implemented to review user access on a regular basis, the delegations of authority with respect to appointment of employees will be revised and that arrangements have been made for evidence to be provided of independent checks undertaken on payroll transactions and accounting information.

BASS Activities

The audit of BASS activities identified the need for ticket selling contracts with promoters to be signed prior to the commencement of ticket sales so as to protect the rights of all the parties involved. This issue was raised in 1998-99. Audit also identified that BASS contracts were not always entered into by an officer with appropriate delegated authority.

In response the Trust advised that it is intended to have ticket selling agreements signed by all parties prior to tickets being placed on sale for an event. With regard to the signing of BASS contracts the Trust indicated that revised delegations of authority will be implemented.

Revenue

The audit of the revenue activity revealed that there was a need for the documentation of policies and procedures in relation to the security of cash and banking and for the policy on debt collection to be reviewed. Audit also identified the need for improvement in the authorisation of credit notes.

The Trust, in response, indicated that documented policies and procedures in relation to the security of cash and banking would be implemented by 30 September 2000 and that the debt collection policy will be reviewed. With respect to the authorisation of credit notes staff have also been reminded of the need to comply with the existing policy.

Workshops

The audit of workshop operations identified the need to document policies and procedures, to ensure contract variations are signed in accordance with delegated authority and to review the operational reporting mechanisms to avoid the maintenance of duplicate systems of financial information.

In response the Trust indicated that documentation of policies and procedures will be undertaken as part of a restructuring of workshop operations soon to occur and that the operational reporting mechanisms are being reviewed to alleviate the need for duplication of financial information. With respect to the authorisation of contract variations the Trust advised that the financial delegation limits will be complied with.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Adelaide Festival Centre 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.

Audit formed the opinion that the controls exercised by the Adelaide Festival Centre Trust in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, except for the matters outlined under '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 Statement

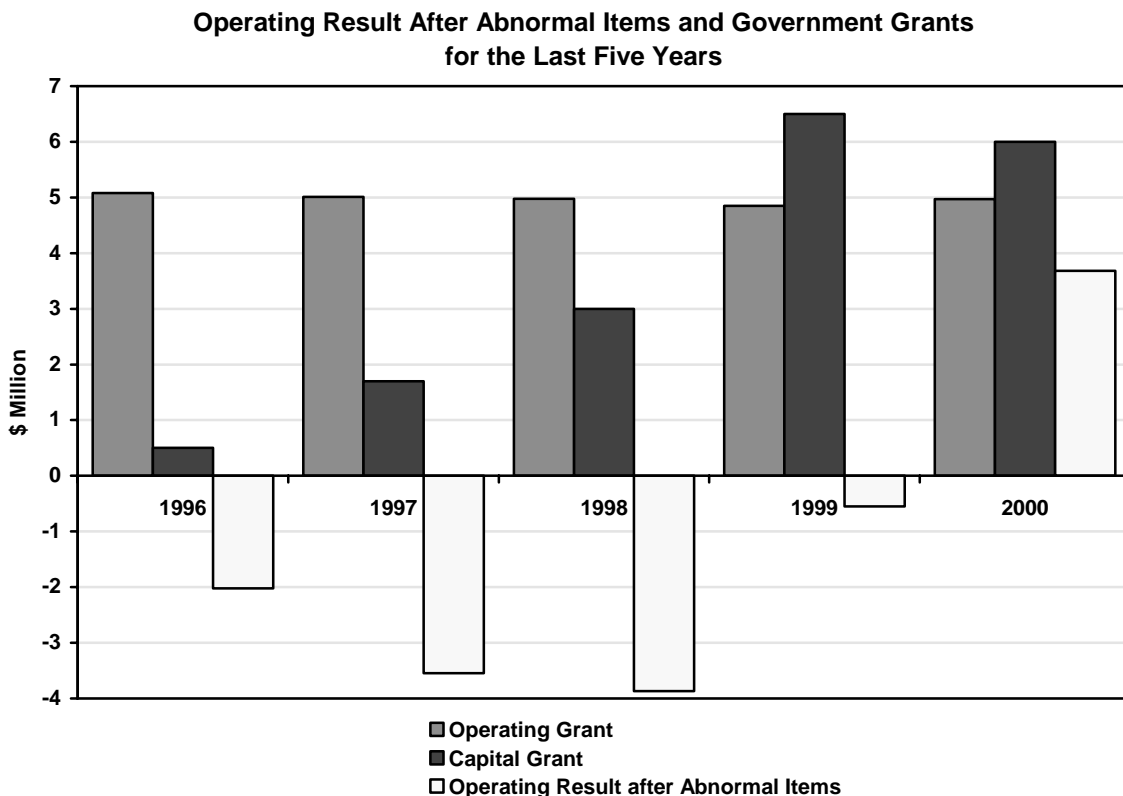
Operating Revenues and Expenses

Note 2 to the Financial Statements discloses the revenues and expenses related to various activities of the Trust. Revenue from Ancillary business operations increased by \$4.7 million while expenses increased by \$3.4 million. Ancillary business operations include car parking workshops, catering and BASS operations. The increased activity is due mainly to a higher level of venue utilisation and event activity as well as increased available work for the set construction business.

Operating Result

The Operating Surplus After Abnormal Items of \$3.8 million was an improvement of \$4.3 million over the previous year. The turnaround was achieved principally as a result of increased business activity along with a reduction in Abnormal Items relating to write-offs of investments in productions.

The following chart shows the Operating Result After Abnormal Items and Government Grants for the past five years.



The chart indicates that the Trust has continued its trend of improved results over the last two years and has recorded an Operating Surplus After Abnormal Items for the first time in five years. Government grants for operating purposes have remained stable while grants for capital purposes have increased over the last three years to meet the cost of refurbishing and upgrading the Festival Theatre and surrounding environs.

Statement of Financial Position

Non-Current Assets - Property, Plant and Equipment and Works of Art

Assets in the plant and equipment category were revalued as at 30 June 2000 resulting in a revaluation increment of \$5.3 million.

Statement of Cash Flows

The Statement of Cash Flows indicates that cash held as at 30 June 2000 increased by \$4 million from the previous year. The increase in cash holdings is primarily as a result of increased receipts from customers of \$3.6 million offset by an increase in the repayment of borrowings of \$1.4 million.

It is relevant to note that of the cash on hand at 30 June 2000 of \$13.2 million, \$8.7 million is tied funding for capital works.

Operating Statement for the year ended 30 June 2000

	Note	Consolidated		AFCT	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
OPERATING REVENUES:					
Operations		23 932	19 756	23 859	19 756
Government grants	3	11 100	11 290	11 100	11 290
Total Operating Revenues	2	35 032	31 046	34 959	31 046
OPERATING EXPENSES:					
Operations and services		26 445	24 080	26 445	24 080
Depreciation		2 497	2 658	2 497	2 658
Interest		2 324	1 970	2 324	1 970
Total Operating Expenses	2	31 266	28 708	31 266	28 708
OPERATING SURPLUS BEFORE ABNORMAL ITEMS		3 766	2 338	3 693	2 338
Abnormal items	4	-	(2 905)	-	(2 905)
OPERATING SURPLUS (DEFICIT) AFTER ABNORMAL ITEMS	5	3 766	(567)	3 693	(567)
ACCUMULATED DEFICIT AT 1 JULY		(3 086)	(2 519)	(3 086)	(2 519)
ACCUMULATED SURPLUS (DEFICIT) AT 30 JUNE		680	(3 086)	607	(3 086)

Statement of Financial Position as at 30 June 2000

	Note	Consolidated		AFCT	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
CURRENT ASSETS:					
Cash and bank	20	13 245	9 230	13 172	9 230
Receivables	6	2 014	1 335	2 014	1 335
Inventories	7	173	124	173	124
Other	8	143	122	143	122
		15 575	10 811	15 502	10 811
NON-CURRENT ASSETS:					
Property, plant and equipment and works of art	9	67 442	61 084	67 442	61 084
Total Non-Current Assets		67 442	61 084	67 442	61 084
Total Assets		83 017	71 895	82 944	71 895
CURRENT LIABILITIES:					
Creditors and borrowings	10	7 312	4 789	7 312	4 789
Provisions	11	703	711	703	711
Other	12	269	312	269	312
		8 284	5 812	8 284	5 812
NON-CURRENT LIABILITIES:					
Creditors and borrowings	10	29 662	29 969	29 662	29 969
Provisions	11	583	701	583	701
Total Non-Current Liabilities		30 245	30 670	30 245	30 670
Total Liabilities		38 529	36 482	38 529	36 482
NET ASSETS		44 488	35 413	44 415	35 413
EQUITY:					
Reserves	14	43 808	38 499	43 808	38 499
Accumulated surplus (deficit)		680	(3 086)	607	(3 086)
TOTAL EQUITY		44 488	35 413	44 415	35 413
Commitments	13				
Contingent Liabilities	22				

Statement of Cash Flows for the year ended 30 June 2000

		Consolidated		AFCT	
		2000	1999	2000	1999
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:					
RECEIPTS:	Note	\$'000	\$'000	\$'000	\$'000
Receipts from patrons/customers		23 549	19 931	23 476	19 931
Interest received		266	48	266	48
PAYMENTS:					
Interest paid on loan borrowings		(2 124)	(1 942)	(2 124)	(1 942)
Payments for wages and related payments		(10 288)	(8 335)	(10 288)	(8 335)
Payments to suppliers		(13 526)	(17 005)	(13 526)	(17 005)
		(2 123)	(7 303)	(2 196)	(7 303)
CASH FLOWS FROM GOVERNMENT:					
Operating grant		3 080	2 820	3 080	2 820
Debt servicing grant		1 889	2 047	1 889	2 047
Other grants		131	23	131	23
Capital replacement grant		6 000	6 400	6 000	6 400
		11 100	11 290	11 100	11 290
Net Cash provided by Operating Activities	21	8 977	3 987	8 904	3 987
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment and works of art		(3 546)	(3 595)	(3 546)	(3 595)
Proceeds from sale of assets		-	97	-	97
Net Cash used in Investing Activities		(3 546)	(3 498)	(3 546)	(3 498)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Borrowings		-	10 200	-	10 200
Repayment of borrowings		(1 416)	(84)	(1 416)	(84)
Net Cash (used in) provided by Financing Activities		(1 416)	10 116	(1 416)	10 116
NET INCREASE IN CASH HELD		4 015	10 605	3 942	10 605
CASH AT 1 JULY		9 230	(1 375)	9 230	(1 375)
CASH AT 30 JUNE	20	13 245	9 230	13 172	9 230

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Accounting

The financial report is a general purpose financial report which has been prepared on an accrual basis of accounting in accordance with Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views and the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*. The financial report has been prepared on the basis of historical costs and does not take into account changing money values except where it is specifically stated.

Changes in Accounting Policy

There were no changes to the Adelaide Festival Centre Trust's accounting policies during the year.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Adelaide Festival Centre Trust as at 30 June 2000 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Valuation of Non-Current Assets

In accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets', the Adelaide Festival Centre Trust has adopted deprival value as the method for measuring the value of all of its non-current assets in the Statement of Financial Position. Deprival value is determined by reference to the current market buying price of a similar asset.

The Adelaide Festival Centre Trust revalues its non-current assets at intervals not exceeding three years. Land, buildings and works of art were last valued at 30 June 1999. Plant and equipment was valued at 30 June 2000.

Comparative Amounts

Where applicable, comparative amounts have been adjusted to conform with changes in presentation and classification in the current financial year.

Inter-Division Charges

The Adelaide Festival Centre Trust's policy is to charge Adelaide Festival Centre Trust productions theatre rental and all other charges that are charged to external promoters under normal commercial arrangements. The effect of these charges is not eliminated in the financial statements, however, the net effect on reported operations is nil.

Depreciation

All depreciable plant and equipment, buildings and improvements are depreciated to estimated residual value over their estimated useful lives, using the straight line method of allocation. Land and Works of Art are not depreciated.

Work in progress is not depreciated until assets are completed and have been commissioned for operation.

Depreciation (continued)*Useful Lives of Assets*

Asset class:

Buildings

Plant and equipment

Estimated Useful Life

Years

50-100

3-15

Employee Entitlements

Provision has been made in the financial report for the Adelaide Festival Centre Trust's liability for employee entitlements arising from services rendered by employees as at the reporting date. Related on-costs consequential to the employment of employees have been included in creditors and borrowings.

Wages, Salaries and Annual Leave

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

Sick Leave

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

Long Service Leave

A liability for long service leave is recognised as an amount that the Adelaide Festival Centre Trust has estimated in respect to services provided by employees with a minimum of five years service.

Superannuation

Contributions are made by the Adelaide Festival Centre Trust to a number of State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

Provision for Doubtful Debts

The provision for doubtful debts is based upon a review of outstanding amounts at year end. Bad debts are written off when they are identified.

Inventory

Inventories are maintained for set building and catering activities and are valued at cost.

Recognition of Revenues

The Adelaide Festival Centre Trust's policy is to recognise revenue when a good is supplied or service completed.

2.	(a)	Operating Revenues and Expenses	Consolidated		AFCT	
			2000	1999	2000	1999
		Operating Revenues:	\$'000	\$'000	\$'000	\$'000
		Programming and theatre activity	7 481	8 222	7 481	8 222
		Ancillary business operations	15 609	10 954	15 609	10 954
		Government grants	11 100	11 290	11 100	11 290
		Sundry income	576	532	503	532
		Interest	266	48	266	48
			35 032	31 046	34 959	31 046
		Operating Expenses:				
		Programming and theatre activity	9 215	10 054	9 215	10 054
		Ancillary business operations	12 958	9 550	12 958	9 550
		Administration and maintenance	4 272	4 476	4 272	4 476
		Depreciation	2 497	2 658	2 497	2 658
		Interest	2 324	1 970	2 324	1 970
			31 266	28 708	31 266	28 708
	(b)	Non-Operating Revenues				
		Gross proceeds from sale of non-current assets	-	97	-	97
		Less: Written down value on disposal	-	154	-	154
		Loss on Disposal of Non-Current Assets	-	57	-	57
3.		Government Grants				
		Operating grants received:				
		State Government:				
		Operating base	3 080	2 820	3 080	2 820
		Debt servicing - Interest	1 889	2 047	1 889	2 047
		State Government Operating Grants	4 969	4 867	4 969	4 867
		Other grants	131	23	131	23
		Total Operating Grants	5 100	4 890	5 100	4 890
		Capital grants received:				
		State Government:				
		Capital replacement	6 000	6 400	6 000	6 400
		Total Grants	11 100	11 290	11 100	11 290

The Adelaide Festival Centre Trust receives funding from the Government of South Australia and is reliant upon this funding for its continued operations.

4.	Abnormal Items	Consolidated		AFCT	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
	Items recorded:				
	Provision for losses incurred on investments in shows*	-	(2 046)	-	(2 046)
	Write-off investment in partnership	-	(1 250)	-	(1 250)
	Write-back of amounts over-provided in previous years	-	391	-	391
		-	(2 905)	-	(2 905)
* Recovery of an amount provided for loss on shows is being pursued against the joint venture partners.					
5.	Net Cost of Services				
	Operating Revenues:				
	Operations	23 932	19 756	23 859	19 756
	Total Operating Revenues	23 932	19 756	23 859	19 756
	Operating Expenses:				
	Operations and services	26 445	24 080	26 445	24 080
	Depreciation	2 497	2 658	2 497	2 658
	Interest	2 324	1 970	2 324	1 970
	Total Operating Expenses	31 266	28 708	31 266	28 708
	Operating Deficit Before Abnormal Items	(7 334)	(8 952)	(7 407)	(8 952)
	Abnormal items	-	(2 905)	-	(2 905)
	Net Cost of Services	(7 334)	(11 857)	(7 407)	(11 857)
	Revenues from Government:				
	Operating grant	3 080	2 820	3 080	2 820
	Capital replacement grant	6 000	6 400	6 000	6 400
	Debt servicing grant	1 889	2 047	1 889	2 047
	Other grants	131	23	131	23
	Total Revenue from Government	11 100	11 290	11 100	11 290
	Operating Surplus (Deficit) After Abnormal Items and Revenues from Government	3 766	(567)	3 693	(567)
6.	Receivables				
	Trade debtors	2 414	1 543	2 414	1 543
	Less: Provision for doubtful debts	400	208	400	208
		2 014	1 335	2 014	1 335
7.	Inventories				
	Food and liquor	99	55	99	55
	Raw materials	74	69	74	69
		173	124	173	124
8.	Other Current Assets				
	Prepayments	5	14	5	14
	Work in progress	112	82	112	82
	Hyatt catering profit reserve	26	26	26	26
		143	122	143	122
9.	Property, Plant and Equipment and Works of Art				
	Land and Buildings				
	Freehold Land:				
	At independent valuation 1999	5 950	5 950	5 950	5 950
	Buildings:				
	At independent valuation 1999	94 605	94 605	94 605	94 605
	Less: Accumulated depreciation	(50 123)	(48 467)	(50 123)	(48 467)
		44 482	46 138	44 482	46 138
	Work in progress	2 529	-	2 529	-
	Total Land and Buildings	52 961	52 088	52 961	52 088
	Plant and Equipment:				
	At independent valuation 2000	18 128	-	18 128	-
	At independent valuation 1997	-	14 369	-	14 369
	Less: Accumulated depreciation	(7 074)	(8 800)	(7 074)	(8 800)
	Total Plant and Equipment	11 054	5 569	11 054	5 569
	Works of Art:				
	At independent valuation 1999	3 427	3 427	3 427	3 427
	Total Property, Plant and Equipment and Works of Art	67 442	61 084	67 442	61 084

The Adelaide Festival Centre Trust's land and buildings valuation was undertaken at 30 June 1999 by Mr Richard R Wood AAPI, Certified Practising Valuer, B App Sc PRM (Valuation) of Colliers Jardine (SA) Pty Ltd. Plant and equipment was revalued as at 30 June 2000 by Mr S Kincald Certified Valuer AAPI MSA of Dominion Valuers and Auctioneers (SA). Works of Art were valued by James F B Bruce Valuer MSAV of Ian Bruce Pty Ltd as at 30 June 1999.

10. Creditors and Borrowings	Consolidated		AFCT	
	2000	1999	2000	1999
Current Liabilities:	\$'000	\$'000	\$'000	\$'000
Unsecured creditors and accruals	6 902	3 270	6 902	3 270
Employee entitlements	100	103	100	103
Borrowings from Government	310	110	310	110
Borrowing - Other	-	1 306	-	1 306
	7 312	4 789	7 312	4 789
Non-Current Liabilities:				
Employee entitlements	104	101	104	101
Borrowings	29 558	29 868	29 558	29 868
	29 662	29 969	29 662	29 969

11. Provisions	Consolidated		AFCT	
	2000	1999	2000	1999
Current Liabilities:				
Provision for salaries, wages and annual leave	453	489	453	489
Provision for long service leave	250	222	250	222
	703	711	703	711
Non-Current Liability:				
Provision for long service leave	583	701	583	701
	583	701	583	701

The current liability for long service leave has been determined using the average of the past four years' actual leave taken.

12. **Other Current Liabilities**
Other current liabilities comprise funds held on behalf of third parties.

13. Commitments for Expenditure	Consolidated		AFCT	
	2000	1999	2000	1999
(a) Operating Leases				
Commitments under non-cancellable operating leases at the reporting date are payable as follows:				
Not later than one year	188	215	188	215
Later than one year but not later than five years	133	132	133	132
Total	321	347	321	347

Equipment leases are for fixed lease periods. There are no contingent rental payments. There are options to extend the leases.

A property lease expires on 31 December 2000. There are no contingent rental payments. Sub-letting is only possible with the lessor's consent.

Motor vehicle leases are for lease periods of two to three years. Rental payments are fixed.

(b) **Capital Works Contracts**
Commitments of \$1.3 million exist at the reporting date for capital works contracts that are equally proportionally unperformed.

These liabilities are not recorded in the Statement of Financial Position.

14. Reserves	Consolidated		AFCT	
	2000	1999	2000	1999
Asset Revaluation Reserve:				
Land:				
Opening balance	5 950	4 450	5 950	4 450
Movement	-	1 500	-	1 500
Closing balance	5 950	5 950	5 950	5 950
Buildings:				
Opening balance	27 049	29 286	27 049	29 286
Movement	-	(2 237)	-	(2 237)
Closing balance	27 049	27 049	27 049	27 049
Plant and Equipment:				
Opening balance	2 426	2 426	2 426	2 426
Movement	5 309	-	5 309	-
Closing balance	7 735	2 426	7 735	2 426
Works of Art:				
Opening balance	3 074	2 155	3 074	2 155
Movement	-	919	-	919
Closing balance	3 074	3 074	3 074	3 074
Total:				
Opening balance	38 499	38 317	38 499	38 317
Movement	5 309	182	5 308	182
Closing balance	43 808	38 499	43 808	38 499

15. Remuneration to Auditors and Consultants

	Consolidated		AFCT	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Remuneration to auditors:				
Auditing the financial report	63	58	59	58
Other auditing services	28	51	28	51
	91	109	87	109

	Number of Consultants	Number of Consultants	Number of Consultants	Number of Consultants
Number of Consultants:				
Under \$10 000	4	2	4	2
\$10 001 - \$50 000	3	5	3	5
	7	7	7	7

	Consolidated		AFCT	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Payments to Consultants:				
Under \$10 000	17	5	17	5
\$10 001 - \$50 000	60	95	60	95
	77	100	77	100

16. Remuneration of Employees

	2000 Number of Employees	1999 Number of Employees
The number of employees whose annual remuneration was over \$100 000 fell within the following bands:		
\$100 000 - \$109 999	1	*3
\$110 000 - \$119 999	1	1
\$120 000 - \$129 999	-	*1
\$130 000 - \$139 999	1	-
\$140 000 - \$149 999	1	-
\$160 000 - \$169 999	-	1

The aggregate of the remuneration referred to in the table above for all employees is \$495 000 (\$706 000).

* These employees were recipients of Targeted Voluntary Separation Packages during 1998-99. The aggregate remuneration referred to in the table above for these officers is \$327 000.

17. Trustees Remuneration and Related Party Disclosures

	2000 Number of Trustees	1999 Number of Trustees
Trustees Remuneration		
The number of Trustees with income in the following bands was:		
\$0 - \$9 999	5	7
\$10 000 - \$19 999	1	2

The aggregate of the remuneration referred to in the above table for Trustees is \$59 000 (\$53 000).

Related Party Disclosures

The members of the Trust are appointed by the Government in accordance with the provisions of the *Adelaide Festival Centre Trust Act 1971*.

During the year the following persons occupied the position of Trustee of the Adelaide Festival Centre Trust:

Mr R Ryan AO	Mr M Morelli
Mr J Porter	Mrs F Adler
Ms W McCarthy AO	Professor T Shapcott AO

Mr J Porter has an interest as an employee in the firm Piper Alderman, Solicitors. This firm renders legal advice to the Adelaide Festival Centre Trust. All dealings with the firm are in the ordinary course of business and on normal commercial terms and conditions.

The Trustees of the Adelaide Festival Centre Trust, or their director related entities, have transactions with the Adelaide Festival Centre Trust that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonably expected the entity would have adopted if the transactions were undertaken with any other entity at arm's length in similar circumstances.

As a part of the duties of office, from time to time, Trustees receive complimentary tickets to shows and events conducted by or through the Adelaide Festival Centre. These benefits serve to involve the Trustees in the product and business that is being managed and/or involve the execution of office in liaison with external parties.

18. Targeted Voluntary Separation Package Scheme (TVSPs)

In accordance with government policy 17 (31) employees of the Adelaide Festival Centre Trust were paid TVSPs during 1999-2000.

These payments were met by the Adelaide Festival Centre Trust and were recovered from the Department of the Premier and Cabinet. To June 2000 payments amounted to \$623 000 (\$961 000).

In addition, accrued annual leave, long service leave and rostered days off entitlements amounting to \$218 000 (\$290 000) were paid to those employees who received a TVSP.

19. Income Tax Status

The activities of the entity are exempt from income tax.

20. Reconciliation of Cash	Consolidated		AFCT	
	2000	1999	2000	1999
For the purposes of the Statement of Cash Flows, cash includes cash at bank and bank overdraft.	\$'000	\$'000	\$'000	\$'000
Cash at bank	+ *13 245	*11 922	*13 172	*11 922
Bank overdraft	-	(2 692)	-	(2 692)
	13 245	9 230	13 172	9 230

* Included in the cash at bank figure is a \$8.7 million (\$5.7 million) tied capital grant.

+ Includes \$73 000 cash at bank held by The Adelaide Festival Centre Foundation Incorporated.

21. Reconciliation of Operating Surplus after Abnormal Items to Net Cash provided by Operating Activities				
Operating surplus (deficit) after abnormal items	3 766	(567)	3 693	(567)
Adjustment for non-cash items:				
Depreciation	2 497	2 658	2 497	2 658
Provision for doubtful debts	192	119	192	119
Provision for leave entitlements	(126)	(188)	(126)	(188)
Loss on disposal of non-current assets	-	57	-	57
Changes in Assets and Liabilities:				
(Increase) Decrease in receivables	(871)	200	(871)	200
(Increase) Decrease in other current assets	(20)	1 143	(20)	1 143
(Increase) Decrease in inventories	(49)	16	(49)	16
Increase in creditors	3 545	1 099	3 545	1 099
Increase (Decrease) in other current liabilities	43	(550)	43	(550)
Net Cash provided by Operating Activities	8 977	3 987	8 904	3 987

22. **Contingent Liabilities**

Over the years there has been numerous notifications of incidents involving the public whilst on Trust property. As at balance date there were five claims outstanding. These claims are limited to an insurance excess.

23. **Financial Instruments**

(a)

Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash at bank	20	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	
Receivables for goods and services	6	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectibility of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less than likely.	Credit terms are net 30 days.
Fees receivable		Fees accrue and are recognised at the time services are performed.	As for receivables for goods and services.
Financial Liabilities			
		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors	10	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is made net 30 days.
Trust accounts	12	Monies held in trust for other entities are recognised as liabilities.	The Adelaide Festival Centre Trust holds monies on behalf of other entities.
Borrowings	10	Borrowings are recognised at their nominal amounts.	The interest rate is determined by the Treasurer on borrowings from the Department of Treasury and Finance. There are two elements to these borrowings, one with no maturity date (interest paid quarterly) and a second borrowing with a maturity date in 2011 (interest paid monthly).

23. Financial Instruments (continued) (b) Interest Rate Risk	Consolidated 2000			Weighted Average Interest Rate Percent	AFCT 2000			Weighted Average Interest Rate Percent
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000		Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000	
Financial Assets:								
Cash at bank	13 245	-	13 245		13 172	-	13 172	
Receivables	-	2 014	2 014		-	2 014	2 014	
	13 245	2 014	15 259	4	13 172	2 014	15 186	4
Financial Liabilities:								
Deposits on behalf of other organisations	269	-	269		269	-	269	
Trade creditors	-	6 902	6 902		-	6 902	6 902	
Borrowings	29 868	-	29 868		29 868	-	29 868	
	30 137	6 902	37 039	8.4	30 137	6 902	37 039	8.4
Net Financial Assets (Liabilities)	(16 892)	(4 888)	(21 780)		(16 965)	(4 888)	(21 853)	
	Consolidated 1999				AFCT 1999			
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000	Weighted Average Interest Rate Percent
Financial Assets:								
Cash at bank	9 230	-	9 230		9 230	-	9 230	
Receivables	-	1 335	1 335		-	1 335	1 335	
	9 230	1 335	10 565	4	9 230	1 335	10 565	4
Financial Liabilities:								
Deposits on behalf of other organisations	312	-	312		312	-	312	
Trade creditors	-	3 270	3 270		-	3 270	3 270	
Borrowings	31 284	-	31 284		31 284	-	31 284	
	31 596	3 270	34 866	8	31 596	3 270	34 866	8
Net Financial Assets (Liabilities)	(22 366)	(1 935)	(24 301)		(22 366)	(1 935)	(24 301)	
(c) Net Fair Values of Financial Assets and Liabilities	Consolidated				AFCT			
	2000		1999		2000		1999	
	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000
Financial Assets:								
Cash at bank	13 245	13 245	9 230	9 230	13 172	13 172	9 230	9 230
Receivables for goods and services	2 014	2 014	1 335	1 335	2 014	2 014	1 335	1 335
Total Financial Assets	15 259	15 259	10 565	10 565	15 186	15 186	10 565	10 565
Financial Liabilities:								
Deposits held on behalf of Other organisations	269	269	312	312	269	269	312	312
Trade creditors	6 902	6 902	3 270	3 270	6 902	6 902	3 270	3 270
Borrowings	29 868	29 868	31 284	31 284	29 868	29 868	31 284	31 284
Total Financial Liabilities	37 039	37 039	34 866	34 866	37 039	37 039	34 866	34 866

(d) Credit Risk Exposure

The Adelaide Festival Centre Trust's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Adelaide Festival Centre Trust has no significant exposure to any concentrations of credit risk.

24. Controlled Entity

The consolidated financial statements at 30 June 2000 include the following controlled entity:

Name of Controlled Entity	Place of Incorporation
The Adelaide Festival Centre Foundation Incorporated	Australia

ART GALLERY BOARD

FUNCTIONAL RESPONSIBILITY

The Art Gallery Board was established under subsection 4(1) of the *Art Gallery Act 1939*. A body corporate, the principal functions of the Board are to:

- undertake the care and control of the Art Gallery and of all the lands and premises placed under the care and control of the Board;
- undertake the care and control of all works of art, exhibits and other personal property acquired for the purposes of the Art Gallery;
- assist in the promotion and supervision of art galleries, and collections of art, and any body or association established for the promotion of art within the State.

SIGNIFICANT FEATURE

The operating result for the year was an Increase in Net Assets Resulting from Operations of \$4.6 million which was a decrease of \$1.4 million from the previous year.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 26(2) of the *Art Gallery Act 1939* provides specifically 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:

- revenue including cash receipting and banking and bookshop operations
- expenditure including accounts payable and salaries and wages
- investments
- general ledger
- property, plant and equipment including the adequacy of asset register maintenance
- collection management.

Audit Communications to Management

An audit management letter conveying the scope of the audit and related findings was forwarded to the Director, Art Gallery. A satisfactory response was received to the matters raised.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control environment was assessed as satisfactory although there were opportunities for improvement in relation to the management of attractive asset items.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Art Gallery 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’.

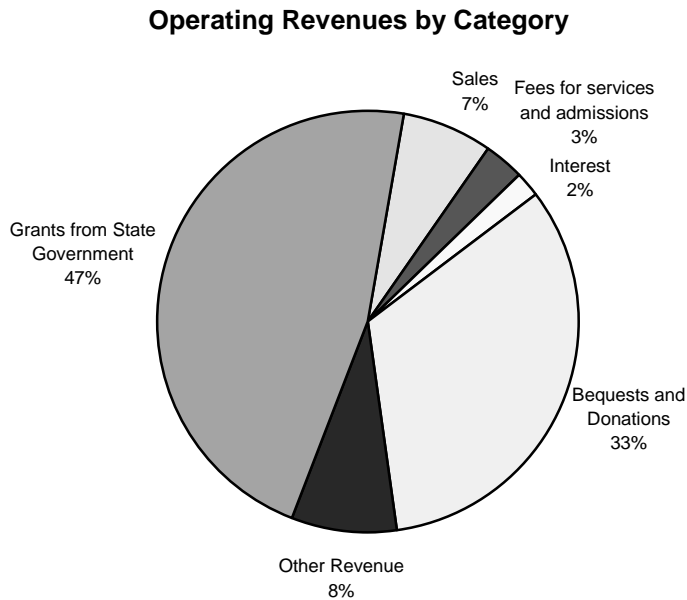
Audit formed the opinion that the controls exercised by the Art Gallery Board in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Operating Statement

Operating Revenues

Operating revenues for the year totalled \$11.7 million (\$13.1 million). Grants from the State Government totalled \$5.5 million (\$6.1 million). The following chart shows the major categories of operating revenues as a percentage of Total Operating Revenues.



The chart reveals that grants from the State Government represent 47 percent of Total Operating Revenues which supports the view that the Board is dependent on the ongoing financial support of the State Government as expressed in Note 2(n) to the Financial Statements. Bequests and donations represent 33 percent of Total Operating Revenues (see Note 6 to the Financial Statements).

Statement of Financial Position

Non-Current Assets

Heritage Collections

The written down value of Heritage collections at 30 June 2000 was \$329.4 million. It is relevant to note that the Board has accumulated these assets over a significant period of time primarily through the use of Government funding, together with bequests and donations, without the need to borrow to fund these acquisitions.

Property, Plant and Equipment

The written down value of Property, plant and equipment at 30 June 2000 was \$29.7 million of which Land, buildings and improvements amounted to \$29.6 million.

The majority of the land and buildings constituting the Art Gallery of South Australia premises have been used for Art Gallery purposes for a considerable period of time. It is relevant to note that the Board does not have any long term liability in relation to these assets as control of these assets (the cost of which historically was borne by the Government) is vested in the Board by the *Art Gallery Act 1939*. Recent additions to the Art Gallery buildings have been funded through Government grants.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Employee costs	3(a)	2 247	1 925
Administration expenses	4	3 888	3 941
Accommodation and service costs		494	568
Conservation of collections		177	177
Depreciation	5	459	450
Total Operating Expenses		7 265	7 061
OPERATING REVENUES:			
Sales		865	1 147
Fees for services and admissions	6	389	836
Interest		230	293
Other revenue	6	4 714	4 670
Grants from State Government:			
Operations		5 218	4 494
Capital		289	1 653
Total Operating Revenues		11 705	13 093
NET PROFIT FROM DISPOSAL OF ASSETS	7	197	45
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		4 637	6 077

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash on hand and at bank		4 617	4 960
Receivables	8	34	24
Inventories		180	187
Other	9	527	2 160
Total Current Assets		5 358	7 331
NON-CURRENT ASSETS:			
Property, plant and equipment	10	29 726	30 185
Heritage collections	11	329 415	325 637
Investments	12	2 241	1 167
Total Non-Current Assets		361 382	356 989
Total Assets		366 740	364 320
CURRENT LIABILITIES:			
Payables	14	465	731
Provision for purchase of works of art		350	2 000
Provision for employee entitlements	3(b)	243	243
Total Current Liabilities		1 058	2 974
NON-CURRENT LIABILITIES:			
Payables	14	38	37
Provision for purchase of works of art		-	350
Provision for employee entitlements	3(b)	577	529
Total Non-Current Liabilities		615	916
Total Liabilities		1 673	3 890
NET ASSETS		365 067	360 430
EQUITY:			
Accumulated surplus	16	363 376	358 739
Reserves	15	1 691	1 691
TOTAL EQUITY		365 067	360 430
Commitments	13		

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 costs		(2 263)	(1 925)
Administration expenses		(4 086)	(3 926)
Accommodation and service costs		(463)	(565)
RECEIPTS:			
Sales		880	1 195
Fees for services and admissions		407	846
Interest		349	394
Other sundry receipts		2 330	2 198
CASH FLOWS FROM GOVERNMENT:			
Grants from State Government:			
Operations		5 218	4 494
Capital		289	1 653
Net Cash provided by Operating Activities	17	2 661	4 364
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS FOR:			
Purchase of works of art		(2 262)	(5 040)
Property, plant and equipment		-	(14)
Investments		(1 385)	(403)
PROCEEDS FROM:			
Sales/maturities of investments		643	534
Net Cash used in Investing Activities		(3 004)	(4 923)
NET DECREASE IN CASH HELD		(343)	(559)
CASH AT 1 JULY		4 960	5 519
CASH AT 30 JUNE	2(l)	4 617	4 960

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Art Gallery Board Objectives

The Art Gallery Board (the Board) is charged with the management of the Art Gallery of South Australia.

The Art Gallery of South Australia's objectives are to:

- collect heritage and contemporary works of art of aesthetic and art historical or regional significance;
- ensure the preservation and conservation of the Gallery collections;
- display the collections and to program temporary exhibitions;
- research and evaluate the collections, and to make the collections and documentation accessible to others for the purposes of research, as a basis for teaching and communication;
- document the collections within a central cataloguing system;
- provide interpretive information about collection displays and temporary exhibitions and other public programs;
- promote the Gallery's collections and temporary exhibitions;
- ensure that the Gallery's operations, resources and commercial programs are managed efficiently, responsibly and profitably;
- advise the South Australian Government on the allocation of South Australian resources to works of art, art collections, art museums and art associations.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards and applicable Urgent Issues Group Consensus Views. The report is prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) Change in Accounting Policies

There has been no change in accounting policies this financial year.

(c) The Reporting Entity

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

The financial report encompasses transactions through an interest bearing Special Deposit Account entitled 'Arts South Australia Operating Account' and transactions through an interest bearing Deposit Account entitled 'Art Gallery Board Bequests Account'.

(d) Revenue

Revenue from sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account interest rates applicable to financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

2. **Summary of Significant Accounting Policies (continued)**

(e) **Grants from State Government**

Grants are recognised as revenue in the period in which the Board obtains control over the grants.

(f) **Acquisition of Assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets acquired after 1 July 1996. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at market value.

(g) **Valuation of Non-Current Assets**

The Board has adopted the deprival value method as the basis of valuing all of its non-current assets.

Land and Buildings

Land and buildings have been valued at replacement cost. Valuations of land and buildings were determined as at 30 June 1999 by the Australian Valuation Office. Land and buildings are independently valued every three years.

Plant and Equipment

Plant and equipment have been valued at historic cost.

Heritage Collections

The heritage collections are large and diverse. They include many items that are complex to value given considerations of market and deprival value and their unique representation of South Australia's social history.

After taking advantage of the transitional provisions of Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments', the value of certain sections of the heritage collections held as at 1 July 1996 were determined as at 30 June 1998 using the valuation methodology outlined below. Heritage assets acquired between 1 July 1996 and 30 June 2000 have been brought to account at cost.

The Board adopted the following methodology for valuing heritage assets held as at 1 July 1996.

Works of art were valued by the appropriate curator either by valuing all items or establishing an average value through representative sampling. External valuations of all items or representative samplings were obtained and in the event of variations between the values the following policy was adopted. Where there was disagreement between the internal and external valuation, the higher valuation was recorded as the correct valuation unless the difference in the valuations was substantial and greater than 50 percent in which case the average of the two valuations was recorded as the correct valuation.

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

Australian Paintings and Sculptures	Mr C Deutcher
Australian and European Decorative Arts	Mr K Rayment
Asian Art	Mr R Tregaskis
European Paintings and Sculptures:	
Before 1850	Mr N Hall
After 1850	Mr P Nahum
Numismatics	Mr R Greig
Prints, Drawings and Photographs:	
Australian Prints and Drawings	Mr C Deutcher
International Prints	Mr P McCarron and Mr F Mulder
International and Australian Photography	Mr J Lebovic
European Drawings	Mr R Knight
Murray Stamp Collection	Mr A Presgrave
Krichauf Stamp Collection	Mr J C Bell

The Research Library collections were valued by sampling 5 percent of the collections and providing a market valuation of the entire stock based on the sample. The values were determined by searching catalogues in second-hand and antiquarian bookshops. Where a value was not available an estimate was provided by the Librarian, Jin Whittington.

The Archival Collection consisting of ephemera such as material on individual artists and galleries was given a nil valuation as there is no reliable market value for this collection.

(h) **Depreciation of Non-Current Assets**

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each non-current asset (valued over \$5 000) over its expected useful life except for land and works of art which are not depreciable. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessment for major items.

The expected useful lives are as follows:

Buildings and improvements	Useful life depends on individual asset items	Years
Plant and equipment		5 - 15

Works of art are kept under special conditions to minimise deterioration and they are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised in respect of works of art as their service potential has not, in any material sense, been consumed.

(i) **Inventories**

Inventories are valued at average cost.

2. Summary of Significant Accounting Policies (continued)

(j) **Employee Entitlements**(i) *Wages, Salaries and Annual Leave*

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

(ii) *Long Service Leave*

A liability for long service leave has been recognised which represents the amount which the Board has a present obligation to pay resulting from employees' services provided up to the reporting date. The liability has been calculated at nominal amounts based on current wage and salary rates using a benchmark of eight years service as advised by the Department of Treasury and Finance.

(iii) *Superannuation*

Contributions are made by the Board 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 contributions due but not yet paid to the superannuation schemes.

(k) **Investments**

Investments are brought to account at cost.

(l) **Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(m) **Leases**

The Board has entered into a number of operating lease agreements for vehicles where the lessors effectively retain all of the risk and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Operating Statement in the periods in which they are incurred.

(n) **State Government Funding**

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

(o) **Comparative Figures**

Where necessary comparative figures have been adjusted to conform with changes in presentation in 1999-2000.

3. **Employee Entitlements**(a) **Employee Costs**

Wages and salaries	1 775	1 537
Superannuation and payroll tax expenses	332	289
Annual, long service leave and other employee related expenses	140	99
	2 247	1 925

2000

\$'000

\$'000

(b) **Provision for Employee Entitlements**

Current Liabilities:

Provision for long service leave	28	27
Provision for workers compensation	95	93
Provision for annual leave	120	123
	243	243

Non-Current Liabilities:

Provision for long service leave	317	312
Provision for workers compensation	260	217
	577	529

4. **Administration Expenses**

Administration expenses comprise the following categories of expenditure:

Research, collections and exhibitions operational expenses	363	684
Insurance and risk management	358	424
Maintenance	1 425	1 014
Communications and stationery	473	440
Cost of goods sold	402	580
Marketing	299	305
Other	568	494
	3 888	3 941

5. **Depreciation Expense**

Depreciation was charged in respect of:

Buildings and improvements	440	431
Plant and equipment	19	19
	459	450

6. **Operating Revenue**

(a) Fees for services and admissions comprised:

Fees for service	195	16
Admissions for temporary exhibitions	194	820
	389	836

14. Payables (continued)		2000	1999
Non-Current:		\$'000	\$'000
Creditors and accruals		2	2
Employee costs		36	35
		<u>38</u>	<u>37</u>
15. Reserves			
Asset Revaluation Reserve:			
Balance at 1 July		1 691	-
Movement in reserves - Land, buildings and improvements		-	1 691
Balance at 30 June		<u>1 691</u>	<u>1 691</u>
16. Accumulated Surplus			
Balance at 1 July		358 739	359 204
Assets brought to account for the first time		-	288
Adjustment to asset valuation previously brought to account under AAS 29		-	(6 830)
Increase in Net Assets Resulting from Operations		4 637	6 077
Balance at 30 June		<u>363 376</u>	<u>358 739</u>
17. Reconciliation of Increase in Net Assets Resulting from Operations to Net Cash provided by Operating Activities			
Increase in Net Assets Resulting from Operations		4 637	6 077
Non-Cash Items:			
Depreciation expense		459	450
Profit on sale of assets		(197)	(45)
Provision for doubtful debts		31	-
Donations of art work		(2 159)	(2 192)
Change in operating assets and liabilities:			
(Increase) Decrease in assets		(185)	546
Increase (Decrease) in liabilities		75	(472)
Net Cash provided by Operating Activities		<u>2 661</u>	<u>4 364</u>
18. Remuneration of Board Members		2000	1999
The number of Board Members whose remuneration received or receivable fell within the following bands were:		Number of Board Members	Number of Board Members
\$0 - \$9 999		6	4
\$10 000 - \$19 999		2	5
\$20 000 - \$29 999		-	1
The total income received or receivable by Board members for the year was \$65 000 (\$115 000). This amount includes superannuation payments of \$4 000 (\$8 000). Two Board members did not receive any remuneration during the year. Six Board Members received payments in respect of the 1998 year during the 1999 financial year.			
19. Remuneration of Auditors		2000	1999
Audit fees in relation to the year ended 30 June 2000 are:		\$'000	\$'000
		19	19
The fee in relation to the Board is paid on its behalf by Arts SA.			
20. Remuneration of Employees		2000	1999
The number of employees whose annual remuneration was over \$100 000 fell within the following bands:		Number of Employees	Number of Employees
\$150 000 - \$159 999		-	1
\$170 000 - \$179 999		1	-
The total remuneration received by this employee for the year was \$178 000 (\$154 000).			
21. Related Party Disclosures			
During the financial year the following persons held positions on the Board:			
Mr NR Adler, Chairman, Mr MJM Carter, Mrs S Cocks, Justice JR Mansfield, Ms ST McGregor, Mr D McKee, Ms C Bennett and Mr GD Pitt.			
Board members or their related entities have transactions with the Board that occur within a normal customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonably expected the entity would have adopted if the transaction were undertaken with any other entity at arm's length in similar circumstances.			
22. Targeted Voluntary Separation Package Scheme (TVSPs)			
During 1999-2000 one (seven) TVSP totalling \$14 000 (\$318 000) was paid. An additional \$10 000 (\$106 000) was paid on account of accrued annual leave and long service leave. The TVSP amount of \$14 000 (\$318 000) was paid by Arts SA which subsequently received reimbursement of this amount from the Department of the Premier and Cabinet.			
23. Payments to Consultants		Number of Consultants	Total Cost of Consultants
Payments to consultants during 1999-2000 fell into the following ranges:	2000	1999	2000
Below \$10 000	3	3	\$'000
			1999
			\$'000
			14
			4

24. Financial Instruments

(a) Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash on hand and at bank		Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis with some funds held within the total cash balance being non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are the Special Deposit Account entitled 'Arts South Australia Operating Account' and the Deposit Account entitled 'Art Gallery Board Bequests Account'. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts which is currently 5.58 percent (4.63 percent) as at 30 June 2000.
Receivables	8	Receivables are recorded at amounts due to the Board less a provision for doubtful debts. They are recorded when services have been completed.	Receivables are due within 30 days.
Investments	12	Investments are brought to account at cost. Interest is credited to revenue as it accrues. Dividend revenue is recognised when the right to receive a dividend has been established.	Portfolio of shares, debentures and convertible notes. Interest income is received quarterly.

Financial Liabilities

Creditors and Accruals	14	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
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(b) Interest Rate Risk

Financial Instrument	2000				1999			
	Interest Rate Percent	Interest Rate \$'000	Non-Interest Bearing \$'000	Total \$'000	Interest Rate Percent	Interest Rate \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets:								
Cash on hand and at bank	5.58	4 614	3	4 617	4.63	4 955	5	4 960
Receivables	-	-	34	34	-	-	24	24
Investments	6.27	1 576	*665	2 241	6.57	481	*686	1 167
		6 190	702	6 892		5 436	715	6 151
Financial Liabilities:								
Creditors and accruals	-	-	444	444	-	-	646	646
			444	444			646	646

* Represents shares which are subject to payment of dividends.

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument:	Note	2000		1999	
		Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Cash on hand and at bank		4 617	4 617	4 960	4 960
Receivables	8	34	34	24	24
Investments	12	2 241	3 612	1 167	2 746
		6 892	8 263	6 151	7 730
Creditors and accruals	14	444	444	646	646
		444	444	646	646

The net fair value is determined as the carrying value of all assets and liabilities except for investments where market value has been used.

(d) Credit Risk Exposure

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

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

DEPARTMENT FOR TRANSPORT, URBAN PLANNING AND THE ARTS

FUNCTIONAL RESPONSIBILITY

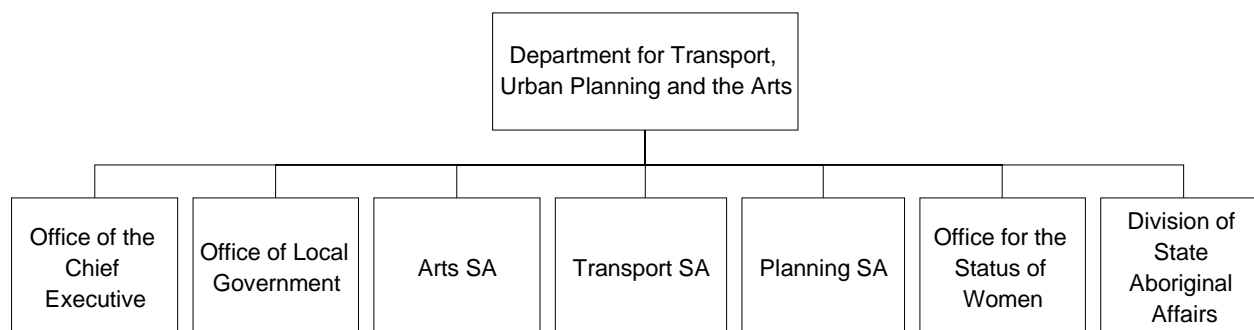
The Department is an administrative unit established pursuant to the *Public Sector Management Act 1995*. It has a broad ranging role which seeks to integrate urban and regional development, local government initiatives, transport infrastructure and services and cultural and artistic development for South Australia. It also provides services to Aboriginal people to advance economic and community development. The Department has identified the following outcomes which provide direction for departmental activities:

- Urban and regional development that achieves economic development with a specific focus on urban regeneration and rural prosperity.
- Transport accessibility for the community that is efficient, safe and environmentally sound, and supports economic and social development.
- A strong creative arts industry that enhances the State's profile as a world centre for cultural richness and diversity.
- Enhancing the status of women and achieving full and equal participation of women in all sectors of society.
- Availability of information to South Australians at community access sites.
- A revitalised City of Adelaide.
- A stable, democratic and accountable system of local government participating fully in improving the economic and social environment of the State.
- Equality for Aboriginal people.

CHANGES TO AGENCY ORGANISATIONAL STRUCTURE

On 14 February 2000, as part of a number of administrative changes to portfolios, the Department assumed responsibility for the Office of Local Government from the Department of Industry and Trade and the Division of State Aboriginal Affairs from the Department for Environment, Heritage and Aboriginal Affairs.

The following is a diagrammatic representation of the organisational structure of the Department for financial reporting purposes.



SIGNIFICANT FEATURES

- The Department recorded a Net Cost of Services for the year of \$125 million.
- Grants from the Commonwealth Government decreased by \$32.1 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 Department 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 coverage included:

- asset registers
- contract administration
- motor vehicles registration and drivers' licensing
- revenue, including cash receipting and banking and debtors
- expenditure, including accounts payable, salaries and wages and grants
- costing and budgetary control.

Audit Communications to Management

During the year several letters communicating issues arising from the audit were forwarded to the Department with satisfactory responses being received. Details relating to the main issues contained in those letters are outlined in 'Audit Findings and Comments' hereunder.

Where the response from the Department indicates that action has been, or will be, taken to address the particular issue, Audit intends to conduct a follow up assessment during the 2000-01 audit.

AUDIT FINDINGS AND COMMENTS

ARTS SA

Commentary on General Financial Controls

An assessment of Arts SA's internal control structure identified that the internal controls were adequate and operating satisfactorily. There were, however, areas where Audit considered there was room for improvement. Commentary with respect to these areas follows.

Asset Registers

The audit revealed that there was no assurance that there was a complete and up-to-date asset register for attractive items. Audit also noted that regular confirmation of existence of these items had not been undertaken.

Departmental Response

In response Arts SA indicated that the integrity of the attractive assets register will be validated and regular confirmation of the existence of assets will be undertaken.

Grants

The audit of the procedures for the management of grants identified the need for documentation of policies and procedures together with the need to ensure that all funding agreements were signed in a timely manner. Both of these issues were also raised as a result of the 1998-99 audit.

Departmental Response

Arts SA indicated that policies and procedures will be developed by December 2000. With regard to the signing of funding agreements Arts SA indicated that 'as a matter of policy it does not have funding and performance agreements with organisations budgeting for deficits' and this was the reason a signed agreement did not exist for a number of organisations in receipt of grants.

Revenue - Artlab Australia

The audit at Artlab Australia identified the need to review the procedures for providing price quotations to private clients for work undertaken on artefacts.

Departmental Response

In response Artlab indicated that it has procedures in place to regularly monitor costs against price quotations and that because of the complexity of some work cost overruns are inevitable.

TRANSPORT SA

Commentary on General Financial Controls

An assessment of the internal control structure at Transport SA identified that the internal controls were adequate and operating satisfactorily. There were, however, areas where Audit considered there was room for improvement. These areas are outlined below. It should be noted that a number of these issues have been raised as a result of audits in previous years.

Payroll

The audit of the payroll function revealed that improvements in internal controls could be achieved in relation to the follow-up of outstanding bona-fide certificates, control over manual cheque stationery, modifications to employee masterfile details, reconciliation of payroll holding accounts, and evidencing of the independent checks undertaken.

Departmental Response

In response Transport SA indicated that revised procedures will be implemented to address the issues raised by Audit.

Purchasing System

The results of the audit revealed that there was a need to ensure that purchase orders raised were authorised by an officer with the appropriate level of authority.

Departmental Response

Transport SA advised that comprehensive procedures exist with respect to the authorisation of purchase orders and that a review is currently being undertaken on the operation and use of authorisation procedures in the Masterpiece Purchasing System.

Asset Registers

The audit of asset registers revealed a need to improve controls over reconciliations between subsidiary systems and the General Ledger and monitoring of user access to the Masterpiece Fixed Asset System.

Departmental Response

Transport SA advised that revised procedures have been implemented to address the issues raised.

Registration and Licensing

The audit of the Registration and Licensing function revealed there was room for improvement in:

- compliance with established internal control procedures relating to Customer Services Centre operations;
- the documentation of policies and procedures for the Finance section;
- the timeliness and adequacy of some reconciliation procedures;
- the application development procedures with respect to the DRIVERS system;
- management of contract arrangements for outsourcing of licence renewal services.

Departmental Response

In response Transport SA advised that action would be taken to address all the issues raised by Audit by documenting policies and procedures for the Finance section and ensuring the reconciliation procedures are adequately undertaken in a timely manner; reminding Customer Services Centre staff of the need to comply with established procedures; implementing revised application development procedures with respect to the DRIVERS system; and reviewing the procedures for the management of contract arrangements where services are outsourced.

PLANNING SA

Although Planning SA utilises the systems of Transport SA to record its financial transactions, a number of related record keeping functions are undertaken within Planning SA. The audit of these functions identified that there were opportunities for improvement in relation to the verification of the existence of assets and the reconciliation of the job costing system to the General Ledger.

Departmental Response

In response Planning SA advised that action has been implemented to address the Audit observations by undertaking regular verification of the existence of assets and ensuring the job costing system is reconciled to the General Ledger on a regular basis.

Division of State Aboriginal Affairs (DOSAA)

The audit identified that there was room for improvement in the evidencing of independent checking processes undertaken in various accounting functions, the checking of leave recorded in the payroll system and the timely checking of amounts banked.

Departmental Response

In response DOSAA indicated that staff have been reminded of the need to provide evidence of checks undertaken and that revised procedures for the checking of leave records will be implemented.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department for Transport, Urban Planning and the Arts 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'.

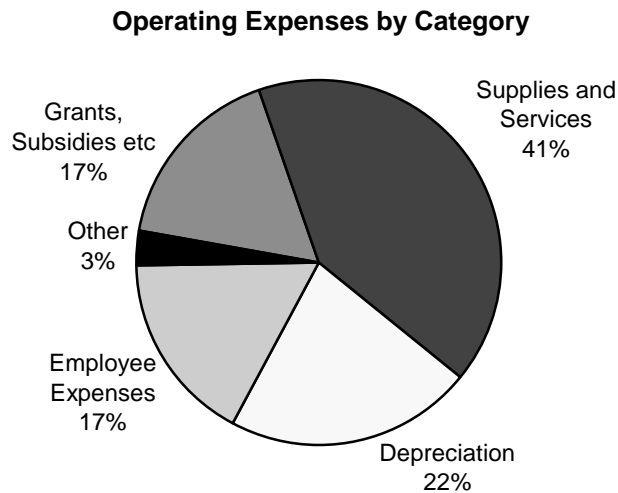
Audit formed the opinion that the controls exercised by the Department for Transport, Urban Planning and the Arts in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Operating Statement

Operating Expenses

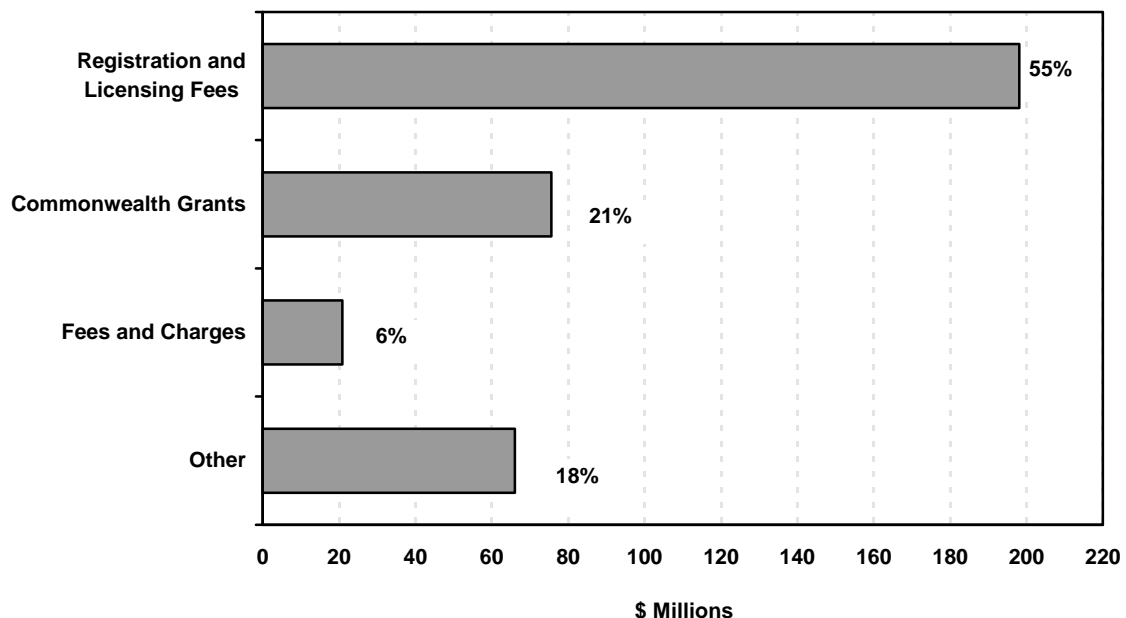
Operating expenses for the year totalled \$485.7 million (\$440.7 million). The following chart shows the major categories of operating expenses as a percentage of Total Operating Expenses.



The chart reveals that depreciation expense represents 22 percent (23 percent) of Total Operating Expenses. Grants and subsidies to other organisations represents 17 percent (18 percent) of Total Operating Expenses.

Operating Revenues

Operating revenues for the year totalled \$360.6 million (\$398.3 million). The following chart shows the major components of Total Operating Revenues.



The chart indicates that motor registration and drivers' licence fees comprised 55 percent of Total Operating Revenues. Grants from the Commonwealth Government, primarily through the *Australian Land Transport Development Act 1988* for road construction and maintenance, accounted for a further 21 percent of the Total Operating Revenues.

In addition to the Total Operating Revenues, the Department received a further \$162.3 million (\$160.6 million) in appropriations from the State Government. These appropriations were predominantly associated with the operations of Arts SA and Transport SA.

Statement of Financial Position

Current Assets

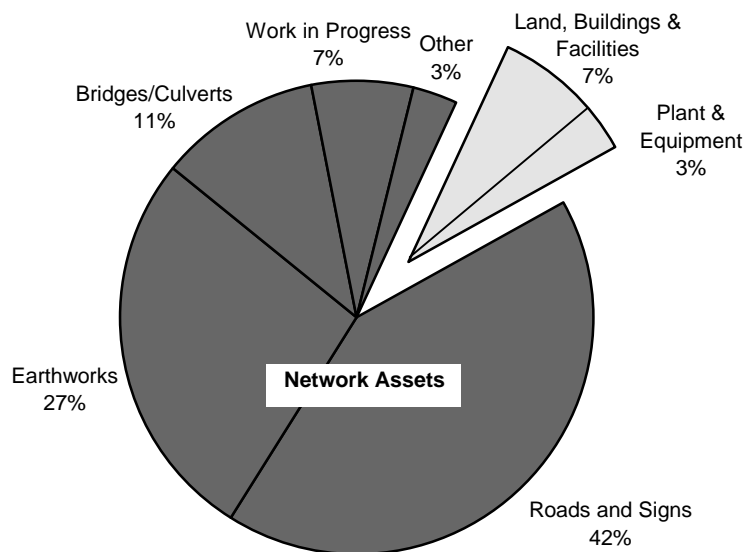
Cash on Hand and Deposits

Cash on hand and deposits decreased by \$11.8 million to \$93.4 million. Note 13 to the financial statements details the Deposit and Special Deposit Accounts which make up this total. The Highways Fund balance decreased by \$21.9 million mainly as a result of increased payments for supplies and services. The Arts SA Deposit Account balance increased by \$8.5 million mainly as a result of an increase in appropriation for capital works at the State Library which has not yet been passed on to the Libraries Board of South Australia by way of a capital grant.

Non-Current Assets

The written down value of non-current assets totalled \$3.9 billion (\$3.7 billion). The amount, however, does not include a value for land under roads which has not been recognised in accordance with the transitional provisions of Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments'.

The following chart displays the value of each asset class as a percentage of the total value of non-current assets.



The chart indicates that Network Assets comprising roads, earthworks, bridges and culverts, traffic signals, road lighting, drainage, busway, busway interchanges, weigh stations, navigational aids and work in progress have a written down value of \$3.5 billion which represents 90 percent of Total Non-current Assets. The major subclass of Network Assets is roads and signs with a written down value of \$1.6 billion or 47 percent of the total value of Network Assets.

In relation to the dominance of Network Assets it can be observed that the major sources of funding to maintain and develop the network come from the annual collection of registration and licence fees (\$198.1 million) and grants from the Commonwealth Government (\$75.6 million). This regular source of funding explains the low level of outstanding borrowings (\$65.7 million) recorded in the Statement of Financial Position.

Equity

Reserves

The Asset Revaluation Reserve increased by \$169.9 million primarily as a result of a revaluation increment of \$169.1 million for Network Assets.

Administered Items

The Department collects money through its Registration and Licensing function on behalf of third parties. Such collections include Compulsory Third Party Insurance on motor vehicles on behalf of the Motor Accident Commission and stamp duty on behalf of the Department of Treasury and Finance. In 1999-2000 amounts collected on behalf of third parties totalled \$454.1 million and included \$259.6 million for Compulsory Third Party Insurance, \$101.4 million for stamp duty and \$32.8 million for the Emergency Services Levy.

Operating Statement of the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Employee expenses	5	82 688	77 508
Depreciation	6	105 007	102 102
Supplies and services		200 429	170 373
Grants and subsidies	7	85 267	77 192
Interest and other financing expenses		7 998	6 514
Other expenses		4 266	6 994
Total Operating Expenses		485 655	440 683
OPERATING REVENUES:			
Fees and charges for services	8	21 127	19 879
Interest and investment revenue		3 619	2 725
Commonwealth grants	9	75 558	107 684
Registration and licensing fees	10	198 086	202 120
Other revenues	11	62 258	65 855
Total Operating Revenues		360 648	398 263
NET COST OF SERVICES		(125 007)	(42 420)
REVENUES FROM GOVERNMENT:			
<i>Appropriation Act 1999</i>	36	162 274	160 616
Total Government Revenues		162 274	160 616
NET LOSS FROM DISPOSAL OF NON-CURRENT ASSETS	34	830	7 564
NET REVENUES FROM RESTRUCTURING	35	5 561	-
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS BEFORE ABNORMAL ITEMS		41 998	110 632
ABNORMAL ITEMS	12	-	75 842
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS BEFORE INCOME TAX		41 998	186 474
INCOME TAX	3(n)	1 311	1 121
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS AFTER INCOME TAX		40 687	185 353
DIVIDENDS PAID	29	3 532	3 607
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS		37 155	181 746

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash on hand and deposits	13	93 362	105 141
Receivables	14	10 428	6 507
Inventories	15	5 039	5 240
Investments	16	428	115
Other		4 163	632
Total Current Assets		113 420	117 635
NON-CURRENT ASSETS:			
Land, buildings and facilities	17	279 257	287 611
Plant and equipment	18	97 470	102 399
Network assets	19	3 494 549	3 270 375
Investments	16	1 578	1 858
Total Non-Current Assets		3 872 854	3 662 243
Total Assets		3 986 274	3 779 878
CURRENT LIABILITIES:			
Creditors	20	50 707	43 885
Provision for employee entitlements	21(a)	11 494	9 106
Borrowings	22	-	8 100
Other		2 477	1 656
Finance lease	32(b)	46	-
Total Current Liabilities		64 724	62 747
NON-CURRENT LIABILITIES:			
Creditors	20	2 272	2 069
Provision for employee entitlements	21(b)	25 082	24 182
Borrowings	22	65 683	69 676
Other		295	173
Total Non-Current Liabilities		93 332	96 100
Total Liabilities		158 056	158 847
NET ASSETS		3 828 218	3 621 031
EQUITY:			
Accumulated surplus	23	3 637 748	3 600 427
Reserves	24	190 470	20 604
TOTAL EQUITY		3 828 218	3 621 031
Commitments	32		
Contingent Liabilities	33		

Statement of Cash Flows for the year ended 30 June 2000

		2000	1999
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
	Note	\$'000	\$'000
Employee expenses		(82 438)	(77 419)
Supplies and services		(195 229)	(169 137)
Grants and subsidies		(84 825)	(77 192)
Interest and other financing expenses		(7 992)	(6 304)
Other expenses		(682)	(4 742)
Total Payments		(371 166)	(334 794)
RECEIPTS:			
Fees and charges for services		20 893	19 568
Interest and investment revenues		3 563	2 617
Commonwealth grants		75 438	107 649
Registration and licensing fees		198 086	202 120
Other revenues		53 673	55 783
Total Receipts		351 653	387 737
CASH FLOWS FROM GOVERNMENT:			
Appropriation	36	161 742	160 616
Total Cash Flows from Government		161 742	160 616
Net Cash provided by Operating Activities	25	142 229	213 559
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS:			
Network assets		(138 441)	(130 303)
Land, buildings and facilities		(2 146)	(17 288)
Plant and equipment		(7 682)	(13 478)
Other		(148)	(1 420)
RECEIPTS:			
Proceeds from asset sales		3 729	4 558
Proceeds from investments		115	150
Net Cash used in Investing Activities		(144 573)	(157 781)
CASH FLOWS FROM FINANCING ACTIVITIES:			
PAYMENTS:			
Dividends		(3 532)	(3 607)
Repayment of loan	22	(12 093)	(9 000)
RECEIPTS:			
Proceeds from borrowings		-	9 025
Net Cash used in Financing Activities		(15 625)	(3 582)
NET CASH FLOWS FROM RESTRUCTURING		6 190	-
NET (DECREASE) INCREASE IN CASH HELD		(11 779)	52 196
CASH AT 1 JULY		105 141	52 945
CASH AT 30 JUNE	13	93 362	105 141

Output Class Schedule of Departmental Operating Expenses and Revenues for the year ended 30 June 2000

Output Class (Note 4)	1	2	3	4	5	6	7	8	9	10	11	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental Operating Expenses and Revenues												
Operating Expenses:												
Employee expenses	10 167	15 156	28 045	15 199	4 324	938	2 540	5 054	547	263	455	82 688
Depreciation	433	653	103 073	423	119	2	220	-	84	-	-	105 007
Supplies and services	10 046	19 231	140 078	13 040	3 569	1 352	2 846	8 486	1 350	280	151	200 429
Grants and subsidies	972	(22)	3 030	484	12 080	28 972	38 007	-	1 450	58	236	85 267
Interest and other financial expenses	(23)	1 918	6 116	(12)	(2)	-	-	-	1	-	-	7 998
Other expenses	(602)	2 301	1 471	802	133	-	-	161	-	-	-	4 266
Total Operating Expenses	20 993	39 237	281 813	29 936	20 223	31 264	43 613	13 701	3 432	601	842	485 655
Operating Revenues:												
Fees and charges for services	1	1 307	-	-	72	108	1 418	18 058	133	30	-	21 127
Interest and investment revenue	366	46	-	79	240	337	813	1 614	120	4	-	3 619
Commonwealth grants	63	-	74 525	-	39	60	701	-	120	-	50	75 558
Registration and licensing fees	-	24 289	173 797	-	-	-	-	-	-	-	-	198 086
Other revenues	395	486	-	706	983	977	1 555	56 982	50	53	71	62 258
Total Operating Revenues	825	26 128	248 322	785	1 334	1 482	4 487	76 654	423	87	121	360 648
Net (Cost of) Surplus from Services	(20 168)	(13 109)	(33 491)	(29 151)	(18 889)	(29 782)	(39 126)	62 953	(3 009)	(514)	(721)	(125 007)
Revenues from Government:												
Appropriation	13 670	12 365	28 260	12 133	17 045	28 665	47 965	-	1 556	214	401	162 274
Total Revenues from Government	13 670	12 365	28 260	12 133	17 045	28 665	47 965	-	1 556	214	401	162 274
Net Loss on Disposal of Non-Current Assets	-	-	814	12	-	-	-	-	4	-	-	830
Net Revenues from Restructuring	-	-	-	-	-	-	-	-	5 155	-	406	5 561
Change in Net Assets Resulting from Operations before Income Tax	(6 498)	(744)	(6 045)	(17 030)	(1 844)	(1 117)	8 839	62 953	3 698	(300)	86	41 998
Income tax	-	-	1 311	-	-	-	-	-	-	-	-	1 311
Change in Net Assets Resulting from Operations after Income Tax	(6 498)	(744)	(7 356)	(17 030)	(1 844)	(1 117)	8 839	62 953	3 698	(300)	86	40 687
Dividends paid	-	-	3 532	-	-	-	-	-	-	-	-	3 532
Change in Net Assets Resulting from Operations	(6 498)	(744)	(10 888)	(17 030)	(1 844)	(1 117)	8 839	62 953	3 698	(300)	86	37 155

Due to a reorganisation of output classes during 1999-2000, comparative figures are not shown.

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

Output Class (Note 4)	1	2	3	4	5	6	7	8	9	10	11	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered Operating Expenses and Revenues⁽¹⁾												
Operating Expenses:												
Employee expenses	-	-	-	-	-	-	-	170	-	-	-	170
Supplies and services	-	-	-	-	-	-	-	6 469	-	-	-	6 469
Grants and subsidies	-	-	-	-	-	-	-	3 822	-	-	-	3 822
Registration and licensing payments to third parties	-	-	-	-	-	-	-	454 110	-	-	-	454 110
Transfer payments	-	532	169 495	-	-	-	-	331	-	-	-	170 358
Total Operating Expenses	-	532	169 495	-	-	-	-	464 902	-	-	-	634 929
Operating Revenues:												
Fees and charges for services	-	532	-	-	-	-	-	321	-	-	-	853
Grants	-	-	-	-	-	-	-	9 632	-	-	-	9 632
Reimbursement works	-	-	-	-	-	-	-	32	-	-	-	32
Registration and licensing receipts for third parties	-	-	-	-	-	-	-	454 110	-	-	-	454 110
Appropriation	-	-	169 495	-	-	-	-	636	-	-	-	170 131
Transfer payments	-	-	-	-	-	-	-	171	-	-	-	171
Total Operating Revenues	-	532	169 495	-	-	-	-	464 902	-	-	-	634 929
Administered Operating Revenues less Administered Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-

(1) Administered expenses and revenues are not recognised in the Operating Statement but are reported here for information purposes (see Note 31).

Output Class Schedule of Departmental Assets and Liabilities and Administered Assets and Liabilities as at 30 June 2000

Output Class (Note 4)	1	2	3	4	5	6	7	8	9	10	11	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental Assets and Liabilities												
Assets:												
Current assets	15 216	12 363	38 312	12 495	2 115	469	28 097	-	3 885	24	444	113 420
Non-current assets	771 139	617 057	1 966 467	424 301	77 189	31	15 645	-	914	11	100	3 872 854
Total Assets	786 355	629 420	2 004 779	436 796	79 304	500	43 742	-	4 799	35	544	3 986 274
Liabilities:												
Current liabilities	11 986	10 045	30 667	7 576	1 946	509	1 187	-	687	28	93	64 724
Non-current liabilities	18 132	14 739	45 652	10 697	2 255	253	617	-	709	7	271	93 332
Total Liabilities	30 118	24 784	76 319	18 273	4 201	762	1 804	-	1 396	35	364	158 056
Administered Assets and Liabilities⁽¹⁾												
Assets:												
Current assets	80	189	202	45	7	-	-	-	4 637	-	-	5 160
Non-current assets	716	560	1 805	404	62	-	-	-	-	-	-	3 547
Total Assets	796	749	2 007	449	69	-	-	-	4 637	-	-	8 707
Liabilities:												
Current liabilities	80	189	202	45	7	-	-	-	4 637	-	-	5 160
Non-current liabilities	716	560	1 805	404	62	-	-	-	-	-	-	3 547
Total Liabilities	796	749	2 007	449	69	-	-	-	4 637	-	-	8 707

(1) Administered assets and liabilities are not recognised in the Statement of Financial Position but are reported here for information purposes (see Note 31).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Departmental Objectives and Funding**

The Department's objectives are:

- urban and regional development that achieves economic development with a specific focus on urban regeneration and rural prosperity;
- transport accessibility for the community that is efficient, safe and environmentally sound, and supports economic and social development;
- a strong creative arts industry that enhances the State's profile as a world centre for cultural richness and diversity;
- recognition of women's achievements and representation of women on decision-making bodies and in decision-making roles;
- availability of information to South Australians at community access sites;
- a revitalised City of Adelaide;
- a stable, democratic and accountable system of local government participating fully in improving the economic and social environment of the State;
- equality for Aboriginal people.

The Department's principal sources of funds are vehicle registration and driver licence fees, road user charges, State Government appropriations and Commonwealth Government grants.

2. **Departmental Organisation**

The structure of the Department for Transport, Urban Planning and the Arts has been established in a manner that provides clear accountabilities and responsibilities for all business areas and enables an open and steady flow of information between the areas.

The Division of State Aboriginal Affairs and the Office of Local Government joined the Department as part of a government-wide restructure that occurred on 14 February 2000. The seven business areas are:

- Office of the Chief Executive
- Arts SA
- Office for the Status of Women
- Planning SA
- Transport SA
- Division of State Aboriginal Affairs
- Office of Local Government

The Executive Directors of the agencies within the Department report to the Chief Executive, Department for Transport, Urban Planning and the Arts.

3. **Summary of Significant Accounting Policies**

(a) **Basis of Accounting**

The financial report is a general purpose financial report which has been prepared in accordance with Statements of Accounting Concepts, appropriate Australian Accounting Standards, Urgent Issues Group Consensus Views, Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

The report has been prepared on an accrual basis of accounting and is in accordance with the historical cost convention except where detailed in the Notes.

(b) **Transitional Reporting Arrangements**

In accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments', certain assets acquired prior to 1 July 1998 have not been recognised as assets in the Statement of Financial Position because it is difficult to reliably measure the value of those assets. The assets concerned are land under roads and within carriageway reserves.

An implementation plan has been established whereby land under roads and within carriageway reserves will be recognised by 30 June 2003.

(c) **Government Controlled Reporting Entity**

All funds which the Department controls in the performance of its functions and which have been transacted through the Deposit and Special Deposit Accounts held at the Department of Treasury and Finance are included in the financial report. The Passenger Transport Board, although part of the ministerial portfolio, is not controlled by the Department.

(d) **Administered Resources**

The Department administers, on behalf of the Government of South Australia, certain resources over which it does not have control. Although accountable for the transactions relating to the administered resources, the Department does not have the control or discretion to apply these resources to achieve Departmental objectives.

Transactions and balances relating to administered resources are not recognised as departmental assets, liabilities, revenues or expenses, but are disclosed separately in the Output Class Schedules. The types of administered resources are also listed in Note 31.

(e) **Comparative Figures**

As part of a government-wide restructure that occurred on 14 February 2000 the Division of State Aboriginal Affairs and the Office of the Local Government joined the Department. The Operating Statement includes the expenses and revenues of these two agencies from that date. The 1999 comparative information does not include the operations of the Division of State Aboriginal Affairs and the Office of Local Government.

Where necessary comparative figures have been adjusted to conform with changes in presentation in 1999-2000.

3. **Summary of Significant Accounting Policies (continued)**

(f) **Business/Service Provider Unit Operations**

Business/Service Provider units are individual work units within the Transport SA agency of the Department operating as service providers on a commercial basis within the overall framework of the organisation. Business/Service Provider units predominantly have as their clients other units of the agency (including other Business/Service Provider units) and may also undertake some work for external parties. Some Business/Service Provider units charge actual costs directly to projects, while others retain actual costs within a working account prior to on-charging those costs. The recurrent or capital nature of the cost is therefore not readily apparent. A reliable means of allocating costs has been established based on the history of work performed or an apportionment relevant to the nature of the units' operations.

Business/Service Provider unit revenue arising from operations with external clients is disclosed in the Operating Statement. Revenue arising from intra-agency operations has been eliminated.

(g) **Revenue**

Registration and licence fees and appropriations and grants from Government are recognised as revenues when the Department obtains control over the funds. Control is generally obtained upon receipt.

Fees and charges and other revenue are recognised as revenues upon the delivery of goods and services to customers.

Revenues collected but not controlled by the Department are not recognised as Departmental revenues but instead are reported as administered revenues. Such amounts are required to be paid to the Consolidated Account or funds controlled by other Departments.

(h) **Inventories**

Inventories of roadside materials and stores are valued on a weighted average historic cost basis. Departmental work in progress for clients external to the Department is valued at cost.

(i) **Non-Current Assets**

The Statement of Financial Position includes those non-current assets where identification, ownership, control and valuations can be reliably determined.

The Department has adopted for the Deprival Value methodology in the valuation of all assets.

Assets recognised for the first time have been valued at their acquisition cost or their most recent valuation.

Valuation of Non-Current Assets

• *Land, Buildings and Facilities*

Held for Cultural Purposes

Departmental land, buildings and facilities held for cultural purposes are valued at written down replacement cost and were valued by the Australian Valuation Office as at 30 June 1999.

Held for Departmental Operations

Land held is valued at market value on the basis of information supplied by the Valuer-General of South Australia. Departmental facilities and public transport facilities are valued at written down replacement cost.

All Departmental land, buildings and facilities assets held for departmental operations were independently revalued as at 30 June 2000 by independent valuers or the Valuer-General of South Australia.

Held for Road Purposes

Land held for future road projects includes untenanted land for road works, surplus properties and properties available for rent.

Land held is valued at market value on the basis of information supplied by the Valuer-General of South Australia at 30 June 2000. Rental properties on land held for future transport corridors and surplus properties are valued at market value with leasehold improvements being valued at written down replacement cost. The Valuer-General of South Australia last valued land held for future road projects at 30 June 2000.

Held for Marine Purposes

Marine facilities are valued at written down replacement cost and were last valued in 1997 by independent valuers.

Land Under Roads

Due to the difficulty of reliably measuring the value of land under roads and within carriageway reserves acquired before 1 July 1996, the Department has elected not to include a value for these assets in the Statement of Financial Position until 30 June 2003. Land classified in this category and acquired after 30 June 1996 is valued at cost.

Held for Rail Purposes

Major land assets are valued at written down replacement cost and were last valued at 30 June 1998 by independent valuers. Other land held for rail purposes is valued at the net present value of future income streams undertaken by suitably qualified departmental officers.

• *Network Assets*

Network assets are valued at written down replacement cost (current replacement cost less accumulated depreciation) and revalued every three years by suitably qualified officers of Transport SA. An independent engineering firm (L B Dowling & Associates) reviewed the valuation methodology in May 1997 and confirmed the reasonableness of the Department's approach.

(i) **Non-Current Assets (continued)**

- *Network Assets (continued)*

The last complete revaluation of the roads and signs, earthworks, bridges, culverts and busway assets was undertaken as at 30 June 1998. Valuations of busway interchanges and weigh station assets were last undertaken as at 30 June 1997. A revaluation of traffic signals, road lighting and drainage systems was undertaken as at 30 June 1999. In the intervening years between complete revaluations, a Departmental price index is applied to the replacement cost of network assets.

The Departmental price index is calculated based on an assessment of a representative selection of costs incurred in undertaking all major Departmental activities in the current financial year.

- *Plant and Equipment*

Plant and equipment with exception of the bus fleet and ferries are valued at historical cost. The bus fleet and ferries are valued at written down replacement cost.

- *Work in Progress*

All work in progress is valued at cost.

Depreciation

Non-current assets with the exception of land, earthworks, work in progress and the bus fleet component of plant and equipment are depreciated over their estimated useful lives using the straight line method.

Land, earthworks and work in progress are not depreciated. The bus fleet is depreciated using a sliding scale which is representative of the usage pattern of these assets.

Estimates of the useful lives for all assets are made on a regular basis and are outlined by asset class as follows:

Asset Class	Estimated Useful Life
Network Assets:	
Roads and signs	39 - 57 years depending on road category
Bridges/Culverts	34 - 128 years based on individual structures
Traffic signals	15 years
Road lighting	15 years
Drainage	80 years
Busway structures	90 years
Busway tracks	50 years
Busway interchanges	8 - 80 years based on various components
Weigh stations	21 - 50 years
Navigational aides	50 years
Buildings and Facilities	Useful life depends on individual asset items
Plant and Equipment:	
Information Technology equipment	3 years
Buses	20 - 25 years
Other plant and equipment	5 - 99 years depending on individual asset items

Revaluation of Non-Current Assets

Non-current assets within an asset class that are not reported at historical cost are revalued at substantially the same date or are revalued progressively and in a systematic manner on a consistent basis within a three year period.

Revaluation increments are credited direct to the Asset Revaluation Reserve. However, to the extent that the increment reverses a revaluation decrement previously recognised as an expense in the Operating Statement in respect of that same class of asset, it is recognised as revenue in the Operating Statement, but only to the extent of the previous expense.

Revaluation decrements are offset against any previous Asset Revaluation Reserve increment for that particular class of asset and any remaining balance is expensed.

The Department has not applied the 'Recoverable Amount Test' as set out in paragraph 5 of Australian Accounting Standard AAS 10 'Accounting for the Revaluation of Non-Current Assets', as it is a 'Not for Profit' entity.

All network assets excluding those capitalised in 1999-2000 were revalued in accordance with the Departmental price index. As a result of this revaluation, non-current assets with a book value of \$3 061.3 million were revalued to \$3 230.4 million, an increase of \$169.1 million.

Land and buildings held for departmental purposes (except commercial properties) were revalued in accordance with the latest Valuer-General's valuations. Buildings held for commercial purposes were independently revalued. The overall result of these revaluations was an increase in the Asset Revaluation Reserve of \$0.773 million.

(j) **Employee Entitlements**

(i) *Wages and Salaries*

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

(ii) *Sick Leave*

No provision has been made for sick leave as entitlements are non-vesting and it is considered that sick leave is taken from the current year's entitlement.

(j) **Employee Entitlements (continued)**

(iii) **Superannuation**

Contributions are made by the Department to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they occur. The Department is not liable for payments to beneficiaries, as this is the responsibility of the superannuation schemes.

(iv) **Annual Leave and Long Service Leave**

The provision for annual leave and long service leave represents the amount which the Department has a present obligation to pay resulting from employees' services provided up to the reporting date.

The provision has been calculated at nominal amounts based on current wages and salaries rates using the Department of Treasury and Finance benchmark of eight years service as a shorthand estimation of long service leave liability in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Related on-costs of payroll tax, superannuation and workers compensation premiums are shown under the item Creditors.

(k) **Provision for Doubtful Debts**

The provision for doubtful debts has been calculated as 3 percent of all accounts receivable for Transport SA, together with an allowance for specific debts that are unlikely to be collected.

(l) **Leases**

The Department has entered into a number of operating lease agreements for plant and vehicles, office accommodation, land for stacking roadside materials, land used for rail purposes and office equipment. The lessors effectively retain all the risk and benefits incidental to ownership of the items held under the lease agreements.

The Department has one finance lease agreement for office equipment.

(m) **Cash**

For the purposes of the Statement of Cash Flows, cash includes cash deposits which are used in the cash management function on a day to day basis.

Administered cash is reported separately in the Output Class Schedules.

(n) **Income Tax**

In accordance with the National Competition Policy principles, it was agreed that State Government Business Enterprises (GBEs) in competition with private industry would be liable for payment of Commonwealth, State and Local Government taxes. An equivalent payment is made to the Department of Treasury and Finance. The Business Unit within the Department subject to the equivalent taxation regime is the Public Transport Asset Management Business Unit.

Payments made in respect of taxes other than income tax are recorded under the item Other Expenses.

4. **Departmental Output Classes**

During 1999-2000 the Portfolio undertook a review and subsequent rationalisation of its Output Classes in order to improve the quality of output information.

Output Class 1 Coordination and advice

All coordination of whole-of-government initiatives or services as well as policy advice and development for and on behalf of the Ministers.

Output Class 2 Regulatory Services

Provision of registration, licensing, compliance and other regulatory services under legislation committed to the Minister.

Output Class 3 Maintenance and Operation of the Transport System

The efficient and effective maintenance and operation of marine, rail, road and bridge infrastructure and facilities including public transport assets.

Output Class 4 Planning and Development

The provision of an integrated system of state planning, development policy and development assessment and key strategic plans.

Output Class 5 Information Services

The provision of information to the public, industry and government agencies.

Output Class 6 Art Museum and Heritage Services

The provision of services that enable the State's cultural, heritage and arts assets to be appropriately maintained and be accessible to the community.

Output Class 7 Arts Industry Development and Access to Artistic Product

The provision of services that enable the development of, and access to, arts activities to the community.

Output Class 8 Other Government Services

The provision of services outside of the transport, planning and arts sector.

4.	Departmental Output Classes (continued)		
	Output Class 9	Aboriginal Development	
		The promotion of greater Aboriginal economic and partnership development to create long-term and secure employment that increases prosperity for Aboriginal peoples; provision and maintenance of essential services that contribute to safer and healthier living environments in Aboriginal communities; and coordination of State landholding authorities and monitor and evaluate education and training policies, programs and services.	
	Output Class 10	Heritage Conservation	
		The protection and conservation of Aboriginal Land sites and objects; and administration of the <i>Aboriginal Heritage Act 1988</i> .	
	Output Class 11	Local Government Frameworks	
		The maintenance and development on behalf of the State of the legislative and policy frameworks that shape the Local Government system and ensure local governments, as essential parts of the public sector, are both accountable to their communities and able to participate fully in improving the economic and social environment of the State as a whole.	
5.	Employee Expenses		2000
	Employee expenses comprised:		1999
			\$'000
			\$'000
	Salaries and wages	60 502	56 668
	Annual leave and long service leave	8 371	7 703
	Superannuation	7 166	6 432
	Payroll tax	4 578	4 066
	Workers compensation and other expenses	2 071	2 639
		82 688	77 508
6.	Depreciation		
	Depreciation was charged in respect of:		
	Buildings and facilities	5 723	5 401
	Plant and equipment	12 888	12 851
	Network assets	86 396	83 850
		105 007	102 102
7.	Grants and Subsidies		
	Grants and subsidies comprised:		
	Lead Agency Art Grants:		
	Museum Board	19 412	8 252
	Libraries Board of South Australia	11 716	11 064
	Adelaide Festival Centre Trust	10 904	11 267
	Art Gallery Board	5 507	6 147
	Country Arts SA	4 681	4 811
	South Australian Film Corporation	4 220	5 441
	History Trust of South Australia	3 316	5 624
	Adelaide Festival Corporation	2 750	2 750
	State Opera of South Australia	1 700	1 950
	South Australian Youth Arts Board	1 566	1 619
	State Theatre Company of South Australia	1 485	1 485
	Adelaide Symphony Orchestra	1 164	1 434
	Jam Factory of Contemporary Craft and Design	974	960
	Australian Dance Theatre	776	1 145
	Carrick Hill Trust	736	710
	Tandanya	577	540
	Arts Industry Development Grants:		
	Project assistance	2 882	3 417
	General purpose assistance	2 514	2 444
	Other arts grants	2 174	1 859
	Other	6 213	4 273
		85 267	77 192
8.	Fees and Charges for Services		
	Fees and charges comprised:		
	Road and marine related charges	12 703	12 616
	Road and marine fees	5 355	4 357
	Arts industry related fees	1 598	1 818
	Planning related fees	1 307	1 088
	Other	164	-
		21 127	19 879
9.	Commonwealth Grants		
	Commonwealth grants comprised:		
	<i>Australian Land Transport Development Act 1988</i>	68 035	103 890
	<i>Interstate Road Transport Act 1985</i>	2 639	2 289
	Australia Council	363	575
	Rail transfer agreement	3 851	570
	Other	670	360
		75 558	107 684
10.	Registration and Licensing Fees		
	Fees collected comprised:		
	Motor registration fees	173 797	169 243
	Drivers' licence fees	24 289	32 877
		198 086	202 120

11. Other Revenues	2000	1999
Other revenues included:	\$'000	\$'000
Fair value of assets received for nil consideration	2 293	6 063
Property rentals	4 758	3 782
Commissions	4 505	3 485
Reimbursement works and external project contributions	4 066	3 379
Business/service provider unit revenues from external sources	2 818	2 634
Registration and insurance contributions	4 845	2 566
Health Promotion SA	-	2 139

12. Abnormal Items

On 1 November 1998 bus assets and associated property assets were transferred from TransAdelaide to Transport SA. These assets were received at Fair Value (\$40.8 million for buses and \$9 million for property). Debt associated with these assets of \$20.4 million for buses and \$4.5 million for property was also transferred to Transport SA. The value of assets received for no consideration, \$24.9 million, has been brought to account as an abnormal item.

In 1999 certain classes of Network Assets were revalued which resulted in a revaluation increment of \$50.9 million on the written down value of Network Assets. This was treated as revenue in accordance with Australian Accounting Standard AAS 10 'Accounting for the Revaluation of Non-Current Assets'.

13. Cash on Hand and Deposits	2000	1999
Balance of cash on hand and in Deposit and Special Deposit Accounts at 30 June were:	\$'000	\$'000
Arts SA Deposit Account (including balances of the Office for the Status of Women)	26 896	18 384
Planning SA Deposit Account	4 419	3 873
Highways Fund	29 791	51 703
Transport Operating Account	25 128	27 207
Recreational Boating Facilities Fund	2 806	3 007
Boating Administration Working Account	255	637
North Haven Marina Fund	105	330
Division of State Aboriginal Affairs Deposit Account	3 553	-
Office of Local Government Deposit Account	409	-
	93 362	105 141

14. Receivables

Receivables comprised:		
Gross receivables	10 796	6 800
Less: Provision for doubtful debts	368	293
Net Receivables	10 428	6 507

15. Inventories

Inventories comprised:		
Supplies and stores	947	1 106
Roadside materials	3 416	3 444
External work in progress	676	690
	5 039	5 240

16. Investments

Investments comprised:		
Loans to:		
Adelaide Festival Centre Trust	1 500	1 500
South Australian Film Corporation	200	200
Jam Factory of Contemporary Craft and Design	50	120
Media Resource Centre	58	78
Others	198	75
	2 006	1 973

Current Assets	428	115
Non-Current Assets	1 578	1 858
	2 006	1 973

17. Land, Buildings and Facilities

	2000			1999		
	Gross Value	Accumulated Depreciation	Written Down Value	Gross Value	Accumulated Depreciation	Written Down Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land as at 30 June:						
Held for cultural purposes	3 050	-	3 050	3 027	-	3 027
Held for Departmental operations	27 162	-	27 162	27 614	-	27 614
Held for road purposes	82 186	-	82 186	82 449	-	82 449
Held for marine purposes	4 597	-	4 597	4 969	-	4 969
Land under roads	5 297	-	5 297	4 466	-	4 466
Held for rail purposes	17 875	-	17 875	15 944	-	15 944
Total	140 167	-	140 167	138 469	-	138 469

Land assets reported in the Statement of Financial Position have been valued in 2000 according to the Valuer-General's valuations and by independent valuers, Adderley and Partners Pty Ltd and Elders Real Estate. Land held for rail purposes was revalued by Adderley and Partners Pty Ltd as at 30 June 1998. Land held for cultural purposes has been valued according to the Australian Valuation Office valuations conducted in 1999.

17. Land, Buildings and Facilities (continued)	2000			1999		
	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Buildings and facilities as at 30 June:						
Held for cultural purposes	17 383	6 388	10 995	17 303	6 181	11 122
Held for Departmental operations	98 671	55 043	43 628	112 204	62 237	49 967
Held for road purposes	16 654	11 360	5 294	16 319	10 146	6 173
Held for marine purposes	88 355	10 481	77 874	88 465	7 727	80 738
Held for rail purposes	1 355	56	1 299	1 153	11	1 142
Total	222 418	83 328	139 090	235 444	86 302	149 142

Residential property assets (held for Departmental operations asset category) have been valued according to the Valuer-General's latest available valuations. Commercial properties were last valued in 2000 by Adderley and Partners Pty Ltd, and Elders Real Estate.

Marine facilities (held for marine purposes asset category) were last valued in 1997 by Colin Gaetjens & Co Pty Ltd, Allan Smith & Associates and Coopers & Lybrand.

Other agency properties (held for departmental operations asset category) were last valued in 1997 by A Hartley (Arch. Tech. Cert.) of Transport SA's Corporate Facilities Unit, Colliers Jardine (SA) Pty Ltd, Woodhead Firth Lee and Adderley and Partners Pty Ltd.

Bus depots were valued in 2000 by Colliers Jardine (SA) Pty Ltd.

Land and buildings (held for cultural purposes asset category) were valued in 1999 by T Nakivell B App Sc (PRM), Dip FBM AVLE (Val) of the Australian Valuation Office.

Land, buildings and facilities as at 30 June:	2000			1999		
	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
At cost	3 085	522	2 563	19 209	181	19 028
At valuation	359 500	82 806	276 694	354 704	86 121	268 583
Total	362 585	83 328	279 257	373 913	86 302	287 611

18. Plant and Equipment

Plant and equipment as at 30 June:

Buses	273 734	199 158	74 576	278 575	199 478	79 097
Information technology equipment	9 817	8 040	1 777	12 266	10 009	2 257
Other plant and equipment	39 854	18 737	21 117	37 622	16 577	21 045
Total	323 405	225 935	97 470	328 463	226 064	102 399

Buses were last valued in 1998 by the Australian Valuation Office. Ferries (other plant and equipment asset category) were last valued in 1999 by Department engineer J Rositano (B.Eng Mech Eng. MIE Aust).

Plant and equipment as at 30 June:	2000			1999		
	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
At cost	11 574	2 500	9 074	2 095	1 333	762
At valuation	311 831	223 435	88 396	326 368	224 731	101 637
Total	323 405	225 935	97 470	328 463	226 064	102 399

19. Network Assets

Network assets as at 30 June:

Road and signs	3 687 851	2 051 434	1 636 417	3 394 476	1 855 937	1 538 539
Earthworks	1 034 650	-	1 034 650	917 429	-	917 429
Bridges and culverts	775 080	335 282	439 798	752 009	329 525	422 484
Traffic signals	89 576	47 155	42 421	67 221	43 466	23 755
Road lighting	83 559	51 982	31 577	70 556	47 354	23 202
Drainage	3 091	154	2 937	3 024	113	2 911
Busway	47 565	8 140	39 425	46 532	7 345	39 187
Busway interchanges	3 008	1 805	1 203	2 942	1 703	1 239
Weigh stations	2 537	1 864	673	2 482	1 752	730
Navigational aids	3 302	2 030	1 272	3 872	2 444	1 428
Work in progress	264 176	-	264 176	299 471	-	299 471
Total	5 994 395	2 499 846	3 494 549	5 560 014	2 289 639	3 270 375

Valuations of the Network Assets have been determined by suitably qualified Departmental officers. The valuing officers were P Blake B. Eng. (Civ), MIE Aust., A Athans (Adv. Cert. Acctg), B McIntosh B.Eng.(Electrical) and R Burt (Cert. in Electrical Eng.).

19. Network Assets (continued)	2000			1999		
	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Network assets as at 30 June:						
At cost	441 160	1 529	439 631	451 873	2 846	449 027
At valuation	5 553 235	2 498 317	3 054 918	5 108 141	2 286 793	2 821 348
Total	5 994 395	2 499 846	3 494 549	5 560 014	2 289 639	3 270 375
20. Creditors				2000		1999
Creditors as at 30 June comprised:				\$'000		\$'000
Supplies and services				44 270		34 285
Employee entitlements				5 340		4 274
Other				3 369		7 395
				52 979		45 954
Current liabilities				50 707		43 885
Non-current liabilities				2 272		2 069
				52 979		45 954
21. Provision for Employee Entitlements						
(a) Current Liabilities						
Annual leave				5 229		4 503
Long service leave				4 387		2 686
Workers compensation				1 878		1 917
				11 494		9 106
(b) Non-Current Liabilities						
Long service leave				19 968		19 832
Workers compensation				5 114		4 350
				25 082		24 182
22. Borrowings				2000		1999
Balance as at 1 July				\$'000		\$'000
Increase in debt due to:				77 776		39 413
Transfer of public transport assets (buses)				-		29 648
General road and bridge loan				-		17 715
				77 776		86 776
Less: Repayments:						
General road and bridge loan				8 100		9 000
Public transport assets				3 993		-
Balance as at 30 June				65 683		77 776
Current liabilities				-		8 100
Non-current liabilities				65 683		69 676
				65 683		77 776
23. Accumulated Surplus						
Balance as at 1 July				3 600 427		3 423 910
Adjustments:						
Pre-existing assets brought to account				166		7 571
Transfer equity to debt				-		(12 800)
				3 600 593		3 418 681
Change in Net Assets Resulting from Operations				37 155		181 746
Balance as at 30 June				3 637 748		3 600 427
24. Reserves						
Asset revaluation reserve						
Balance as at 1 July				20 604		14 775
Movements in reserves:						
Network assets				169 093		-
Plant and equipment				-		3 800
Land, buildings and facilities				773		2 029
Balance as at 30 June				190 470		20 604

25. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services	2000	1999
	\$'000	\$'000
Net cost of services	(125 007)	(42 420)
Adjustments:		
Depreciation	105 007	102 102
Inventories	(121)	483
Prepayments	(1 696)	(352)
Receivables	(3 238)	(1 373)
Creditors	1 399	(1 076)
Employee entitlements	2 123	325
Unearned revenues	622	(189)
Fair value of asset received	(2 293)	(6 085)
Appropriations from Government	161 742	160 616
Other	3 691	1 528
Net Cash provided by Operating Activities	142 229	213 559

26. Remuneration of Employees	2000	1999
The number of employees whose remuneration received or receivable fell within the following bands were:	Number of Employees	Number of Employees
\$100 000 - \$109 999	9	8
\$110 000 - \$119 999	8	5
\$120 000 - \$129 999	2	-
\$130 000 - \$139 999	1	1
\$150 000 - \$159 999	-	1
\$160 000 - \$169 999	1	-
\$170 000 - \$179 999	1	1
\$200 000 - \$209 999	1	1
\$220 000 - \$229 999	#1	#1
	24	18

The total remuneration received by the 24 employees (18 employees) was \$3.1 million (\$2.6 million), which included salary and related payments, superannuation benefits and motor vehicle benefits. Approximately 18 percent of this amount related to superannuation and motor vehicle benefits.

Includes a lump sum payment of \$125 000 (\$97 000) for one employee on termination of service.

27. Consultants	2000	1999
The Department paid fees to consultants as follows:	Number of Consultants	Number of Consultants
\$1 - \$10 000	111	63
\$10 001 - \$50 000	40	34
\$50 001 and above	31	31
	182	128

The total value of consultancies for the reporting period was \$6.6 million (\$6.1 million).

28. Targeted Voluntary Separation Packages (TVSPs)
In accordance with Government policy to reduce the public sector workforce, 23 (70) employees of the Department were paid TVSPs during the year. These payments have been, or will be recovered from the Department of the Premier and Cabinet.

TVSP payments amounted to \$1.1 million (\$3.4 million) for the year. An amount of \$0.5 million (\$0.1 million) is owed to the Department as at 30 June 2000 and is included in the item Receivables. Payments are recorded under the item Other Expenses.

In addition, accrued annual leave and long service leave entitlements amounting to \$0.4 million (\$1.4 million) were paid to those employees who received a TVSP.

29. Indenture Ports
The Department manages the indenture and private ports. Funds in regard to cargo services and harbour services charges are collected initially by the SA Ports Corporation and paid subsequently to the Department. Funds are applied to the maintenance of indenture ports by the Department and any remaining funds are paid to the Department of Treasury and Finance by way of a dividend. Assets associated with these ports include land and facilities at Port Bonython, Ardrossan and Whyalla.

The amount paid to the Department of Treasury and Finance in 1999-2000 was \$3.5 million (\$3.6 million).

30. Road Safety
In accordance with the *Highways Act 1926*, \$4 million (\$5.5 million) being 1/6th of certain drivers' licence collections, was used to fund expenditure on transport safety initiatives. Expenditure on these initiatives is reflected in the Coordination and Advice, Regulatory Services and Maintenance and Operation of the Transport System output classes.

31. Administered Items
Administered items during the reporting period were:

- Aboriginal Advancement Works
- Bond money from tenants
- Catchment Management Subsidy Scheme
- Contractor deposits
- Development application fees distribution
- Lincoln Cove Marina
- Metropolitan (Woodville, Henley and Grange) Drainage Scheme
- Minister's salary

31. **Administered Items (continued)**
 Motor registration disbursements
 Outback Areas Community Development Trust
 Passenger Transport Board - Appropriation
 Power Lines Environment Committee
 South-Western Suburbs Drainage Scheme Act 1959
 Unclaimed salaries and wages
 West Beach Trust - Tax Equivalent Regime (TER)

The financial statements for administered items are contained in the Output Class Schedules.

32. Commitments		2000	1999
(a) Lease Commitments - Operating		\$'000	\$'000
Payable no later than one year		15 567	15 792
Payable later than one year but not later than five years		21 483	26 274
Payable later than five years		6 029	3 138
		43 079	45 204

Leases include plant and vehicles, office accommodation, land for stacking roadside materials, land used for rail purposes and office equipment. These commitments are not recognised as liabilities in the financial report.

The plant lease is non-cancellable and an option exists to renew the lease, subject to a formal tender process at the end of the existing term. The lease contains provisions which subject the hire rates to a fixed annual increase as set out in the contract.

The property leases are non-cancellable leases with terms ranging from one to ten years. Rental is payable in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be regularly reviewed and increased by either a CPI factor, to market value, or a fixed percentage. Various options exist to renew the leases at the end of their terms. A number of leases have no option to renew.

The computer equipment leases are non-cancellable leases with the lease term being three years. The lease contains three options at the conclusion of the current three year term being; return equipment, extend the lease at fair market value or purchase the equipment at fair market value.

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

(b) Lease Commitments - Financing		2000	1999
		\$'000	\$'000
Payable no later than one year		46	-
		46	-
Minimum lease payments		46	-
Less: Future finance lease charges		-	-
Lease Liability		46	-
Classified as:			
Current		46	-
		46	-

The finance lease represents the final commitment on the lease of a photocopier. Ownership will transfer to the Department with the final payment.

- (c) **Agreements Equally and Proportionately Unperformed**
 Agreements equally and proportionately unperformed include contracts for construction projects and maintenance of the road network. The estimated value of these agreements is \$111.8 million (\$65.6 million). These commitments are not recognised as liabilities in the financial report.

33. Contingent Liabilities			
At year end, the Department had possible material exposures resulting from litigation (or pending litigation) in respect of claims for damage or injury. The Department had also received notification of other cases not yet subject to Court action which may in the future result in subsequent litigation. The Department believes that the extent of these liabilities cannot be reliably measured.			
34. Net Loss on Disposal of Non-Current Assets		2000	1999
		\$'000	\$'000
Gross value of assets		31 112	33 931
Accumulated depreciation		26 549	21 809
Written-down value		4 563	12 122
Proceeds received		3 733	4 558
		830	7 564

35. Net Revenues from Restructuring

With effect from 14 February 2000 the Department for Transport, Urban Planning and the Arts assumed responsibility for the assets and liabilities of the Division of State Aboriginal Affairs (DOSAA) and the Office of Local Government (OLG). The assets and liabilities transferred are summarised as follows:

	DOSAA \$'000	OLG \$'000	Total \$'000
Current Assets:			
Cash on hand and deposits	5 439	751	6 190
Receivables	551	7	558
Non-Current Assets:			
Plant and equipment	892	162	1 054
Total Assets	6 882	920	7 802
Current Liabilities:			
Creditors	676	-	676
Provision for employee entitlements	287	108	395
Finance lease	46	-	46
Non-Current Liabilities:			
Provision for employee entitlements	718	406	1 124
Total Liabilities	1 727	514	2 241
Net Assets	5 155	406	5 561

36. Appropriations

During the year the Department received a cash appropriation of \$161.7 million (\$160.6 million). A further \$0.5 million has been accrued in relation to GST recoups and functions transferred to the Department on 14 February 2000.

37. Bus and Depot Receivables

Since the commencement of the seven new metropolitan bus contracts, the Passenger Transport Board has had the responsibility under lease arrangements for payments to Transport SA for the use of buses and depots owned by Transport SA.

The following information is provided in respect of those assets:

	Buses \$'000	2000 Depots \$'000	Total \$'000
Gross value	273 734	25 951	299 685
Accumulated depreciation	199 158	746	199 904
Net value	74 576	25 205	99 781
Depreciation for the year ended 30 June	11 148	1 142	12 290

During the year ended 30 June 2000 the depot land and buildings were revalued incurring a revaluation decrement of \$3.4 million.

The Department expects to receive the following income from buses and bus depots under the lease arrangements:

Not later than one year	\$'000
Later than one year but not later than five years	33 423
Later than five years	136 720
	-
	170 143

38. Financial Instruments

(a) Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets:			
Cash on Hand and Deposits	13	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis, with only certain funds held within the total cash balance being interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Department are the Transport Operating Account, the Boating Administration Working Account, the Recreational Boating Facilities Fund, Arts SA Deposit Account, Planning SA Deposit Account, Division of State Aboriginal Affairs Deposit Account, Office of the Local Government Deposit Account and the North Haven Marina Fund. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts which is 5.58 percent (as at 30 June 2000).
Receivables	14	Receivables are recorded at amounts due to the Department, less a provision for doubtful debts. They are recorded when services have been completed.	Receivables are due within 30 days.
Investments - Loans to Third Parties	16	Loans to arts organisations are recognised at the amount lent. 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 rare circumstances, loan repayment may be waived.	Loans are made under contract periods up to six years. No security is generally required. Principal is repaid in negotiated instalments or in full at maturity. No interest is charged with the exception of the loan to the South Australian Film Corporation. The rate charged for this loan as at 30 June 2000 is 5.7 percent.

(a) Terms and Conditions (continued)

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets (continued)			
<i>Administered Items:</i>			
Cash		Administered cash is recorded at its nominal amount.	Measured as the amount held in separate accounts with the Department of Treasury and Finance on behalf of third parties.
Receivables		Receivables are recorded at the amounts due to the third party.	Receivables are due in line with agreements for the Administered Items.
Financial Liabilities:			
Creditors	20	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	22	Borrowings are recorded at the amounts owed.	Loans are carried at the amounts borrowed. Loans are drawn from the Department of Treasury and Finance and the interest rate is the Treasurer's Common Public Sector Interest Rate of 8.5 percent (as at 30 June 2000). Borrowings swapped for equity are non-interest bearing. Repayments are determined in negotiation with the South Australian Government Financing Authority (SAFA).
<i>Administered Items:</i>			
Creditors		Creditors are recorded at the agreed amounts at which the liabilities are to be settled.	Creditors are due in line with agreements for Administered Items.
Borrowings		Borrowings are recorded at the amounts owed.	Loans are carried at the amount borrowed. Repayments are determined in negotiation with SAFA for the particular Administered Item.

(b) Interest Rate Risk

Financial Instrument	Floating Interest Rate	Interest Bearing	2000		Floating Interest Rate	Interest Bearing	1999	
			Non-Bearing	Total			Non-Bearing	Total
Controlled Items:	Percent	\$'000	\$'000	\$'000	Percent	\$'000	\$'000	\$'000
Financial Assets:								
Cash on hand and deposits	5.58	63 571	29 791	93 362	4.63	53 438	51 703	105 141
Receivables	-	-	10 428	10 428	-	-	6 507	6 507
Investments	5.7	200	1 806	2 006	5.7	200	1 773	1 973
		63 771	42 025	105 796		53 638	59 983	113 621
Financial Liabilities:								
Creditors	-	-	52 979	52 979	-	-	45 954	45 954
Borrowings	8.5	65 660	23	65 683	8.6	69 676	8 100	77 776
		65 660	53 002	118 662		69 676	54 054	123 730
Administered Items:								
Financial Assets:								
Cash	-	-	4 855	4 855	-	-	198	198
Receivables	-	-	3 852	3 852	-	-	7 109	7 109
			8 707	8 707			7 307	7 307
Financial Liabilities:								
Creditors	-	-	8 707	8 707	-	-	3 543	3 543
Borrowings	-	-	-	-	-	-	3 764	3 764
			8 707	8 707			7 307	7 307

(c) Net Fair Values of Financial Assets and Liabilities

	Note	2000		1999	
		Total Carrying Amount	Net Fair Value	Total Carrying Amount	Net Fair Value
		\$'000	\$'000	\$'000	\$'000
Controlled Items:					
Cash on hand and deposits	13	93 362	93 362	105 141	105 141
Receivables	14	10 428	10 428	6 507	6 507
Investments	16	2 006	2 006	1 973	1 973
		105 796	105 796	113 621	113 621
Creditors	20	52 979	52 979	45 954	45 954
Borrowings	22	65 683	65 683	77 776	77 776
		118 662	118 662	123 730	123 730

(c) **Net Fair Values of Financial Assets and Liabilities (continued)**

	2000		1999	
	Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Administered Items:				
Cash	4 855	4 855	198	198
Receivables	3 852	3 852	7 109	7 109
	8 707	8 707	7 307	7 307
Creditors	8 707	8 707	3 543	3 543
Borrowings	-	-	3 764	3 764
	8 707	8 707	7 307	7 307

(d) **Credit Risk Exposure**

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

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

39. Auditor's Remuneration

The amount payable to the Auditor-General's Department for audit services during the reporting period was \$260 000.

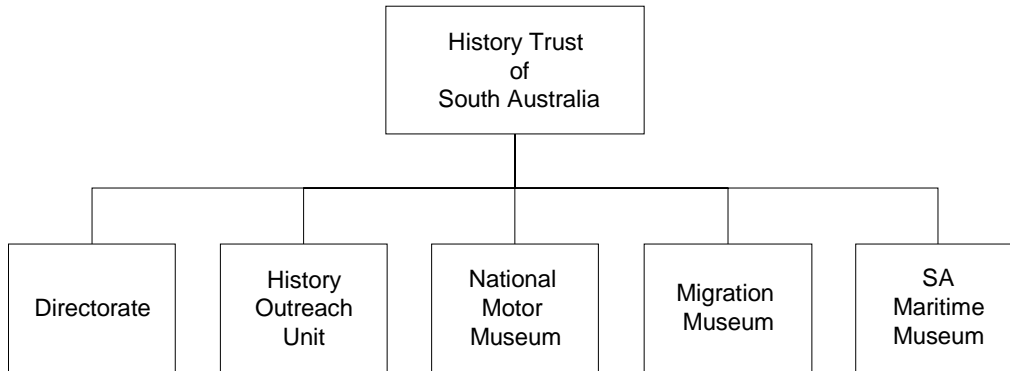
40. Related Party Disclosure

During the year, Mr T W O'Loughlin, Executive Director, Arts SA was a board member of the Adelaide Symphony Orchestra Pty Ltd. The Adelaide Symphony Orchestra Pty Ltd receives funding from the Department. All transactions entered into with this entity were on terms that were no more favourable than any other Arts SA grant recipient.

HISTORY TRUST OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

The Trust, a body corporate, was established pursuant to the *History Trust of South Australia Act 1981* and is comprised of a Directorate and the following museums:



Pursuant to the *History Trust of South Australia Act 1981*, the functions of the Trust are to:

- accumulate, conserve and exhibit objects of historical or cultural interest;
- undertake the management of museums and other premises vested or placed under its care, control and management;
- advise the Minister on the conservation of objects that are of historical significance to the State;
- disseminate, or encourage the dissemination of, information relevant to the history of the State.

The financial operations of the Trust are conducted through a Deposit Account held at the Department of Treasury and Finance.

SIGNIFICANT FEATURE

Total revenues from Government decreased by \$2.2 million due to capital grants received in 1998-99 relating to the redevelopment of the National Motor Museum at Birdwood.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 19(2) of the *History Trust of South Australia Act 1981* requires the Auditor-General to, at least once every year, audit the accounts of the Trust.

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 Communications to Management

A management letter conveying findings arising from the audit was forwarded to the Director for consideration. A satisfactory reply to these findings has been received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The results of the audit were considered to be satisfactory, however, a number of minor issues were identified, which were communicated to the Director of the Trust and the individual museum directors.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the History Trust 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 History Trust of South Australia in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, 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

Net Assets Resulting from Operations

Net assets resulting from operations decreased by \$2.9 million due mainly to an increase in depreciation and amortisation expenses by \$0.4 million and a reduction of \$2.4 million in capital grants from the Government.

Admissions Receipts and Attendances

Results for the individual museums are shown hereunder:

	Admission Receipts			Attendances		
	2000 \$'000	1999 \$'000	1998 \$'000	2000 '000	1999 '000	1998 '000
History Outreach Unit	-	-	-	12	9	6
National Motor Museum	319	292	231	70	67	69
South Australian Maritime Museum	244	210	352	73	64	96
Migration Museum	17	16	15	145	144	146

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Employee costs	3	2 335	2 154
Operating and administration expenses	4	2 565	2 406
Accommodation and service costs		375	389
Depreciation and amortisation	5	860	446
Grant payments	7	120	130
Total Operating Expenses		6 255	5 525
OPERATING REVENUES:			
User charges and fees	8	1 017	904
Interest		16	45
Other revenue		1 056	1 098
Total Operating Revenues		2 089	2 047
NET COST OF SERVICES		(4 166)	(3 478)
REVENUES FROM GOVERNMENT:			
Grants from State Government:			
Purchase of outputs		3 307	3 130
Capital		100	2 494
Total Revenues from Government		3 407	5 624
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		(759)	2 146

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash		322	480
Receivables	9	171	42
Trade stock		97	76
Total Current Assets		590	598
NON-CURRENT ASSETS:			
Property, plant and equipment	10(a)	17 633	18 212
Collections	10(b)	7 736	7 686
Total Non-Current Assets		25 369	25 898
Total Assets		25 959	26 496
CURRENT LIABILITIES:			
Creditors and accruals	12	191	300
Provision for workers compensation		7	2
Provision for employee entitlements	13	167	167
Total Current Liabilities		365	469
NON-CURRENT LIABILITIES:			
Provision for workers compensation		18	19
Provision for employee entitlements	13	465	414
Total Non-Current Liabilities		483	433
Total Liabilities		848	902
NET ASSETS		25 111	25 594
EQUITY:			
Equity	14	25 111	25 594
TOTAL EQUITY		25 111	25 594
Commitments	15		

Statement of Cash Flows for the year ended 30 June 2000

		2000	1999
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees	Note	(5 350)	(4 950)
Grant payments		(120)	(130)
Receipts from customers		1 944	2 004
Interest received		16	59
Grants from State Government:			
Purchase of outputs		3 307	3 130
Capital		100	2 494
Net Cash (used in) provided by Operating Activities	16	(103)	2 607
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		(5)	(2 125)
Payments for collections		(50)	-
Investment		-	(250)
Net Cash used in Investing Activities		(55)	(2 375)
NET (DECREASE) INCREASE IN CASH HELD		(158)	232
CASH AT 1 JULY		480	248
CASH AT 30 JUNE		322	480

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Trust Objectives and Funding

The Trust's objectives are to:

- raise the level of community and schools-based participation in the study and enjoyment of South Australian history and the preservation of its evidence;
- mount popular exhibitions, events and other public programs on South Australian history and actively involve the community in their research and preparation;
- develop a strategy where, by careful collection of significant material by its museums and close interaction with interested agencies and groups, the Trust ensures that the State's movable cultural heritage is the active concern of all sections of the community;
- provide advice and assistance to museums, historical societies and authors.

The Trust's principal source of funds consists of monies appropriated by Parliament.

2. Statement of Accounting Policies

(a) Basis of Accounting

The general purpose financial report has been prepared in accordance with the Treasurer's Instruction's and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards and applicable Urgent Issues Group Consensus Views. The report has been prepared on an accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) The Reporting Entity

The financial report encompasses an interest bearing Deposit Account at the Department of Treasury and Finance entitled 'History Trust of South Australia' and any other funds through which the Trust controls resources to carry out its functions.

The Trust's principal source of funds consists of monies appropriated by Parliament. The Trust also receives monies in a trustee capacity for various trusts. As the Trust uses the monies for achievement of its objectives, they are brought to account as outlined elsewhere in the notes to the financial statements.

(c) User Charges and Fees

User charges and fees controlled by the Trust are recognised as revenues. User charges and fees are controlled by the Trust where they can be deployed for the achievement of Trust objectives. Such amounts are not required to be paid to the Consolidated Account or other Funds not controlled by the Trust.

(d) Appropriations, Grants, Donations and Other Contributions

Appropriations, whether recurrent, capital, special or other, grants, donations and other contributions are recognised as revenues when the Trust obtains control over the assets comprising the contributions. Control over appropriations and grant assets is considered to be obtained upon their receipt.

(e) Acquisitions of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Trust from 1 July 1996. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at market value.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

2. **Statement of Accounting Policies (continued)****(f) Valuations of Non-Current Assets**

The Trust has adopted the deprival method as the basis of valuing its non-current assets.

Land and Buildings

Land and buildings have been valued at replacement costs. Valuations of land and buildings were determined as at 30 June 1999 by the Australian Valuation Office. Land and buildings are independently valued every three years in accordance with AAS 29 'Financial Reporting by Government Departments' and the Trust policy.

Plant, Equipment and Information Technology Equipment

The plant, equipment and information technology equipment have been valued at historic cost.

Heritage Collections

The heritage collections are large and diverse. They include many items that require complex valuation including considerations of market and deprival value and their unique representation of South Australia's social history. Comprehensive valuation of these assets was completed in 1997-98.

(g) Depreciation of Non-Current Assets

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

The expected useful lives are as follows:

Building and improvements	Years 20 - 100
Plant and equipment	5 - 25
Computer equipment	3 - 5

Collections have unlimited useful lives. Their future economic benefits have not been consumed during the financial year. Therefore no depreciation is recognised in respect of these assets.

(h) Employee Entitlements**(i) Wages, Salaries and Annual Leave**

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

(ii) Long Service Leave

A liability for long service leave is calculated by using the product of the current liability in time for all employees who have completed eight or more years of service and the current rate of remuneration for each of those employees. The eight years has been based on advice from the Department of Treasury and Finance who undertook a whole-of-government actuarial review. The calculation is based on whole years of service.

(iii) Superannuation

Contributions are made by the Trust to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to amounts due but not yet paid to the superannuation schemes.

(i) Leases

The Trust has entered into a number of operating lease agreements for accommodation where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Operating Statement in the periods in which they are incurred.

(j) Cash

For the purpose of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis.

(k) Inventories

Inventories are measured at actual cost.

(l) Comparative Figures

Where necessary comparative figures have been adjusted to conform with changes in the presentation in 1999-2000.

(m) State Government Funding

The general purpose financial report is presented under the assumption of ongoing financial support being provided to the Trust by the State Government.

3. **Employee Costs**

	2000	1999
	\$'000	\$'000
Wages and salaries	1 923	1 908
Superannuation and payroll tax expenses	309	297
Annual and long service leave expenses	103	(51)
	2 335	2 154

4. Operating and Administration Expenses		2000	1999
		\$'000	\$'000
Maintenance expenditure		304	234
Exhibitions		249	132
Sponsorships and conservation		114	296
Purchase of goods		114	114
Other sundry payments		1 096	1 014
Travel expenses		115	76
Professional fees		44	47
Communication and stationery		182	172
Marketing and publicity		276	275
Consultants		14	15
Staff training and other staff costs		57	31
		2 565	2 406
5. Depreciation Expense			
Depreciation was charged in respect of:			
Buildings and improvements		821	409
Plant and equipment		28	22
Information technology equipment		11	15
		860	446
6. Payments to Consultants		2000	1999
Payments to consultants fell within the following bands:		Number of	Number of
		Consultants	Consultants
\$0 - \$10 000		4	-
\$10 001 - \$50 000		-	1
Total payment to the consultants engaged amounted to \$14 000 (\$15 000).			
7. Grants and Other Payments		2000	1999
Principal grants and assistance were:		\$'000	\$'000
Community History		17	29
Museum Accreditation and Grants Program		101	99
Historical Society of South Australia grant		2	2
		120	130
8. Revenue from Operations			
User charges and fees comprised:			
Admissions and tours		582	518
Facilities and rent		207	193
Sales of goods		157	133
Fair value of assets received free of charge		28	19
Publications		1	1
Other		42	40
		1 017	904
9. Receivables			
Interest		2	2
Prepayments		138	19
Other sundry receipts		31	21
		171	42
10. Non-Current Assets		2000	1999
(a) Property, Plant and Equipment		\$'000	\$'000
Plant and equipment at cost		225	225
Less: Accumulated depreciation		149	121
		76	104
Information technology equipment at cost		105	100
Less: Accumulated depreciation		92	81
		13	19
Buildings and improvements at independent valuation as at 30 June 1999		31 125	30 849
Less: Accumulated depreciation		16 044	15 223
		15 081	15 626
Land at valuation as at 30 June 1999		2 463	2 463
Total Property, Plant and Equipment		17 633	18 212
(b) Collections*		7 736	7 686

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

National Motor Museum
Wemyss (Fine Art Auctioneer) Pty Ltd
R & D Motorbooks
Antiquarian Books
Leonard Woodley Consulting
Vintage Auto Parts
South Australian Maritime Museum
Sea Witch Antiques

Antony Davies
Rob Seward
Michael Treloar
Leonard Woodley
Kevin Field
Christine Courtney

(b) Collections (continued)		
Graeme K Andrews Productions Quin's Yacht Brokerage Pty Ltd		Graeme K Andrews Jim Runnegar
Migration Museum Port Noarlunga Country Collectables Regimentals Antiques		Jean Morris Lee Blair-Jenke

11. Financial Instruments

(a) Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets:			
Cash on hand and deposits	2(j)	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis with some funds held within the total cash balance being non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Trust are the Section 21 Accounts entitled 'History Trust of South Australia'. The interest rate is the Treasury Approved Interest Rate on Deposit Accounts, which is 5.58 percent (as at 30 June 2000).
Receivables:	9	Receivables are recorded at amounts due to the History Trust of South Australia. They are recorded when services have been completed.	Receivables are due within 30 days.
Investment		Investments are brought to account at cost. Interest is credited to revenue as it accrues.	Interest income is received biannually.
Financial Liabilities:			
Creditors	12	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

Financial Instrument	2000				1999			
	Interest Rate Percent	Interest Bearing - Floating Interest \$'000	Non-Interest Bearing \$'000	Total \$'000	Interest Rate Percent	Interest Bearing - Floating Interest \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets:								
Cash on hand and deposits	5.58	322	-	322	4.63	480	-	480
Receivables	-	-	171	171	-	-	42	42
		322	171	493		480	42	522
Financial Liabilities:								
Creditors	-	-	191	191	-	-	300	300
		-	191	191		-	300	300

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument	Note	2000		1999	
		Total Carrying amount \$'000	Net Fair Value* \$'000	Total Carrying Amount \$'000	Net Fair Value* \$'000
Financial Assets:					
Cash on hand and deposits	2(j)	322	322	480	480
Receivables	9	171	171	42	42
		493	493	522	522
Financial Liabilities:					
Creditors	12	191	191	300	300

* The net fair value is determined as the carrying value of all assets and liabilities.

(d) Credit Risk Exposure

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

The History Trust of South Australia has no significant exposures to any concentrations of credit risk.

12. Creditors and Accruals

	2000 \$'000	1999 \$'000
Employee costs	-	80
Administration and other costs	191	220
	191	300

13. Employee Provisions	2000	1999
	\$'000	\$'000
Annual leave	127	131
Long service leave	505	450
	632	581
Classified as:		
Current liabilities	167	167
Non-current liabilities	465	414
	632	581
14. Equity		
Opening balance	25 594	35 315
Asset Revaluation Reserve	276	1 335
Adjustment to assets valuation previously brought to account under Australian Accounting Standards AAS 29	-	(13 202)
Increase (Decrease) in Net Assets Resulting from Operations	(759)	2 146
Balance at 30 June	25 111	25 594

15. Commitments for Expenditure**(a) Operating Leases**

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

Not later than one year	214	213
Later than one year and not later than five years	911	908
Later than five years	1 061	1 002
	2 186	2 123

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

The property leases are non-cancellable leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement. Options exist to renew the leases at the end of the term of the leases.

(b) Capital Commitments

Capital expenditure contracted for at the reporting date is payable as follows:

This expenditure is payable:		
Not later than one year	200	200
Later than one year and not later than two year	-	200
	200	400

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

16. Reconciliation of Increase (Decrease) in Net Assets Resulting from Operations to Net Cash provided by (used in) Operating Activities

Increase (Decrease) in net assets resulting from operations	(759)	2 146
Non-cash items:		
Depreciation expense	860	446
Donation of collections	-	(19)
Change in operating assets and liabilities:		
(Increase) Decrease in receivables	(129)	33
Increase in tradestock	(21)	(13)
(Decrease) Increase in creditors and accruals	(109)	84
Increase (Decrease) in provision for workers compensation	4	(19)
Increase (Decrease) in provision for employee entitlements	51	(51)
Net Cash (used in) provided by Operating Activities	(103)	2 607

17. Remuneration of Board Members

The number of Board Members who received annual income fell within the following band:

\$0 - \$9 999	2000	1999
	Number of	Number of
	Members	Members
	8	11

The total income received by these Board Members for the year was \$11 000 (\$9 000).

18. Remuneration of Auditors

Fees accrued for the year for the provision of auditing services are \$25 000 (\$24 000).

19. Related Parties' Disclosures

During the financial year the following persons held positions on the Trust Board:

Ms B K Halliday (Chair)	Dr J Ellis
Ms M Danvers	Mr J A Fotheringham
Professor I E Davey	Mr A Khoo
Ms A Dopson	Mrs J R Murdoch

The Members of the Trust, or their related entities, have transactions with the Trust that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonably expected the entity would have adopted if dealing with the Member or related entity at arm's length in similar circumstances.

20. Targeted Voluntary Separation Package Scheme (TVSPs)

	2000	1999
	Number of	Number of
	Employees	Employees
Number of employees paid TVSPs	2	3
Amount paid to these employees:	2000	1999
TVSP	\$'000	\$'000
Accrued annual and long service leave	69	77
	27	33
	96	110
Amount recovered from the Department of the Premier and Cabinet	69	77

LIBRARIES BOARD OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

The Libraries Board of South Australia is appointed pursuant to the *Libraries Act 1982* and is responsible for the administration of the State Library and the public libraries system.

SIGNIFICANT FEATURE

The operating result for the year was an Increase in Net Assets Resulting from Operations of \$119 000 as compared to a Decrease in Net Assets Resulting from Operations of \$205 000 in 1998-99.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 18(2) of the *Libraries Act 1982* requires 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 coverage included:

- expenditure including accounts payable and salaries and wages
- property, plant and equipment registers
- investments
- subsidy payments to public libraries
- research and heritage collections management.

Audit Communications to Management

During the year letters communicating issues arising from the audit were forwarded to the Director, State Library, and the Director, PLAIN Central Services with satisfactory responses being received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall assessment of the internal control environment was satisfactory. There were, however, areas where Audit considered there was scope for improvement. Commentary with respect to these areas follows.

Research and Heritage Collections Management

The audit of the management of the Board's Research and Heritage Collections indicated that there was room for improvement in the performance of regular confirmation of the existence of collection items. This issue was also raised by Audit in 1998-99.

In response the Board indicated that revised procedures will be implemented to ensure that the existence of collection items is undertaken on a regular basis. The Board has developed a number of projects for the period in which the State Library is being redeveloped. These include projects to streamline collection management and verification.

Property, Plant and Equipment Registers

The audit of the property, plant and equipment registers identified opportunities for improvement in the performance of regular confirmation of the existence of attractive asset items and also the Video and Audio Book collection.

In response the Board indicated that the existence of assets would be confirmed on an annual basis.

Subsidies to Public Libraries

The audit of payments to Public Libraries for Community Information Grants indicated that documentary evidence was not always available to support certain aspects of the calculations of grant amounts. This issue was also raised by Audit in 1998-99.

In response the Board indicated that negotiations are currently underway to establish a new funding agreement for public libraries which will incorporate new funding formulas.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Libraries Board 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 Libraries Board 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

Operating Statement

Operating Result

The operating result for the year was an Increase in Net Assets Resulting from Operations of \$119 000 as compared with a Decrease in Net Assets Resulting from Operations of \$205 000 the previous year. The turnaround of \$324 000 was due mainly to an increase in Operating Grants from the State Government of \$2.2 million offset by an increase in Employee Costs of \$871 000 and an increase in Administration Expenses of \$940 000.

State Government Grants

Grants from the State Government for operating and capital purposes and receipts from the State-Local Government Reform Fund totalled \$26.1 million (\$23.8 million) and account for 91 percent (90 percent) of Total Operating Revenues. As expressed in Note 2(m) to the Financial Statements the Libraries Board is dependent on the ongoing financial support of the State Government.

Statement of Financial Position

Non-Current Assets

The written down value of non-current assets was \$84.7 million of which \$64.2 million relates to Research and Heritage Collections. Property, plant, equipment and public library research collections account for the remaining \$20.5 million. Land, buildings and improvements with a written down value of \$17.4 million is the main component of this remainder.

It is relevant to note that the Board has accumulated these assets over a significant period of time primarily through the use of Government funding and without the need to borrow to fund the acquisition of these assets.

Net Assets

Note 2(b) to the Financial Statements refers to the exclusion of the operations of the State Library of South Australia Foundation and the Friends of the State Library from the financial report of the Board. This action was based on legal advice that the Board does not control these two organisations and therefore the provisions of Australian Accounting Standard AAS 24 'Consolidated Financial Reports' no longer apply. The effect of this exclusion was to reduce the Net Assets and Accumulated Surplus of the Board as at 30 June 1999 by \$1.9 million. Both of these bodies are associations incorporated pursuant to the *Associations Incorporations Act 1985* and are audited by private sector auditors.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Employee costs	4(a)	9 302	8 431
Administration expenses		7 005	6 065
Accommodation and service costs		1 175	1 203
Depreciation	5	1 346	1 393
Subsidies to public libraries		9 681	9 239
Grants and other payments	7	123	119
Total Operating Expenses		28 632	26 450
OPERATING REVENUES:			
Fees for services		133	85
Sales		311	329
Interest	8	1 130	1 097
State-Local Government Reform Fund		13 018	12 700
Grants from State Government			
Operations		12 975	10 770
Capital		128	294
Other revenue	8	1 074	985
Total Operating Revenues		28 769	26 260
NET LOSS FROM DISPOSAL OF ASSETS	9	(18)	(15)
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS		119	(205)

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash on hand and at bank		4 316	2 734
Receivables		113	73
Investments	10	7 761	9 243
Inventories		16	14
Other	11	186	241
Total Current Assets		12 392	12 305
NON-CURRENT ASSETS:			
Property, plant, equipment and public library research collections	12	20 510	21 259
Research and heritage collections	13	64 184	63 294
Total Non-Current Assets		84 694	84 553
Total Assets		97 086	96 858
CURRENT LIABILITIES:			
Payables	14(a)	856	1 086
Provision for employee entitlements	4(b)	654	583
Total Current Liabilities		1 510	1 669
NON-CURRENT LIABILITIES:			
Payables	14(b)	174	152
Provision for employee entitlements	4(b)	1 855	1 609
Total Non-Current Liabilities		2 029	1 761
Total Liabilities		3 539	3 430
NET ASSETS		93 547	93 428
EQUITY:			
Accumulated surplus	15	87 119	87 000
Reserves	16	6 428	6 428
TOTAL EQUITY		93 547	93 428
Commitments	17		
Contingent Liabilities	24		

Statement of Cash Flows for the year ended 30 June 2000

		2000 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000	1999 Inflows (Outflows) \$'000	1999 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
PAYMENTS:					
	Note				
Employee costs		(9 250)		(8 456)	
Administration expenses		(7 097)		(6 435)	
Accommodation and service costs		(1 261)		(1 089)	
Subsidies to public libraries		(9 497)		(9 012)	
Grants and other payments		(123)		(119)	
RECEIPTS:					
Fees for services		133		64	
Sales		311		311	
Interest		1 196		1 214	
Other revenue		1 039		979	
CASH FLOWS FROM GOVERNMENT:					
State-Local Government Reform Fund		13 018		12 700	
Grants from State Government:					
Operations		12 975		10 770	
Capital		128		294	
Net Cash provided by Operating Activities	18		1 572		1 221
CASH FLOWS FROM INVESTING ACTIVITIES:					
PAYMENTS FOR:					
Heritage collections		(890)		(796)	
Property, plant and equipment		(581)		(375)	
Investments		(630)		(745)	
PROCEEDS FROM:					
Sales/maturities of investments		2 111		-	
Property, plant and equipment		-		7	
Net Cash provided by (used in) Investing Activities			10		(1 909)
NET INCREASE (DECREASE) IN CASH HELD			1 582		(688)
CASH AT 1 JULY			2 734		3 422
CASH AT 30 JUNE	2(l)		4 316		2 734

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

Activities (Note 3)	2000			1999		
	Provision of State Library Services \$'000	Support of Public Library Services \$'000	Total \$'000	Provision of State Library Services \$'000	Support of Public Library Services \$'000	Total \$'000
Libraries Board Expenses and Revenues:						
Expenses:						
Employee costs	7 643	1 659	9 302	6 903	1 528	8 431
Administration expenses	3 213	3 792	7 005	3 289	2 776	6 065
Accommodation and service costs	1 096	79	1 175	1 116	87	1 203
Depreciation	932	414	1 346	873	520	1 393
Subsidies to public libraries:						
Books and associated materials	-	4 262	4 262	-	3 851	3 851
Operating expenses	-	4 133	4 133	-	4 092	4 092
Local purchases	-	779	779	-	789	789
Community information services	-	507	507	-	507	507
Grants and other payments	123	-	123	119	-	119
Total	13 007	15 625	28 632	12 300	14 150	26 450
Revenues:						
Fees for services	133	-	133	85	-	85
Sales	311	-	311	329	-	329
Interest	700	430	1 130	669	428	1 097
State-Local Government Reform Fund	-	13 018	13 018	-	12 700	12 700
Grants from State Government:						
Operations	11 513	1 462	12 975	10 770	-	10 770
Capital	128	-	128	294	-	294
Other revenue	614	460	1 074	545	440	985
Total	13 399	15 370	28 769	12 692	13 568	26 260
Net profit (loss) from disposal of assets	5	(23)	(18)	7	(22)	(15)
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	397	(278)	119	399	(604)	(205)

Activities Schedule of Assets and Liabilities as at 30 June 2000

Activities (Note 3)	2000			1999		
	Provision of State Library Services \$'000	Support of Public Library Services \$'000	Total \$'000	Provision of State Library Services \$'000	Support of Public Library Services \$'000	Total \$'000
Libraries Board Assets and Liabilities:						
Assets:						
Current	9 178	3 214	12 392	8 865	3 440	12 305
Non-Current	82 260	2 434	84 694	82 170	2 383	84 553
Total	91 438	5 648	97 086	91 035	5 823	96 858
Liabilities:						
Current	929	581	1 510	1 125	544	1 669
Non-Current	1 703	326	2 029	1 498	263	1 761
Total	2 632	907	3 539	2 623	807	3 430
NET ASSETS	88 806	4 741	93 547	88 412	5 016	93 428

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Libraries Board of South Australia (the Libraries Board) Objectives

The principal objectives of the Libraries Board are to:

- formulate policies and guidelines for the provision of public library services;
- establish, maintain and expand collections of library materials;
- administer the State Library;
- promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards and applicable Urgent Issues Group Consensus Views. The report is prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) Change in Accounting Policies

The State Library of South Australia Foundation and the Friends of the State Library are associations incorporated pursuant to the *Associations Incorporations Act 1985*. In previous financial years these two entities have been consolidated into the general purpose financial report of the Libraries Board.

However, legal opinions have recently been received which state that the constitutions of the two aforementioned entities have been established such that the Libraries Board does not have control over the activities of these entities. Accordingly the provisions of Australian Accounting Standard AAS 24 'Consolidated Financial Reports' do not apply in this instance.

Consequently this financial report has been amended to reflect the removal of the State Library of South Australia Foundation and the Friends of the State Library. Comparatives have also been amended.

(c) The Reporting Entity

The Libraries Board's principal source of funds consists of grants from the State Government. In addition, the Libraries Board receives funding from the State-Local Government Reform Fund for the provision of services in Public Libraries. The Libraries Board also receives monies in a trustee capacity for various trusts. As the Libraries Board uses the monies for achievement of its objectives, they are brought to account in this financial report.

The financial report encompasses transactions through an interest bearing Special Deposit Account entitled 'Arts South Australia Operating Account' and through an interest bearing Deposit Account entitled 'Libraries Board of South Australia'.

(d) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest and investment revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(e) Grants

State Government grants are recognised as revenues in the period in which the Libraries Board obtains control over the grant funds.

(f) Acquisition of Assets

The cost method of accounting is used for the initial recording of all assets acquired after 1 July 1996. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

(g) Valuation of Non-Current Assets

The Libraries Board has adopted the deprival value method as the basis for valuing all of its non-current assets.

Land and Buildings

Land and buildings have been valued at replacement cost. Valuations of land and buildings were determined as at 30 June 1999 by the Australian Valuation Office. Land and buildings are independently valued every three years.

(g) Valuation of Non-Current Assets (continued)

Plant and Equipment

Plant and equipment including computer equipment has been valued at historic cost.

Research and Heritage Collections

After taking advantage of the transitional provisions of Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments' the value of research and heritage collections held as at 30 June 1998 has been determined using the valuation methodology outlined below. Research and heritage collections acquired between 1 July 1998 and 30 June 2000 have been brought to account at cost.

The Libraries Board's research and heritage collections comprise the respective research and heritage holdings of the State Library of South Australia and the Public Libraries (PLAIN Central Services) and the following methodology has been adopted for valuing those collections.

Research collections were valued using the linear method of valuation. This method values the collection on the basis of average cost applied to the size of the collection to determine the replacement value including the cost of acquisition, cataloguing and curation necessary to replace the collection material in its present or an equivalent form and condition. The size of the collections were determined by professional staff of the State Library of South Australia.

Heritage collections were valued as follows:

Selected heritage collections were valued by an independent valuer Michael Treloar, Antiquarian Booksellers on a market value basis to represent the amount that could be realised by selling the material, with significant and unique objects being valued individually.

Sampling techniques were used to value other less significant elements of the heritage collections with valuation done by professional staff of the State Library of South Australia.

A nil valuation was adopted for a number of unique or irreplaceable heritage collections where there is no applicable replacement or reliable market value. Nil value was also applied to collections where the Libraries Board has no capacity to dispose of the asset because special caveat conditions apply, preventing the organisation from selling or disposing of the assets. Under the Statements of Accounting Concepts SAC 4 assets are to be valued at nil where the above conditions are present.

Collections which have not been valued were the Mortlock Archival Collections, Mortlock Published Collections, Mortlock Special Collections, Bray Reference Library, the SA Video and Film Collection and most Named and Special Collections.

Research and heritage collections which have been valued are the Rare Books and some Named Collections, Maps, Microfilm Serials, Monographs, Electronic Resources, Family History Collection, Periodicals, Newspapers purchased and Mortlock Use Collections. The Public Library research collections which have been valued are the Video, Languages other than English and the Audio Book Collections.

(h) Depreciation of Non-Current Assets

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

The expected useful lives are as follows:

	Years
Buildings and improvements	Useful life depends on individual asset items
Plant and equipment	5-15
Computer equipment	3-5
Video and audio book collections	7
Languages other than English collection	8

The research and heritage collections are kept under special conditions to minimise deterioration and they are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised in respect of the research and heritage collections of the State Library of South Australia as their service potential has not, in any material sense, been consumed. The Public Library research collection has been depreciated as indicated above.

(i) Employee Entitlements

(i) Wages, Salaries and Annual Leave

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

(ii) Long Service Leave

A liability for long service leave has been recognised which represents the amount which the Libraries Board has a present obligation to pay resulting from employees' services provided up to the reporting date. The liability has been calculated at nominal amounts based on current wage and salary rates using a benchmark of eight years service as advised by the Department of Treasury and Finance.

(iii) Superannuation

Contributions are made by the Libraries Board 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 contributions due but not yet paid to the superannuation schemes.

(j) Investments

Investments are brought to account at cost.

- (k) **Leases**
The Libraries Board has entered into a number of operating lease agreements for accommodation, vehicles and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Operating Statement in the period in which they are incurred.

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

- (m) **State Government Funding**
The financial report is prepared under the assumption of ongoing financial support being provided to the Libraries Board by the State Government.

- (n) **Comparative Information**
Where necessary comparative figures have been adjusted to conform with changes in presentation in 1999-2000.

3. Activities of the Libraries Board

The identity and purpose of each major activity undertaken by the Libraries Board during the year ended 30 June 2000 is summarised below (refer to the Activities Schedule - Expenses and Revenues and Assets and Liabilities):

- Activity 1 Provision of State Library Services**
To provide, through the State Library of South Australia, a comprehensive library and information service for the economic, educational, cultural and social benefit of South Australia and its citizens.

- Activity 2 Support of Public Library Services**
To provide through PLAIN (Public Library Automated Information Network) Central Services and the distribution of State subsidies an equitable and responsible provision of resources, support and services to public libraries and community information agencies.

4.	Employee Entitlements	2000	1999
	(a) Employee Costs	\$'000	\$'000
	Wages and salaries	7 306	6 841
	Superannuation and payroll tax expenses	1 282	1 136
	Annual and long service leave expenses	527	364
	Other employee related expenses	187	90
		9 302	8 431
	(b) Provision for Employee Entitlements		
	Current Liability:		
	Provision for annual leave	397	345
	Provision for long service leave	131	115
	Provision for workers compensation	126	123
		654	583
	Non-Current Liability:		
	Provision for long service leave	1 510	1 321
	Provision for workers compensation	345	288
		1 855	1 609
5.	Depreciation Expense		
	Depreciation was charged in respect of:		
	Buildings and improvements	826	855
	Plant and equipment	94	109
	Computer equipment	68	50
	Public library research collections	358	379
		1 346	1 393
6.	Payments to Consultants	2000	1999
	Payments to consultants fell within the following bands:	Number of	Number of
		Consultants	Consultants
	\$0 - \$10 000	11	4
	\$10 001 - \$50 000	1	7
	Above \$50 000	-	1
	The total payments to the consultants engaged were \$66 000 (\$358 000).		
7.	Grants and Other Payments	2000	1999
	Principal grants and assistance were:	\$'000	\$'000
	Provision of State Library Services:		
	Assistance to Friends of the State Library and the State Library Foundation	123	118
	Other general purpose assistance	-	1
		123	119

8. Revenue from Operations							2000	1999	
Interest income comprised:							\$'000	\$'000	
Investment income							625	701	
Treasury interest							505	396	
							1 130	1 097	
Other revenue comprises the following categories of operating income:									
Bequests and donations							20	11	
Admissions							57	60	
Sponsorship							11	-	
Rent and hire income							180	154	
Council contributions							39	72	
External grants							110	70	
Funding for payment for employee entitlements upon termination							-	248	
Other							657	370	
							1 074	985	
9. Non-Operating Revenue									
Non-operating revenue comprised the following:									
Gross proceeds from disposal of assets							-	7	
Less: Written down value of disposed assets							18	22	
Net Loss on Disposal of Assets							18	15	
10. Investments									
Unit trusts							7 761	7 504	
Deposits at call							-	1	
Term deposits							-	1 738	
							7 761	9 243	
Market value as at 30 June 2000 was \$8.2 million (\$9.6 million).									
11. Other Current Assets									
Prepayments							30	20	
Accrued revenue							156	221	
							186	241	
12. Property, Plant, Equipment and Public Library Research Collections									
			2000					1999	
				Written Down				Written Down	
			Gross Value	Accumulated Depreciation	Value		Gross Value	Accumulated Depreciation	Value
			\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
Land, buildings and improvements - At valuation			53 134	35 697	17 437		53 134	34 871	18 263
Work in progress - At cost			1 028	-	1 028		1 022	-	1 022
Plant and equipment - At cost			1 065	599	466		952	506	446
Computer equipment - At cost			236	129	107		230	86	144
Public Library research collections - At valuation			5 540	4 856	684		5 822	4 834	988
Public Library research collections - At cost			893	105	788		423	27	396
Total			61 896	41 386	20 510		61 583	40 324	21 259
13. Research and Heritage Collections									
			2000					1999	
			At Cost	At Valuation	Total		At Cost	At Valuation	Total
			\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
Rare Books and Named Collections			158	8 296	8 454		85	8 296	8 381
Maps			31	2 607	2 638		16	2 607	2 623
Microfilm serials			57	7 109	7 166		30	7 109	7 139
Monographs			519	24 333	24 852		190	24 333	24 523
Electronic resources			199	33	232		97	33	130
Family history collection			10	198	208		4	198	202
Periodicals			492	14 710	15 202		267	14 710	14 977
Newspapers purchased			209	4 835	5 044		110	4 835	4 945
Mortlock use collections			14	374	388		-	374	374
Total			1 689	62 495	64 184		799	62 495	63 294
14. Payables									
(a) Current							2000	1999	
Creditors and accruals							\$'000	\$'000	
Employee costs							777	772	
							79	314	
							856	1 086	
(b) Non-Current									
Employee costs							174	152	
15. Accumulated Surplus									
Balance at 1 July							87 000	124 230	
Adjustment to asset valuation previously brought to account under AAS 29							-	(37 025)	
Increase (Decrease) in Net Assets Resulting from Operations							119	(205)	
Balance at 30 June							87 119	87 000	

16. Reserves	2000	1999
Asset Revaluation Reserve	\$'000	\$'000
Balance at 1 July	6 428	93
Movement in reserves:		
Public Library research collection	-	(93)
Land, buildings and improvements	-	6 428
Balance at 30 June	6 428	6 428

17. Commitments for Expenditure		
Operating Leases		
Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than one year	79	81
Later than one year and not later than five years	202	222
Later than five years	-	60
	281	363

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

The property leases are non-cancellable leases with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased by 5.5 percent per annum. Options exist to renew the leases at the end of their terms for a further five years.

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

18. Reconciliation of Net Cash provided by Operating Activities to Increase in Net Assets Resulting from Operations	2000	1999
	\$'000	\$'000
Increase (Decrease) in Net Assets Resulting from Operations	119	(205)
Non-cash items:		
Depreciation expense	1 346	1 393
Loss on disposal of assets	18	15
Change in operating assets and liabilities:		
(Increase) Decrease in assets	(20)	64
Increase (Decrease) in liabilities	109	(46)
Net Cash provided by Operating Activities	1 572	1 221

19. Remuneration of Employees	2000	1999
The number of employees whose annual remuneration was over \$100 000 fell within the following bands:	Number of Employees	Number of Employees
\$100 000 - \$109 999	1	-
\$120 000 - \$129 999	1	1

The total remuneration received by these employees for the year was \$223 000 (\$120 000).

20. Remuneration of Board Members	2000	1999
The number of Board Members who received annual income from the Libraries Board fell within the following bands:	Number of Board Members	Number of Board Members
\$0 - \$9 999	9	8
\$10 000 - \$19 999	2	1

Total income received by these Board Members for the year was \$82 000 (\$70 000).

21. Remuneration of Auditors	2000	1999
Audit fees in relation to the year ended 30 June 2000 are:	\$'000	\$'000
State Library of South Australia	17	13
Support of Public Library Services	8	10
	25	23

The fee in relation to the State Library of South Australia is paid on its behalf by Arts SA. The fee in relation to Support of Public Library Services is paid by the Libraries Board of South Australia.

22. Related Parties Disclosures
During the financial year the following persons held positions on the Libraries Board of South Australia:

Mr P F Wylie, Chair; Ms F Miller, Deputy Chair (to 17 January 2000); Mr G E Coles; Mrs R H Craddock; Mrs E Bok; Mr B Fitzpatrick (to 17 January 2000); Mrs F J Gunner; Mr P Myhill; Mrs J K Nitschke; Ms J Connolly (from 13 January 2000); and Mr A Scott (from 13 January 2000).

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

23. Targeted Voluntary Separation Package Scheme (TVSPs)
During 1999-2000 one (seven) TVSP totalling \$25 000 (\$205 000) was paid. An additional \$1 000 (\$29 000) was paid on account of accrued annual leave and long service leave. The TVSP amount was paid for by Arts SA, which subsequently received reimbursement of this amount from the Department of the Premier and Cabinet.

24. Contingent Liabilities

There are no contingent liabilities as at 30 June 2000.

25. Financial Instruments

(a) Terms and Conditions

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash on hand and at bank	2(l)	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis with some funds held within the total cash balance being non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Libraries Board are the Special Deposit Account entitled 'Arts South Australia Operating Account' and the Deposit Account entitled 'Libraries Board of South Australia'. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts which is currently 5.58 percent (as at 30 June 2000).
Receivables		Receivables are recorded at amounts due to the Libraries Board less a provision for doubtful debts. They are recorded when services have been completed.	Receivables are due within 30 days.
Investments	10,2(j)	Investments are brought to account at cost. Interest and investment income is credited to revenue as it accrues.	Portfolio of unit trusts, term deposits and deposits at call. Interest and investment income is received quarterly.
Financial Liabilities			
Creditors and accruals	14	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the relevant invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

Financial Instrument	2000				1999			
	Interest Rate Percent	Interest Bearing Floating Interest \$'000	Non-Interest Bearing \$'000	Total \$'000	Interest Rate Percent	Interest Bearing Floating Interest \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets:								
Cash on hand and at bank	5.58	4 308	8	4 316	4.63	2 726	8	2 734
Receivables	-	-	113	113	-	-	73	73
Investments:								
Deposits at call	-	-	-	-	-	-	1	1
Term deposits	-	-	-	-	4.67	1 738	-	1 738
Unit trusts	13.69	7 761	-	7 761	8.26	7 504	-	7 504
		<u>12 069</u>	<u>121</u>	<u>12 190</u>		<u>11 968</u>	<u>82</u>	<u>12 050</u>
Financial Liabilities:								
Creditors and accruals	-	-	777	777	-	-	772	772
		<u>-</u>	<u>777</u>	<u>777</u>		<u>-</u>	<u>772</u>	<u>772</u>

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument	Note	2000		1999	
		Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Cash on hand and at bank	2(l)	4 316	4 316	2 734	2 734
Receivables		113	113	73	73
Investments	10,2(j)	7 761	8 164	9 243	9 569
		<u>12 190</u>	<u>12 593</u>	<u>12 050</u>	<u>12 376</u>
Creditors and accruals	14	777	777	772	772
		<u>777</u>	<u>777</u>	<u>772</u>	<u>772</u>

The net fair value is determined as the carrying value of all assets and liabilities except for investments where market value has been used.

(d) Credit Risk Exposure

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

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

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Authority, a body corporate, was established under the *Local Government Finance Authority Act 1983* (the Act). It is managed and administered by a Board of Trustees. In accordance with the Act the Board consists of seven members and up to two co-opted additional members.

The functions of the Authority, as specified in subsection 21(1) of the Act, are to develop and implement borrowing and investment programs for the benefit of Councils and prescribed local government bodies; and to engage in such other financial activities as are determined by the Minister, after consultation with the Local Government Association, to be in the interest of local government.

In addition, subsection 21(2a) of the Act provides that the Authority must not make a loan, other than one to a Council or prescribed local government body; make an investment; or enter into a partnership or joint venture or form a company, except with the approval of the Treasurer.

Guarantee by the Treasurer

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

Operating Profit

The operating profit (in total or in part) of the Authority may be distributed amongst the Councils and local government bodies with which the Authority has entered into financial arrangements. Distributions are described as bonus payments in the Accounts.

SIGNIFICANT FEATURES

- Operations for the year resulted in an operating profit before income tax of \$3.6 million (\$4 million).
- Reserves increased by \$1.5 million to \$43.5 million.
- Total assets decreased by \$36.5 million and total liabilities decreased by \$37.7 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 33(2) of the *Local Government Finance Authority Act 1983* specifically provides for the Auditor-General to audit the accounts of the Authority 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:

- interest income, other income and expenses;
- council loans, advances, and deposits;
- investments and investment income;
- administrative expenses including payroll;
- borrowings and derivatives;
- budgetary control and management reporting.

Audit Communications to Management

During the year a letter communicating issues arising from the audit was forwarded to the Chief Executive Officer of the Authority and a written response was received. Further details relating to these issues are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The review of the internal control structure of the Authority concluded that an adequate system of internal control, including segregation of duties and an independent checking activity, was in place and operating effectively. However the review also identified a number of issues which could result in an improved control environment.

The main issues related to the need for the Authority to:

- ensure compliance with the Treasurer's Instructions;
- formalise its risk policy and distribute to staff responsible for its administration and compliance;
- utilise the new Quantum Treasury Management system implemented during the year to develop system processes and procedures to meet the needs of its risk policy management reporting requirements;

The Authority has indicated that action will be taken to address the issues raised by Audit.

Commentary on Computer Information Systems (CIS) Environment

The Authority implemented a new Quantum Treasury Management system in June 2000. A preliminary review of the new system was performed by Audit as part of the 1999-2000 audit. The audit identified the need for the Authority to establish adequate physical and logical access controls.

A detailed review of Quantum will be undertaken as part of the audit coverage in 2000-01 and Audit will access the developments with respect to the establishment and implementation of system controls.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Local Government Finance 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 Local Government Finance 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

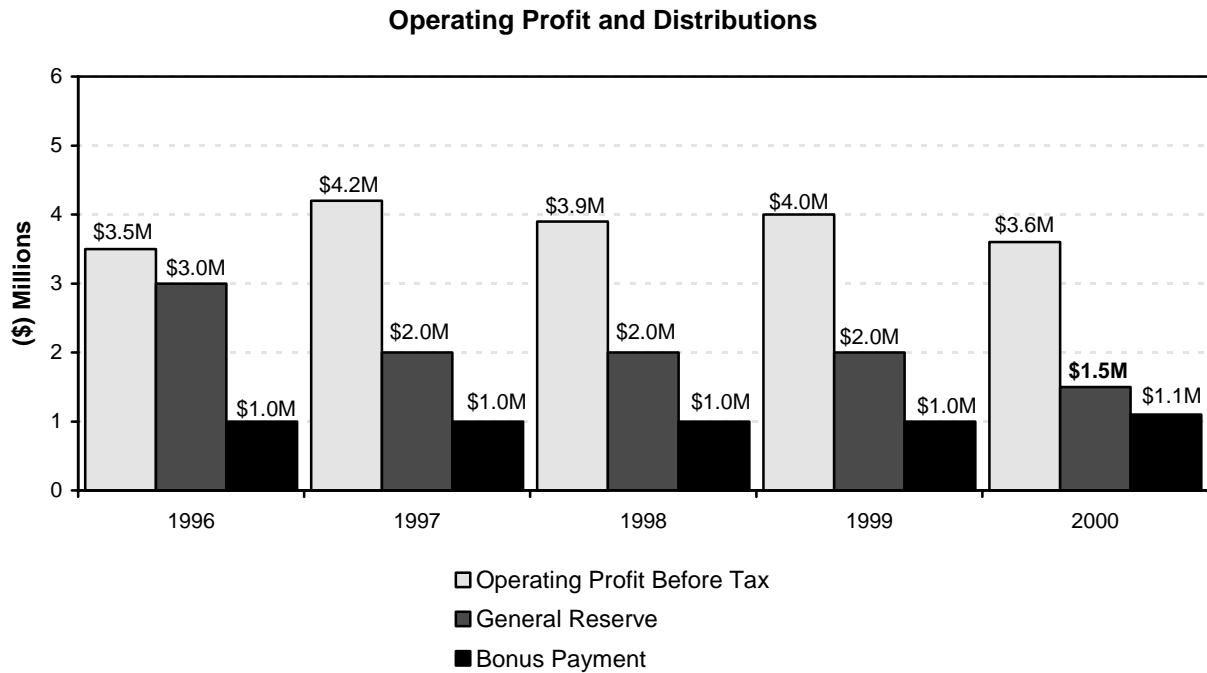
Operating Statement

Results of Operation

Operating Profit

The Authority achieved an operating profit before tax of \$3.6 million (\$4 million) and made appropriations of \$2.6 million (\$3 million) from profit available for appropriation.

The operating profit and principal distributions from the total profit available for appropriation for the past five years are presented in the following table:



The operating result was achieved within the context of similar reductions experienced in operating revenues (decreased by \$7.9 million from the previous year) and in operating expenses (decreased by \$7.5 million). The decreases in operating revenues and expenses were mainly attributed to the cancellation of a series of promissory notes and a part maturity of a structured finance deal.

Tax Equivalent Payments

As from 1 June 1996, the Authority came under a Taxation Equivalent Payments System and is required to make payments equivalent to Company Income Tax and Wholesale Sales Tax. The amounts are paid into an account established with the State Treasurer entitled the 'Local Government Taxation Equivalents Fund' and the funds are then available for local government development purposes as recommended by the Local Government Association of South Australia and agreed by the Minister for Local Government in accordance with section 31A of the *Local Government Finance Authority Act 1983*. For this financial year, the amount payable for income tax equivalent was \$1.3 million.

Provision for Bonus Payments

Under subsection 22(2) of the *Local Government Finance Authority Act 1983*, the Authority has discretion to make distributions from the surplus for the year to Councils and local government bodies. These distributions are recorded as bonus payments in the financial statements. In 1999-2000, a provision for a bonus payment of \$1.050 million was made which was consistent with amounts paid in previous years.

Statement of Financial Position

Assets and Liabilities

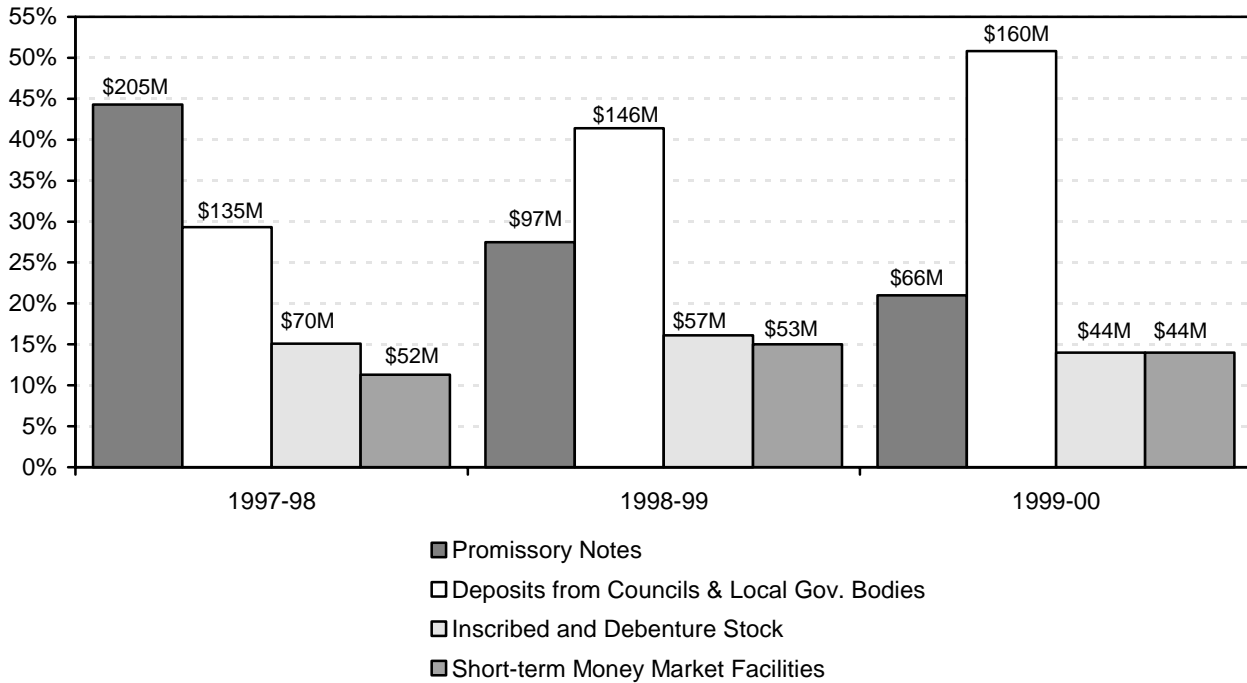
The Statement of Financial Position shows assets of \$366.9 million and liabilities of \$323 million at 30 June 2000 compared with corresponding amounts of \$403.4 million and \$360.7 million at 30 June 1999.

The reduction in assets and liabilities was due mainly to the part maturity of a structured finance deal between the Authority, South Australian Financing Authority and other counter parties involving promissory notes. This repayment was met by a reduction in the asset - payments due from the South Australian Financing Authority. (Refer Notes 9 and 15 to the Financial Statements).

Liability of the Authority

The following table displays the variations in the composition of major liabilities over the period 1997-98 to 1999-2000. Accrued interest payable, provisions and other liabilities have been excluded from the analysis.

Analysis of Liabilities



The table highlights the trend in the composition of the Authority’s liabilities. In recent years reliance is being placed on promissory notes and deposits from Councils to fund the Authority’s lending activities.

In the past, the Authority had principally relied on back-to-back borrowings (that is a specific borrowing for an individual loan) to finance loans to Councils. To reduce borrowing costs, the Authority during 1993-94 implemented the issuing of short-term promissory notes to fund long-term borrowings to Councils. During recent years, the Authority has moved towards placing more reliance on the funding of loans to Councils via deposits lodged by Councils, this being more cost effective than issuing short-term promissory notes. Interest rate exposures are hedged through the use of interest rate swap agreements and futures contracts.

General Reserve and Equity

The Authority appropriated \$1.5 million from total profit available for appropriation to the General Reserve, resulting in a balance as at 30 June 2000 of \$43.5 million.

Total equity of the Authority amounted to \$44 million as compared to total assets of \$366.9 million. The equity comprises a General Reserve of \$43.5 million, and Retained Profit of \$0.5 million. In relation to the General Reserve, the foregoing table entitled Operating Profit and Distributions demonstrates the policy of regularly appropriating a significant portion of the operating profit to that reserve (\$10.5 million over the five years to 30 June 2000).

The total equity is invested in financial securities covering a range of investments and in loans and advances. Equity has no corresponding cost of capital and generates investment returns. These returns provide a buffer for the Authority against unforeseen unfavourable impacts on revenues and expenses.

Statement of Cash Flows

The Statement of Cash Flows shows that the main inflow was from investing activities which provided cash inflows of \$38 million. The main contributing source for this inflow was from funds received from the South Australian Government Finance Authority following part maturity of a structured finance deal that partly involves that institution as previously discussed. Inflows from investing activities were used to fund financing activities which had total cash outflows of \$40.4 million. The main cash outflows in financing activities were the repayment of promissory notes \$30.6 million and repayment of inscribed stock of \$12.6 million.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING REVENUES:			
Interest on investments	22	4 434	14 708
Interest on loans and advances	22	32 566	30 184
Other income		940	930
Total Operating Revenues		37 940	45 822
OPERATING EXPENSES:			
Interest on deposits from councils and local government bodies	22	10 734	8 830
Interest on borrowings	22	21 847	31 443
Fees for the guarantee of the Treasurer of SA on liabilities		617	603
Administration expenses	2,3	1 122	981
Total Operating Expenses		34 320	41 857
OPERATING PROFIT BEFORE INCOME TAX		3 620	3 965
Income tax attributable to operating profit	1(e)	1 303	1 427
OPERATING PROFIT AFTER INCOME TAX		2 317	2 538
Retained Profits at 1 July		687	1 149
TOTAL AVAILABLE FOR APPROPRIATION		3 004	3 687
Transfer to general reserve	16	1 500	2 000
Transfer to bonus payment provision		1 050	1 000
RETAINED PROFITS AT 30 JUNE		454	687

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
ASSETS:			
Cash and liquid assets	4	389	40
Accrued interest receivable	5	7 022	6 512
Other assets	6	5 893	5 013
Investment securities	7	11 100	32 267
Loans and advances	8	313 342	300 707
Payments due from South Australian Government Financing Authority	9	28 862	58 579
Property, plant and equipment	10	310	274
Total Assets		366 918	403 392
LIABILITIES:			
Deposits from councils and local government bodies	11	159 621	145 598
Accrued interest payable	12	6 973	5 885
Provisions	13	1 772	1 837
Other liabilities	14	131	115
Borrowings	15	154 467	207 270
Total Liabilities		322 964	360 705
NET ASSETS		43 954	42 687
EQUITY:			
Reserves	16	43 500	42 000
Retained profits		454	687
TOTAL EQUITY		43 954	42 687
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:			
Interest and bill discounts received		36 651	35 047
Interest paid		(35 658)	(36 012)
Fees paid re guarantee provided by the Treasurer of SA		(617)	(618)
Cash payments to suppliers and employees		(989)	(899)
Fees received		32	33
Income tax paid		(1 433)	(1 408)
Payments received under Swap Agreement		4 727	5 714
Net Cash provided by Operating Activities	18	2 713	1 857
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loans to councils and local government bodies		(12 716)	(17 045)
Proceeds from investment securities		21 167	19 538
Payments for property, plant and equipment		(242)	(224)
Proceeds from sale of property, plant and equipment		109	24
South Australian Government Financing Authority		29 711	29 705
Net Cash provided by Investing Activities		38 029	31 998
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of inscribed stock		(12 560)	(13 380)
Repayment of promissory notes		(30 571)	(29 767)
Deposits from councils and local government bodies		14 023	10 431
Short-term money market facilities		(9 390)	1 322
Bonus payment to councils and local government bodies		(1 000)	(1 000)
Other payments		(895)	(1 532)
Net Cash used in Financing Activities		(40 393)	(33 926)
NET INCREASE (DECREASE) IN CASH HELD		349	(71)
CASH AT 1 JULY		40	111
CASH AT 30 JUNE	18	389	40

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

(a) **Basis of Accounting**

The accounts have been prepared in accordance with applicable Statements of Accounting Concepts, applicable Accounting Standards, and the requirements of the Treasurer's Instructions relating to financial reporting by statutory authorities which are issued pursuant to the South Australian *Public Finance and Audit Act 1987*.

The accounts 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 accounting policies have been consistently applied, unless otherwise stated.

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

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

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

	Years
Office equipment	3
Office furniture	5
Computer software	2.5
Motor vehicles	6.7

(c) **Employee Entitlements**

A provision is made in respect of the Authority's liability for annual leave, long service leave and related on-costs as at balance date. Long service leave is accrued for all employees from the date of commencement of service. No provision is made in the accounts for sick leave entitlements.

(d) **Derivative Transactions**

The Authority has entered into agreements with high credit status organisations to swap certain rights and obligations (Note 21(a) - Derivative Financial Instruments refer).

- (i) Interest Rate Swaps are recorded in the accounts on the basis of historical cost.
- (ii) Futures Contracts are recorded at market value with the resultant change in value recorded in the Operating Statement.

(e) **Income Tax**

The LGFA is required to make payments equivalent to Company Income Tax and Wholesale Sales Tax under the Taxation Equivalent Payment System. The equivalent Company Income Tax liability is calculated/applied on an accounting profits basis.

(f) **Investment Securities**

The Authority invests in fixed interest securities with a view to holding them until maturity. Subsequently all such investments are recorded in the accounts on the basis of historical cost.

1. **Statement of Accounting Policies (continued)**

(g) **Loans and Advances**

Loans and advances are recorded in the accounts on the basis of historical cost. The majority of loan agreements are secured by debentures, providing a charge over Council general revenue.

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

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

(h) **Concentration of Deposits**

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

2. **Administration Expenses**

The administration expenses include the following items:

	2000 \$'000	1999 \$'000
Consultant fees	26	18
Depreciation of property, plant and equipment	115	52
Financial institutions duty	97	93

3. **Auditor's Remuneration**

The amounts received, or due and receivable, in respect of this financial year by the auditors in connection with auditing the accounts

35	32
----	----

4. **Cash and Liquid Assets**

Cash at Bank

389	40
-----	----

5. **Accrued Interest Receivable**

Interest receivable - Loans to councils and local government bodies
Interest receivable - Investments

6 931	*6 238
91	*274

7 022	6 512
-------	-------

* Adjusted

6. **Other Assets**

Swap principal receivable
Sundry debtors and prepayments

5 762	4 817
131	196

5 893	5 013
-------	-------

7. **Investment Securities**

Bank accepted bills of exchange
Deposits and securities issued by banks
Debentures issued by bank-owned finance companies

-	8 290
9 600	14 859
1 500	9 118

11 100	32 267
--------	--------

Maturity analysis - Investment securities:

At call
Not longer than three months
Longer than three months and not longer than 12 months
Longer than one year and not longer than five years
Longer than five years

-	-
1 500	5 798
4 500	16 269
-	6 000
5 100	4 200

11 100	32 267
--------	--------

The above maturity analysis shows the maximum credit risk exposure for investment securities without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments.

The risk is considered minimal as investments are undertaken in accordance with an investment policy which stipulates the credit ratings of the various financial institutions. Since the inception of the Authority in 1984 no default by an investment institution has occurred.

8. **Loans and Advances**

Advances
Term loans

	2000 \$'000	1999 \$'000
Advances	40 615	45 506
Term loans	272 727	255 201

313 342	300 707
---------	---------

Maturity analysis - Loans and advances:

At call
Not longer than three months
Longer than three months and not longer than 12 months
Longer than one year and not longer than five years
Longer than five years

40 615	45 506
18 049	20 339
34 099	37 070
127 050	116 284
93 529	81 508

313 342	300 707
---------	---------

The above maturity analysis shows the maximum credit risk exposure for loans and without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments.

8. Loans and Advances (continued)

As explained in Notes 1(g) and (h) the risk is considered minimal and in addition, a concentration of credit risk also occurs as under the *Local Government Finance Authority Act 1983*, loans and advances made are restricted to Councils and Local Government Bodies. The majority of loan agreements are secured by debentures providing a charge over the Council's general revenue and the Authority has not incurred any bad debts since its inception in 1984.

	2000	1999
	\$'000	\$'000
Commitments not later than one year - Loans and advances:		
Unused cash advance facilities	99 237	77 820
Cash advance facilities approved not executed	-	2 300
Term loans approved not advanced	318	2 249
	99 555	82 369

9. Payments due from South Australian Government Financing Authority

The Authority has issued long term Promissory Notes of various maturities as part of certain financing transactions (Refer Note 15 - Borrowings). An agreement was entered into with the South Australian Government Financing Authority (SAFA) whereby, in return for payment to SAFA of certain monies, SAFA has undertaken to meet a specific proportion of the Promissory Notes on maturity.

	2000	1999
	\$'000	\$'000
Payments due from South Australian Government Financing Authority	28 862	58 579
Maturity analysis - Payments due from South Australian Government Financing Authority:		
At call	-	-
Not longer than three months	-	-
Longer than three months and not longer than 12 months	28 862	29 457
Longer than one year and not longer than five years	-	29 122
Longer than five years	-	-
	28 862	58 579

10. Property, Plant and Equipment

Plant, equipment and motor vehicles:

At cost	527	414
Less: Accumulated depreciation	217	140
Total Property, Plant and Equipment	310	274

11. Deposits from Councils and Local Government Bodies

Deposits from councils and local government bodies

159 621 145 598

Maturity analysis - Deposits from councils and local government bodies:

At call	94 104	109 862
Not longer than three months	62 096	32 483
Longer than three months and not longer than 12 months	2 719	1 120
Longer than one year and not longer than five years	702	2 133
Longer than five years	-	-
	159 621	145 598

12. Accrued Interest Payable

Interest payable on:

Deposits from councils and local government bodies	2 660	1 862
Borrowings	4 313	4 023
	6 973	5 885

13. Provisions

Employee entitlements
Fringe benefits tax
Bonus payment to councils and local government bodies
Provision for income tax

126	111
7	7
1 050	1 000
589	719
1 772	1 837

14. Other Liabilities

Sundry Creditors

131 115

15. Borrowings

Short-term money market facilities
Promissory notes*
Inscribed stock

43 880	53 270
66 544	97 397
44 043	56 603
154 467	207 270

* Of note during the 1999-2000 financial year was the reduction in promissory notes due to a part maturity of a structured finance deal between LGFA, SAFA and other counterparties of \$36.7 million (refer Note 9 - Payments due from South Australian Government Financing Authority).

15. Borrowings (continued)		2000	1999
Maturity analysis - Borrowings:		\$'000	\$'000
At call		43 880	53 270
Not longer than three months		32 048	26 377
Longer than three months and not longer than 12 months		44 769	47 167
Longer than one year and not longer than five years		26 498	68 478
Longer than five years		7 272	11 978
		154 467	207 270

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

16. Reserves		2000	1999
(i) Composition		\$'000	\$'000
General reserve		43 500	42 000
(ii) Movements during the year			
General reserve:			
Opening balance		42 000	40 000
Transfer from retained profits		1 500	2 000
Closing Balance		43 500	42 000

17. Superannuation Commitments
The LGFA contributes to the Local Government Superannuation Fund in accordance with the rules of that Fund. The Fund provides benefits in the form of lump sum payments for retirement, death, total and permanent disability, and temporary disability.

18. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

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

		2000	1999
		\$'000	\$'000
Cash at Bank	Note 4	389	40

For the purpose of the Statement of Cash Flows, cash includes Cash on Hand and Deposits at Call with the Short Term Money Market. All bank bills are normally held by the Authority until maturity. This treatment ensures that the value of the bills do not fluctuate due to changes in interest rates. Accordingly, bank bills are considered to be ordinary investments with a term facility and, as such cash flows arising from bank bill transactions are treated as flows from the investing activities of the Authority.

(b) Cash Flows Presented on a Net Basis

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

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

(c) Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Income Tax

		2000	1999
		\$'000	\$'000
Operating profit after income tax		2 317	2 538
Increase in interest payable		630	(906)
Increase in interest receivable		(508)	336
Decrease in guarantee fee accrual		-	(15)
Increase in sundry creditors		11	13
Decrease in provisions		(115)	35
Decrease in payments receivable from SAFA		86	48
Increase in sundry debtors		(7)	4
Decrease in other receivables		176	222
Decrease in income received in advance		-	(90)
Depreciation		115	52
Amortisation		21	(379)
Gain on disposal of fixed assets		(13)	(1)
Net Cash provided by Operating Activities		2 713	1 857

19. Related Party Information

The Local Government Finance Authority of South Australia operates independently under its own legislation and has no other controlled entities.

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

Mr John Keough	Councillor Peter Harris
Councillor Bert Taylor, AM	Councillor Anthony Pederick
Ms Ione Brown	Ms Vivienne Pring
Mr Paul Cohen	Councillor John Sanderson
Mr John Comrie	

During the year Councillor Anthony Pederick was appointed as an additional Board member.

19. Related Party Information (continued)**Remuneration, Retirement Benefits and Loans**

Board members are entitled to receive an attendance allowance for official Board Meetings (normally held monthly). Attendance allowances are not payable (effective from 1.10.97) in respect of those members appointed by the Minister of Local Government or the State Treasurer in accordance with arrangements approved by the Minister and the Treasurer. Amounts payable in respect of the Executive Director of the Local Government Association of SA are paid to the Local Government Association as per section 13 of the *Local Government Finance Authority Act 1983*.

The total amount paid in respect of the attendance of Board members for the financial year ended 30 June 2000 was \$19 650.

Board Member Related Entities

The Authority had various financial dealings with the following Board member related entities in the normal course of business proceedings:

<i>Board Member</i>	<i>Entity</i>
Councillor Bert Taylor, AM	Corporation of the City of Adelaide
Mr John Comrie	Local Government Association of South Australia Local Government Association Workers Compensation Scheme Local Government Association Mutual Liability Scheme Council Purchasing Authority Pty Ltd Local Government Superannuation Scheme
Councillor Peter Harris	City of Burnside Burnside Retirement Services Inc. Eastern Metropolitan Regional Health Authority
Councillor Anthony Pederick	Corporation of the Town of Walkerville Council Purchasing Co-operative Limited
Ms Vivienne Pring	Department of Treasury and Finance
Councillor John Sanderson	City of Mitcham Ashford Community Hospital Inc.

All transactions were conducted on a commercial basis and were at arm's length. During Board meetings the relevant interests were declared when necessary.

20. Remuneration of Executives

Remuneration received, or due and receivable by executive officers, whose remuneration is \$100 000 or more.

	2000	1999
	Number of Executives	Number of Executives

The number of executive officers whose remuneration was within the following bands:

\$180 000 - \$190 000	1	-
\$170 000 - \$180 000*	-	1

The remuneration comprises salary, employer's superannuation costs including superannuation guarantee charge, motor vehicle package and associated fringe benefits tax, car parking and associated fringe benefits tax and travel expenditure and associated fringe benefits tax.

* The comparative information has been amended to incorporate unused salary sacrifice arrangements.

21. Contingent Liabilities

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

(a) Derivative Financial Instruments

All derivatives entered into by the Authority specifically match and hedge actual financial transactions. The Authority clearly recognises risks relating to the contractual obligations of derivative counterparties and extremely high importance is placed on the credit standing of such counterparties. There has been no default by any counterparty in derivative transactions undertaken by the Authority.

If a favourable (or unfavourable) financial outcome resulted from derivatives used as hedges it would be accounted for on the same basis as a gain or loss on the underlying physical exposures being hedged.

(i) Notional Amounts and Credit Exposures of Derivatives

The notional amounts of derivatives, as summarised below, represent the contract amount of these derivatives. The notional amounts stated do not represent amounts exchanged by the parties and hence are not a measure of credit exposure and therefore represent off-balance sheet transactions that are not recognised in the financial statements. The actual amounts to be exchanged will be calculated with reference to the Notional Amounts and other terms of the derivatives, which relate to interest rates. The credit exposure amounts represent the estimated credit-related risk that the Authority is subject to on these amounts to be exchanged under the derivative instruments.

Whilst the Authority has exposure in the event of non-performance by counterparties to financial instruments, it does not expect any counterparties to fail to meet their obligations given their high credit ratings.

(a) Derivative Financial Instruments (continued)

The Authority has entered into derivatives in managing its interest rate risk profile as indicated in the following table:

	2000		1999	
	Notional Amount (Face Value) \$'000	Credit Exposure \$'000	Notional Amount (Face Value) \$'000	Credit Exposure \$'000
Interest Rate Swaps	206 204	24 627	179 501	18 951
Interest Rate Futures Contracts	5 000	107	150 000	178

(ii) Interest Rate Risk Management

The Treasurer issued consent, in December 1993, for the Authority to enter into a range of financial arrangements as part of its normal operations of providing borrowing and investments services to Local Government in South Australia including:

- interest rate swaps
- forward rate transactions
- interest rate option products.

During the year the Authority used interest rate swaps and interest rate futures contracts to hedge actual financial transactions. The interest rate futures contracts entered into were 90 day bank bill, three year bond and 10 year bond contracts. All futures contracts are traded on the Sydney Futures Exchange and are closed out on or before maturity without physical delivery of the underlying instrument taking place.

(iii) Liquidity Risk

Liquidity risk can arise if timing differences occur between the receipt of scheduled cash flows and the payment of the Authority's obligation when using derivatives.

Because all cash flows are normally very closely matched and the interest rate risk hedged, it is considered that the Authority has minimal liquidity risk.

(iv) Risk Management Policies

All internal control and hedge activities are conducted within Board approved policy. Comprehensive systems are in place and compliance is monitored closely. The risk management process is subject to regular and close senior management scrutiny, including regular Board and other management reporting.

(b) Financial Guarantee

The LGFA has issued a financial guarantee on behalf of the Workers Compensation Scheme of the Local Government Association of South Australia in favour of the Workers Rehabilitation and Compensation Corporation of South Australia (WorkCover). The guarantee is fully secured against depositor funds held, the value of which will not be less than the value of any liability that might be incurred. As at 30 June 2000 the amount guaranteed was \$8.4 million.

22. Interest Income and Interest Expense Analysis

Interest income and interest expense are accounted for on an accrual basis.

The following tables provide the average balance and average rate for the major categories of interest bearing assets and liabilities, both on and off-Balance Sheet. All averages calculated are daily averages.

	2000				1999			
	Average Notional Balance \$'000	Average Balance \$'000	Interest \$'000	Average Rate Percent	Average Notional Balance \$'000	Average Balance \$'000	Interest \$'000	Average Rate Percent
INTEREST INCOME:								
Investments*	-	74 625	4 231	5.67	-	162 283	14 519	8.95
Loans and advances	-	276 431	22 382	8.10	-	263 078	22 258	8.46
Hedge receipts	186 722	-	10 387	5.56	160 423	-	8 115	5.06
Total Interest Income	186 722	351 056	37 000	6.88	160 423	425 361	44 892	7.66
INTEREST EXPENSE:								
Borrowings*	-	99 528	8 225	8.26	-	196 602	19 274	9.80
Deposits	-	210 963	10 734	5.09	-	189 189	8 830	4.67
Hedge payments	183 715	-	13 622	7.41	158 707	-	12 169	7.67
Total Interest Expense	183 715	310 491	32 581	6.59	158 707	385 791	40 273	7.40

* In June 1986 the Authority entered into an agreement with SAFA to issue a series of promissory notes to the DEFIC group of companies (subsidiary companies of SAFA) in return for deposits issued by SAFA for the same amount, interest rate and maturity dates. The Authority received a small upfront fee for providing this service in 1986 and since then has held the matching assets and liabilities on the Statement of Financial Position.

During the 1998-99 financial year SAFA approached LGFA requesting that the agreement be terminated with the corresponding assets and liabilities cancelled. As LGFA has been receiving no profit on this agreement since the initial fee was received, it was decided to accept the SAFA proposal and on 27 May 1999 the arrangement was cancelled. This has in turn caused a reduction in investment interest income and borrowings interest expense in the 1999-2000 financial year.

23. Net Fair Value of Financial Instrument

The net fair value of financial assets and financial liabilities which are payable on demand as at balance date approximate their carrying values with accrued interest.

The net fair value of all other financial assets and financial liabilities is based upon either of the following methods:

- (i) Market prices as at the respective balance date.
- (ii) Discounting cash flows using a zero coupon curve.

	2000		1999	
	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000
Financial Assets:				
Cash and liquid assets	389	389	40	40
Other assets	5 893	5 893	5 013	5 013
Investment securities	11 100	10 670	32 267	32 540
Loans and advances	313 342	328 117	300 707	317 363
Payments due from South Australian Government Financing Authority	28 862	27 861	58 579	55 812
Financial Liabilities:				
Deposits from councils and prescribed bodies	159 621	161 487	145 598	147 449
Provisions	1 722	1 722	1 837	1 837
Other liabilities	131	131	115	115
Borrowings	154 467	157 770	207 270	210 121
Derivative Instruments:				
Assets:				
Interest rate swaps	-	213 885	-	185 631
Futures contracts	-	6	-	27
Liabilities:				
Interest rate swaps	-	212 219	-	185 665

Where financial assets are carried at an amount above net fair value, the Trustees have not caused those assets to be written down as it is intended to retain those assets to maturity.

It should be noted that most of the abovementioned financial instruments are not readily traded on Financial Markets and therefore the fair market value assigned to them are based on a number of assumptions and estimates. Therefore the fair market values provided should in no way be interpreted as the realisable value of the Local Government Finance Authority of South Australia as at 30 June 2000.

MUSEUM BOARD

FUNCTIONAL RESPONSIBILITY

The Museum Board, a statutory authority established pursuant to the *South Australian Museum Act 1976*, is responsible for the management of the South Australian Museum. The role of the South Australian Museum is to increase knowledge and understanding of the State's natural and cultural heritage; to serve the community by acquiring, preserving, interpreting and presenting to the public, material evidence concerning people and nature; and to provide opportunities for study, education and enjoyment.

SIGNIFICANT FEATURES

- The grants from the State Government increased by \$11.2 million to \$19.4 million primarily as a result of funds provided for the redevelopment of the South Australian Museum buildings.
- As a result of these increased grants the operating result for the year was an Increase in Net Assets Resulting from Operations of \$10.8 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 16(2) of the *South Australian Museum Act 1976* provides specifically 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:

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

Audit Communications to Management

An audit management letter conveying the scope of the audit and related findings was forwarded to the Director, South Australian Museum. A satisfactory response to the matters raised was received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control environment was assessed as satisfactory. There were, however, areas where Audit considered there was room for improvement. A number of these areas were raised as a result of the 1998-99 audit. Commentary with respect to these areas follows.

Heritage Collection Registers

The audit of heritage collection registers identified that improvement could be achieved in the documentation of policies and procedures regarding collections and the undertaking of regular confirmation of the existence of collection items. The latter issue was raised last year.

In response the Board indicated that revised procedures will be implemented, incorporating the appointment of a senior officer to oversee collection management activity.

Asset Management

The audit of asset registers identified opportunities for improvement in the management of attractive asset items, including the development of policies and procedures and the undertaking of regular confirmation of the existence of these assets.

In response the Board indicated that policies and procedures will be developed in conjunction with Arts SA and regular confirmation of the existence of assets will be undertaken.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Museum 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 Museum 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

Operating Statement

Operating Result

The operating result for the year was an Increase in Net Assets Resulting from Operations of \$10.8 million, an increase of \$8.3 million over the previous year. The result was due mainly to an increase in Grants from State Government of \$11.2 million. Of this increase \$10.8 million related to grants provided in relation to the redevelopment of the South Australian Museum buildings.

State Government Grants

Grants from the State Government for operating and capital purposes totalled \$19.4 million (\$8.3 million) and represented 91 percent (79 percent) of the Total Operating Revenues. As expressed in Note 2(m) to the Financial Statements the Board is dependent on the ongoing financial support of the State Government.

Statement of Financial Position

Non-Current Assets

The written down value of the item Property, plant and equipment was \$38.7 million compared with \$28.2 million last year. The increase of \$10.5 million primarily relates to the cost of redevelopment of the South Australian Museum buildings which was undertaken during 1999-2000 and which is included in the item Work in progress.

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Employee costs	3(a)	3 637	3 365
Administration expenses	4	4 874	2 737
Accommodation and service costs		1 167	1 095
Depreciation	5	795	735
Total Operating Expenses		10 473	7 932
OPERATING REVENUES:			
Grants from State Government:			
Operations		5 885	5 526
Capital		13 527	2 726
Grants from Commonwealth Government		400	411
Sales of goods		177	311
Fees for services		82	116
Interest		135	111
Other revenue	6	1 100	1 229
Total Operating Revenues		21 306	10 430
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		10 833	2 498

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash on hand and at bank		3 017	2 902
Receivables		62	29
Prepayments		-	65
Inventories		208	183
Total Current Assets		3 287	3 179
NON-CURRENT ASSETS:			
Property, plant and equipment	7	38 747	28 191
Heritage Collections	8	27 542	27 443
Total Non-Current Assets		66 289	55 634
Total Assets		69 576	58 813
CURRENT LIABILITIES:			
Payables	9	367	374
Provision for employee entitlements	3(b)	222	205
Total Current Liabilities		589	579
NON-CURRENT LIABILITIES:			
Payables	9	72	81
Provision for employee entitlements	3(b)	649	720
Total Non-Current Liabilities		721	801
Total Liabilities		1 310	1 380
NET ASSETS		68 266	57 433
EQUITY:			
Accumulated surplus	11	63 974	53 141
Reserves	10	4 292	4 292
TOTAL EQUITY		68 266	57 433
Commitments	12		

Statement of Cash Flows for the year ended 30 June 2000

	Note	2000		1999	
		Inflows (Outflows) \$'000	Inflows (Outflows) \$'000	Inflows (Outflows) \$'000	Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
PAYMENTS:					
Employee costs		(3 787)		(3 540)	
Administration expenses		(4 682)		(1 019)	
Accommodation and service costs		(1 236)		(2 540)	
RECEIPTS:					
Sales		147		311	
Fees for services and admissions		82		116	
Interest		132		110	
Other revenue		999		972	
CASH FLOWS FROM GOVERNMENT:					
Grants from State Government:					
Recurrent		5 885		5 526	
Capital		13 527		2 726	
Recurrent grants from Commonwealth Government		400		411	
Net Cash provided by Operating Activities	13		11 467		3 073
CASH FLOWS FROM INVESTING ACTIVITIES:					
PAYMENTS FOR:					
Property, plant and equipment		(11 352)		(2 360)	
Net Cash used in Investing Activities			(11 352)		(2 360)
NET INCREASE IN CASH HELD			115		713
CASH AT 1 JULY			2 902		2 189
CASH AT 30 JUNE	2(l)		3 017		2 902

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Museum Board Functions**

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

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

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

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards and applicable Urgent Issues Group Consensus Views. The report is prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) Change in Accounting Policies

There have been no changes in accounting policies during 1999-2000.

(c) The Reporting Entity

The Museum Board's principal source of funds consists of grants from the State Government. The Museum Board also receives monies in a trustee capacity for various trusts. As the Museum Board uses these monies for the achievement of its objectives, they have been brought to account in this financial report.

The financial report encompasses transactions through an interest bearing Special Deposit Account entitled 'Arts South Australia Operating Account' and through an interest bearing Deposit Account entitled 'Museum Board Bequests Account'.

(d) Revenue

Revenue from sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(e) Grants from State Government

State Government grants are recognised as revenues in the period in which the Museum Board obtains control over the funds.

(f) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets acquired after 1 July 1996. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at market value.

2. Summary of Significant Accounting Policies (continued)

(g) Valuation of Non-Current Assets

The Museum Board has adopted the deprival value method as the basis of valuing all of its non-current assets.

Land and Buildings

Land and buildings have been valued at replacement cost. Valuations of land and buildings were determined as at 30 June 1999 by the Australian Valuation Office. Land and buildings are independently valued every three years.

Plant and Equipment

Plant and equipment, including computer equipment, have been valued at historic cost.

Heritage Collections

Heritage collections held as at 1 July 1996 were brought to account as at 30 June 1998 using the valuation methodology outlined below. Acquisitions between 1 July 1996 and 30 June 2000 have been brought to account at cost. Comprehensive asset revaluations are carried out every three years.

Under the deprival value method, a market valuation was adopted where an identifiable market exists. Assets precluded from sale by legislation or donor intent were not valued.

The valuation of heritage collections is based on a professional assessment carried out by the former Director of the South Australian Museum, in consultation with curatorial staff, or in some areas, external valuers, of the estimated market value or the cost of the replacement of the items of the collections. Collections which have been valued are the Australian Aboriginal Ethnographic, Foreign Ethnographic, Industrial/Social History, Library and Minerals Collections.

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

Industrial/Social History, Weapons and Militaria	Lee Blair-Jenke
Industrial/Social History, Other	Jean Morris
Library, Rare Books	Michael Treloar

A number of collections were not valued due to either a lack of reliable market or replacement valuation methodologies or to the restrictions of sale under legislation or donor intent. Under Statements of Accounting Concepts SAC 4, assets are to be valued at zero if these conditions are present. Collections which have not been valued are the Archaeology, Archival, Secret Sacred Collections, Fossils, Human Biology, Evolutionary Biology, Invertebrates and Vertebrates.

(h) Depreciation of Non-Current Assets

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

The expected useful lives are as follows:

	Useful life depends on individual asset items	Years
Buildings and improvements		
Plant and equipment		5 - 15
Computer equipment		3 - 5

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

(i) Inventories

Inventories are brought to account at cost or realisable value, whichever is lower.

(j) Employee Entitlements

(i) Wages, Salaries and Annual Leave

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

(ii) Long Service Leave

A liability for long service leave has been recognised which represents the amount which the Museum Board has a present obligation to pay resulting from employees' services provided up to the reporting date. The liability has been calculated at nominal amounts based on current wage and salary rates using a benchmark of eight years service as advised by the Department of Treasury and Finance.

(iii) Superannuation

Contributions are made by the Museum Board 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 contributions due, but not yet paid to the superannuation schemes.

(k) Leases

The Museum Board has entered into a number of operating lease agreements for accommodation and vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Operating Statement in the periods in which they are incurred.

(l) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(m) State Government Funding

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

2. **Summary of Significant Accounting Policies (continued)****(n) Comparative Figures**

Where necessary comparative figures have been adjusted to conform with changes in presentation in 1999-2000.

3. Employee Entitlements		2000	1999
(a) Employee Costs		\$'000	\$'000
Wages and salaries		3 091	2 834
Superannuation and payroll tax expenses		525	479
Annual and long service leave expenses		(5)	196
Other employee related expenses		26	(144)
		3 637	3 365
(b) Provision for Employee Entitlements			
Current Liabilities:			
Provision for annual leave		160	137
Provision for long service leave		55	61
Provision for workers compensation		7	7
		222	205
Non-Current Liabilities:			
Provision for long service leave		629	703
Provision for workers compensation		20	17
		649	720
4. Administration Expenses			
Administration expenses comprise the following categories of expenditure:			
Research, collections and exhibitions operational expenses		767	718
Insurance and risk management		323	340
Maintenance		426	245
Communications and stationery		278	186
Cost of goods sold		123	199
Marketing		123	167
Australian Aboriginal Cultures Gallery administration expenditure		1 701	446
Other		1 133	436
		4 874	2 737
5. Depreciation Expense			
Depreciation was charged in respect of:			
Buildings and improvements		691	637
Plant and equipment		87	85
Computer equipment		17	13
		795	735
6. Other Revenue			
Other revenue comprises the following categories of operating income:			
Other grants and donations		661	922
Funding of payments for employee entitlements upon termination		-	142
Donations of heritage assets		98	39
Other		341	126
		1 100	1 229

There were no revenues earned as a result of non-operating activities.

7. Property, Plant and Equipment		2000			1999		
		Gross	Accumulated	Written	Gross	Accumulated	Written
		Value	Depreciation	Down	Value	Depreciation	Down
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land, buildings and improvements - At valuation		48 389	23 407	24 982	48 389	22 716	25 673
Work in progress - At cost		13 482	-	13 482	2 266	-	2 266
Plant and equipment - At cost		1 082	859	223	1 018	772	246
Computer equipment - At cost		114	54	60	44	38	6
Total		63 067	24 320	38 747	51 717	23 526	28 191
8. Heritage Collections		2000			1999		
		At Cost	At Valuation	Total	At Cost	At Valuation	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australian Aboriginal Ethnographic		51	6 978	7 029	38	6 978	7 016
Foreign Ethnographic		6	5 980	5 986	5	5 980	5 985
Library		31	4 306	4 337	31	4 306	4 337
Minerals		115	9 854	9 969	30	9 854	9 884
Social/Industrial history		-	221	221	-	221	221
Total		203	27 339	27 542	104	27 339	27 443
9. Payables					2000	1999	
Current Liabilities:					\$'000	\$'000	
Creditors and accruals					335	250	
Employee costs					32	124	
					367	374	
Non-Current Liabilities:							
Employee costs					72	81	

10. Reserves	2000	1999
Asset Revaluation Reserve:	\$'000	\$'000
Balance at 1 July	4 292	-
Movement in reserves - Land, buildings and improvements	-	4 292
Balance at 30 June	4 292	4 292

11. Accumulated Surplus	53 141	69 519
Balance brought forward	-	(18 876)
Adjustment to asset values previously brought to account under AAS 29	10 833	2 498
Increase in Net Assets Resulting from Operations	63 974	53 141

12. Commitments for Expenditure		
(a) Operating Leases:		
Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than one year	399	263
Later than one year and not later than five years	1 208	1 141
Later than five years	463	325
	2 070	1 729

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

The property leases are non-cancellable leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased by 5.5 percent per annum. Options exist to renew the leases at the end of their terms for a further five years.

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

(b) Agreements Equally and Proportionately Unperformed
Agreements equally and proportionately unperformed includes contracts for the redevelopment of the South Australian Museum. The estimated value of these agreements is \$365 000. These commitments are not recognised as liabilities in the financial report.

13. Reconciliation of Increase in Net Assets Resulting from Operations to Net Cash provided by Operating Activities	2000	1999
	\$'000	\$'000
Increase in Net Assets Resulting from Operations	10 833	2 498
Non-Cash Items:		
Depreciation expense	795	735
Heritage collection donations	(98)	(39)
Change in operating assets and liabilities:		
Decrease in assets	6	165
Decrease in liabilities	(69)	(286)
Net Cash provided by Operating Activities	11 467	3 073

14. Remuneration of Employees	2000	1999
The number of employees whose annual remuneration was over \$100 000 fell within the following band:	Number of	Number of
\$110 000 - \$119 999	Employees	Employees
	-	1

No employees received remuneration over \$100 000 during the 1999-2000 financial year. The total remuneration received by the employee for the previous financial year was \$119 000.

15. Remuneration of Board Members	2000	1999
The number of Board Members who received annual income from the Museum Board fell within the following bands:	Number of	Number of
	Board	Board
	Members	Members
\$0 - \$9 999	3	7
\$10 000 - \$19 999	5	1

The total income received by these Board Members for the year was \$64 000 (\$34 000).

16. Remuneration of Auditors	
The audit fee in relation to the year to 30 June 2000 is \$16 000 (\$15 000). This fee has been paid on the Board's behalf by Arts SA.	

17. Related Party Disclosures
During the financial year the following persons held positions on the Museum Board:

Mr R J Champion de Crespigny, Chair, Dr A Lloyd, Mr R Smith, Mr D W Stott, Mr C Jackson, Mr A Simpson, Assoc Prof M Sedgley and Ms T Whiting.

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

18. Targeted Voluntary Separation Package Scheme (TVSPs)

In 1999-2000 no TVSPs were paid. In 1998-99 six TVSPs totalling \$126 000 were paid and an additional \$49 000 was paid on account of accrued annual leave and long service leave. The TVSP amount of \$126 000 was paid by Arts SA which subsequently received reimbursement of this amount from the Department of the Premier and Cabinet.

19. Payments to Consultants

Payments to consultants during 1999-2000 fell into the following ranges:

	2000	1999
	Number of	Number of
	Consultants	Consultants
\$0 - \$10 000	34	2
\$10 001 - \$50 000	10	-

The total amount paid to consultants in 1999-2000 was \$277 000 (\$15 000). The increase is primarily as a result of activities associated with the Museum redevelopment and in particular the creation of the Australian Aboriginal Cultures Gallery and the Mawson exhibitions.

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

Financial Instrument	Note	Accounting Policies and Methods	Nature of underlying instrument
Financial Assets			
Cash on hand and at bank		Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis with some funds held within the total cash balance being non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Museum Board are the Special Deposit Account entitled 'Arts South Australia Operating Account' and the Deposit Account entitled 'Museum Board Bequests Account'. The interest rate is the Treasurer's Approved Rate of Interest on Section 21 Deposit Accounts which is currently 5.58 percent (as at 30 June 2000).
Receivables		Receivables are recorded at amounts due to the Museum Board. They are recorded when services have been completed.	Receivables are due within 30 days.
Financial Liabilities			
Creditors and Accruals	9	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

Financial Instrument	Note	2000				1999			
		Interest Rate	Interest Rate	Non-Interest Bearing	Total	Interest Rate	Interest Rate	Non-Interest Bearing	Total
		Percent	\$'000	\$'000	\$'000	Percent	\$'000	\$'000	\$'000
Financial Assets:									
Cash on hand and at bank		5.58	3 014	3	3 017	4.63	2 901	1	2 902
Receivables		-	-	62	62	-	-	29	29
			3 014	65	3 079		2 901	30	2 931
Financial Liabilities:									
Creditors and accruals	9	-	-	336	336	-	-	250	250
			-	336	336		-	250	250

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument	Note	2000		1999	
		Total Carrying Amount	Net Fair Value	Total Carrying Amount	Net Fair Value
		\$'000	\$'000	\$'000	\$'000
Financial Assets:					
Cash on hand and at bank		3 017	3 017	2 902	2 902
Receivables		62	62	29	29
		3 079	3 079	2 931	2 931
Financial Liabilities:					
Creditors and accruals	9	336	336	250	250

The net fair values of both financial assets and liabilities approximate their total carrying amounts.

(d) Credit Risk Exposure

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

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

PASSENGER TRANSPORT BOARD

FUNCTIONAL RESPONSIBILITY

The Passenger Transport Board (the Board) is a body corporate established under the *Passenger Transport Act 1994* (the Act).

The functions of the Board, as set out by subsection 20(1) of the Act, include:

- overseeing the creation and maintenance of an integrated network of passenger transport services involving all modes of passenger transport by public passenger vehicles within the State;
- determining, monitoring and reviewing passenger transport services and fares payable by members of the public;
- accrediting operators of passenger transport services and the drivers of these vehicles; administering a system of fare subsidies and concessions in appropriate cases;
- establishing and maintaining facilities and various forms of infrastructure for the purposes of the passenger transport network;
- facilitating the use of passenger transport services by people with disabilities;
- establishing, auditing and, if necessary, enforcing safety, service, equipment and comfort standards for passenger transport within the State.

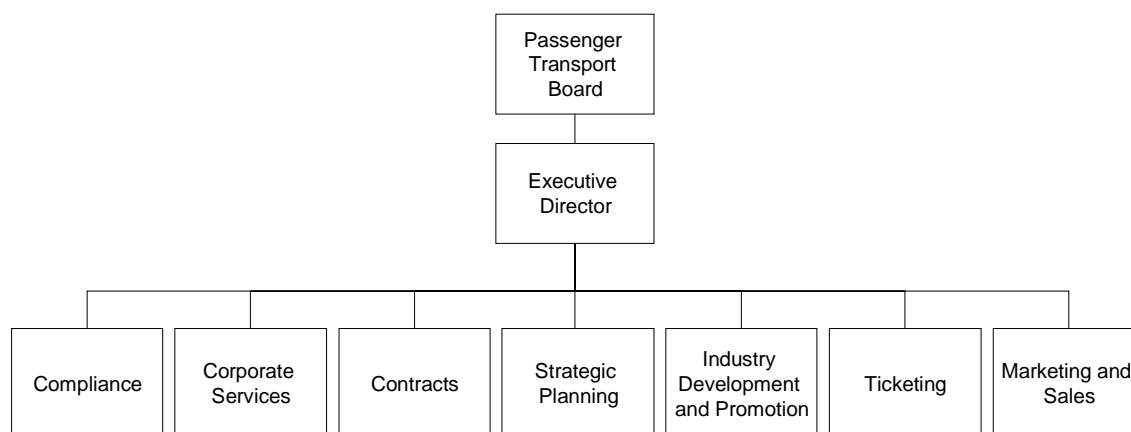
Subsection 20(2) of the Act specifies that the Board itself must not operate a passenger transport service.

The Act requires the Board to establish two committees:

- the Passenger Transport Industry Committee to provide an industry forum to assist the Board as appropriate in the performance of its functions;
- the Passenger Transport User Committee to provide advice to the Board on matters of general relevance or importance to the users of passenger transport services.

The Board has also chosen to establish other committees and panels which include the Passenger Transport Standards Committee, the Taxi Industry Advisory Panel, the Bus Industry Advisory Panel and the Accessible Transport Advisory Panel. These committees and panels form part of the organisational structure and report to the Board.

The organisational structure of the Passenger Transport Board is:



SIGNIFICANT FEATURES

- The Board paid \$212.9 million (\$207.4 million) to Metropolitan service contractors in relation to the operation of metropolitan bus, train and tram services.
- Metropolitan public transport ticket sales revenue amounted to \$47.6 million (\$46.7 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 18(3) of the *Passenger Transport Act 1994* specifically provides for the Auditor-General to audit the accounts and the annual statements of account of the Board.

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:

- administration of bus, train and tram service contracts including contract payments
- metropolitan public transport ticketing
- accounts payable
- revenue, receipting and banking.

In addition Audit undertook a review of the Competitive Tendering and Contract Process used by the Board to facilitate the awarding of contracts for metropolitan transport services.

Audit Communications to Management

During the year several letters communicating issues arising from the audit were forwarded to the Executive Director of the Passenger Transport Board with satisfactory responses being received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

An assessment of the Board's internal control structure identified that internal controls were adequate although there was room for improvement in some areas of operation. These areas are outlined below.

Revenue, Receipting and Banking

The audit identified opportunities for improvement in relation to evidencing of checks undertaken, the timely follow up of outstanding debts and banking more regularly where large amounts are received.

In response the Board indicated that action will be taken to provide evidence of checks undertaken, implement revised procedures for following up outstanding debts and undertake banking more regularly.

Contract Management

Audit noted that the contract for Passenger Train Services expired in December 1998 and although the parties to the contract are still operating under the terms and conditions of the expired contract, the contract had not yet been renewed nor formally extended.

In response the Board indicated that it is currently renegotiating this contract and that future renegotiations will occur on a timely basis.

Audit also noted instances where contract conditions had not been met in relation to the execution of variations to existing contracts and the receipt of information from contractors in accordance with specified timeframes.

The Board indicated that future contract variations will be made in accordance with the terms and conditions of contracts and that the contract conditions in relation to receipt of information from contractors will be enforced and adequate follow up will be implemented by contract managers.

Over the past few years Audit has raised with the Board the need to have in place a common contract management system. The Board has endeavoured to obtain a system which meets its needs but has been unable to purchase a suitable software package. It has now commenced the process of an in-house development to meet its contract management needs. Audit will monitor the development as part of the 2000-01 audit.

Competitive Tendering and Contracting Process

The audit of the Competitive Tendering and Contracting Process (CTC Process) undertaken by the Board for the letting of contracts for metropolitan passenger services revealed the procedures implemented for the process were satisfactory.

There were, however, areas where Audit considered that there were opportunities to improve future contracting processes. These opportunities related to the:

- reporting to both the Board and external parties. While regular progress reports were presented to the Board at each meeting, some summary reports on the outcome of the process were not prepared in a timely manner;
- maintenance of complete documentation with respect to minutes of meetings, follow-up of outstanding issues and action taken to address identified risks.

In response the Board indicated that action would be taken in future contracting processes to improve the timeliness of reporting and the completeness of the documentation maintained.

As part of the CTC Process the Board engaged a probity advisor. With respect to the management of this consultant contract Audit noted that there was inadequate monitoring of contract conditions. The inadequacies included the provision of regular written reports to the Board, the maintenance of adequate documentation to support advice provided and the review of evidence of adequate insurance coverage.

In response, the Board indicated that action had been taken to address the issues raised by Audit. A subsequent review by Audit confirmed that the Board had implemented procedures to adequately monitor compliance with contract conditions.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Passenger Transport 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 Passenger Transport 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

Operating Statement

Operating Expenses

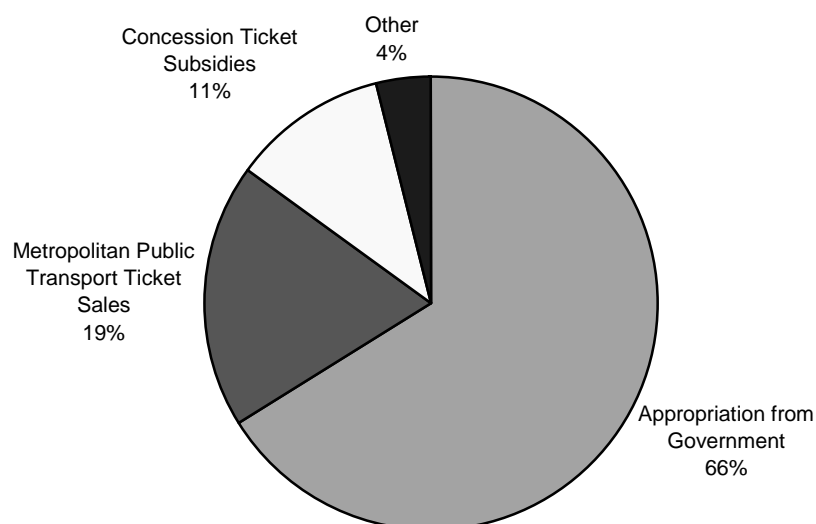
Payments to Metropolitan service contractors increased by \$5.5 million to \$212.9 million. These payments represent 87 percent (88 percent) of total operating expenses incurred by the Board in 1999-2000.

Operating and Government Revenues

The Board is primarily funded from Parliamentary appropriations, however it also receives significant monies in relation to metropolitan public transport ticket sales and concession ticket subsidies.

The following graph shows the major categories of revenue as a percentage of Total Operating Revenues of the Board.

Passenger Transport Board Revenues



Cost Recovery from Passengers

The following table shows the extent to which the fares charged to passengers in the metropolitan area covers the outlays by the Board to Metropolitan Service Contractors.

	2000	1999
	\$'000	\$'000
Metroticket sales	47 636	46 713
Payments to Metropolitan Service Contractors	212 903	207 380
	2000	1999
	Percent	Percent
Metroticket sales as a percentage of payments to Metropolitan Service Contractors	22.4	22.5

Statement of Financial Position

Cash at Bank and on Hand

Cash at bank and on hand as at 30 June 2000 was \$21.8 million, an increase of \$11 million over the previous year. The increase was due mainly to an increase in the appropriations from Government of \$9.3 million.

OTHER FUNDS

Deposit Account - Passenger Transport Research and Development Fund

Note 25(a) to the Financial Statements details the purpose and administration of the Fund and transactions for the year. The balance of the Fund at 30 June was \$2 075 000 (\$2 865 000).

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING EXPENSES:			
Payments to metropolitan service contractors	4	212 903	207 380
Grants and subsidies	5	11 113	9 693
Administration and service costs		11 767	10 408
Employee costs	6(a)	5 016	3 702
Depreciation	7	1 407	1 434
Accommodation and service costs		1 470	1 300
Interest and other finance charges		558	646
Other expenses	8	250	163
Total Operating Expenses		244 484	234 726
OPERATING REVENUES:			
User charges, fees and fines	10	54 944	54 858
Contributions from other agencies	11	29 059	28 213
Interest		781	430
Other revenues		765	1 659
Total Operating Revenues		85 549	85 160
NET COST OF SERVICES		158 935	149 566
REVENUES FROM GOVERNMENT:			
Appropriations - Purchase of outputs	9	169 495	155 407
Total Revenues from Government		169 495	155 407
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		10 560	5 841

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
CURRENT ASSETS:			
Cash at bank and on hand		21 761	10 785
Receivables	12	6 420	2 847
Inventories		247	301
Prepayments		-	131
Total Current Assets		28 428	14 064
NON-CURRENT ASSETS:			
Property, plant and equipment	13	8 676	6 609
Loan receivable		40	40
Total Non-Current Assets		8 716	6 649
Total Assets		37 144	20 713
CURRENT LIABILITIES:			
Creditors and accruals	14	12 103	5 595
Provision for employee entitlements	6(b)	315	189
Total Current Liabilities		12 418	5 784
NON-CURRENT LIABILITIES:			
Borrowings	15	4 949	5 949
Provision for employee entitlements	6(b)	547	525
Creditors and accruals	14	65	63
Total Non-Current Liabilities		5 561	6 537
Total Liabilities		17 979	12 321
NET ASSETS		19 165	8 392
EQUITY:			
Accumulated surplus	16(a)	18 538	7 978
Asset revaluation reserve	16(b)	627	414
TOTAL EQUITY		19 165	8 392
Commitments	23(a), 24		
Contingent liabilities	26		

Statement of Cash Flows for the year ended 30 June 2000

		2000	1999
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:		\$'000	\$'000
Metropolitan service contractors	Note	(209 617)	(207 213)
Supplies and services		(12 663)	(11 188)
Grants and subsidies		(11 313)	(9 673)
Employee costs		(5 059)	(3 579)
Interest and other finance charges		(560)	(656)
RECEIPTS:			
User charges, fees and fines		55 583	54 981
Contributions from other agencies		28 985	27 993
Interest		772	469
Other		1 438	1 272
CASH FLOWS FROM GOVERNMENT:			
Appropriations - Purchase of outputs		164 692	155 407
Net Cash provided by Operating Activities	17	<u>12 258</u>	<u>7 813</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from sale of assets		1	26
Payments for property, plant and equipment		(1 283)	(626)
Net Cash used in Investing Activities		<u>(1 282)</u>	<u>(600)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of debt		-	(900)
Net Cash used in Financing Activities		<u>-</u>	<u>(900)</u>
NET INCREASE IN CASH HELD		<u>10 976</u>	<u>6 313</u>
CASH AT 1 JULY		<u>10 785</u>	<u>4 472</u>
CASH AT 30 JUNE		<u>21 761</u>	<u>10 785</u>

Output Class Schedule - Expenses and Revenues for the year ended 30 June 2000

Outputs (see Note 3)	2000								2000	1999
	1	2	3	4	5	6	7	8	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:										
Payments to metropolitan service contractors	-	-	-	212 121	-	782	-	-	212 903	207 380
Grants and subsidies	-	-	-	313	6 708	4 092	-	-	11 113	9 693
Administration and service costs	131	1 340	646	5 470	389	241	205	3 345	11 767	10 408
Employee costs	510	1 161	239	2 153	208	201	58	486	5 016	3 702
Depreciation	21	83	1 107	137	28	12	3	16	1 407	1 434
Accommodation and service costs	106	432	24	706	45	60	16	81	1 470	1 300
Interest and other finance charges	-	-	-	555	-	-	-	3	558	646
Other expenses	11	49	3	120	6	11	2	48	250	163
Total Expenses	<u>779</u>	<u>3 065</u>	<u>2 019</u>	<u>221 575</u>	<u>7 384</u>	<u>5 399</u>	<u>284</u>	<u>3 979</u>	<u>244 484</u>	<u>234 726</u>
REVENUES:										
User charges, fees and fines	-	1 319	-	53 365	260	-	-	-	54 944	54 858
Contributions from other agencies	-	-	-	24 710	4 349	-	-	-	29 059	28 213
Interest	-	-	-	781	-	-	-	-	781	430
Other revenues	-	12	-	661	35	52	-	5	765	1 659
Revenues from government	839	1 929	410	153 917	7 900	1 402	279	2 819	169 495	155 407
Total Revenues	<u>839</u>	<u>3 260</u>	<u>410</u>	<u>233 434</u>	<u>12 544</u>	<u>1 454</u>	<u>279</u>	<u>2 824</u>	<u>255 044</u>	<u>240 567</u>
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	<u>60</u>	<u>195</u>	<u>(1 609)</u>	<u>11 859</u>	<u>5 160</u>	<u>(3 945)</u>	<u>(5)</u>	<u>(1 155)</u>	<u>10 560</u>	<u>5 841</u>
ADMINISTERED EXPENSES AND REVENUES										
Administered expenses	-	8	-	376	55	-	-	488	927	713
Administered revenues	-	8	-	53	7	-	-	69	137	172
ADMINISTERED REVENUES LESS ADMINISTERED EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>(323)</u>	<u>(48)</u>	<u>-</u>	<u>-</u>	<u>(419)</u>	<u>(790)</u>	<u>(541)</u>
ADMINISTERED ASSETS - CASH	<u>-</u>	<u>-</u>	<u>-</u>	<u>850</u>	<u>124</u>	<u>-</u>	<u>-</u>	<u>1 101</u>	<u>2 075</u>	<u>2 865</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Objectives and Funding**

The Passenger Transport Board (PTB) was established under the *Passenger Transport Act 1994* with the overall responsibility for the planning, funding and regulation of public passenger transport services within the State of South Australia. The objectives of the Board are to promote innovation in the delivery of passenger transport services and reduce the cost of operating Adelaide's public transport system.

The Board is predominantly funded by Parliamentary appropriations and also receives significant revenue from Metroticket sales.

2. **Summary of Significant Accounting Policies**

(a) **Basis of Accounting**

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

The accounts have been prepared on the accrual basis and in accordance with conventional historical cost principles except where detailed in the Notes to the Financial Statements.

(b) **The Passenger Transport Board Reporting Entity**

Controlled Resources

The financial report encompasses an interest bearing Special Deposit Account. The Board's principal source of funds consists of monies appropriated by Parliament.

Administered Resources

The Board administers but does not control certain resources on behalf of the Minister for Transport and Urban Planning and the Attorney-General. It is accountable for the transactions involving these administered resources, but does not have the discretion to deploy these resources for the achievement of the Board's objectives.

Transactions and balances relating to these administered resources are not recognised as Board revenues, expenses, assets, or liabilities, but are disclosed in the Notes to the Financial Statements.

(c) **Recognition of Revenues**

All revenues are measured at the fair value of the consideration received or receivable.

(i) *User Charges, Fees and Fines*

User Charges and Fees

User charges and fees are recognised when the Passenger Transport Board has passed control of the goods or services to the buyer.

Fines

Revenue from Expiation Notices is recognised when the cash is received, due to the nature of this item.

(ii) *Contributions from Other Agencies*

Contributions from other agencies are recognised when the Passenger Transport Board has passed control of the goods or services to the buyer.

(iii) *Interest*

Interest revenue earned is recognised when the Passenger Transport Board controls a right relating to the income from its investments.

(iv) *Other Revenues*

Other revenues are recognised when the Passenger Transport Board has passed control of the goods or services to the buyer.

(d) **Appropriations**

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

(e) **Non-Current Assets**

The cost method of accounting is used for the initial recording of all acquisitions controlled by the Board. Cost is determined as the fair value of the assets which is represented by the purchase consideration plus costs incidental to the acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Assets acquired at no cost, or for nominal consideration are initially recognised at their fair value at the date of acquisition.

Capital work in progress represents costs accumulated during the construction or development of an asset and is valued at cost.

2. Summary of Significant Accounting Policies (continued)

(f) **Revaluation of Non-Current Assets**

Assets are revalued every three years in accordance with the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' using the Deprival Value methodology.

During the year the Board engaged the services of Certified Practising Valuer Mr Simon B O'Leary (AAPI MSAA) of the Australian Valuation Office to value the Crouzet Ticketing System as at 30 June 2000. The valuation was undertaken on the basis of Deprival Value and as a result the book value of \$2.479 million was revalued upwards to \$2.692 million. This has resulted in an increase in the asset revaluation reserve of \$0.213 million.

Land was last revalued as at 30 June 1998.

(g) **Depreciation of Non-Current Assets**

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

Asset Class⁽¹⁾	Useful Lives Years
Crouzet ticketing equipment ⁽²⁾	15
Plant and equipment:	
Computer equipment	3
Other plant and equipment	5
Furniture and fittings	7
Bus stop information panels	7
Accessible taxi vehicles	8 - 12
Modbury Interchange	7
Other Interchanges	15

(1) Refer to Note 12

(2) Crouzet ticketing equipment is due for replacement in 2002. Equipment components purchased less than 15 years before this date are depreciated over a reduced period.

(h) **Leases**

The Board has entered into a number of operating lease agreements where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Operating Statement in the periods in which they are incurred.

The Board also acts as lessor for three accessible taxi vehicles which are leased to Specialised Transport Systems. These leases are classified as operating leases and are disclosed as non-current assets in accordance with Australian Accounting Standard AAS 17 'Accounting for Leases'.

Operating lease revenue is representative of the pattern of benefits recognised from the leased assets and accordingly is credited to the Operating Statement in the periods to which it relates.

(i) **Employee Entitlements**

(i) **Salaries and Annual Leave**

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

(ii) **Long Service Leave**

Long service leave is recognised on a pro-rata basis in respect of services provided by Board employees to balance date. The liability has been calculated at nominal amounts based on current salary rates. The Department of Treasury and Finance have advised that a benchmark of eight years can be used as a shorthand estimation of long service liability in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. This advice has been adopted and the long service liability has been calculated on that basis.

(iii) **Sick Leave**

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

(iv) **Superannuation**

Contributions are made by the Board to 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 contributions due but not yet paid to the superannuation schemes.

(j) **Provision for Doubtful Debts**

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

(k) **Cash**

For purposes of the Statement of Cash Flows, cash includes cash on hand and deposits with the Department of Treasury and Finance. Administered cash is reported separately.

(l) **Inventories**

Inventories consists of tickets held for sale or distribution. Inventories are valued at cost.

Passenger Transport Board

2. Summary of Significant Accounting Policies (continued)

(m) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in 1999-2000.

3. Outputs of the Passenger Transport Board

The identity and purpose of each major output undertaken by the Board during the year is summarised as follows:

Output 1: Policy Advice and Information

The development of policy and the provision of general advice and information for the:

- Minister and other Executive Government members and groups, (including Cabinet);
- inter-government Executive Management groups;
- other government agencies and bodies.

Output 2: Driver-Operator/Vehicle/Passenger Regulatory Services

The provision of services to ensure the efficient and effective licensing and accreditation of drivers and vehicles. Regulatory services provided include:

- accreditation of passenger service drivers and operators;
- establishing and enforcing regulations for taxis and passenger carrying vehicles;
- inspection and enforcement of stipulated driver, operator and passenger conduct.

Output 3: Public Transport Asset Maintenance

The provision of services to efficiently and effectively manage public transport infrastructure including ticketing infrastructure.

Output 4: Metropolitan Public Transport Services

The development and management of contracted passenger transport services, to ensure the provision of user friendly and affordable regular passenger transport services in the Adelaide metropolitan area.

Output 5: Non-Metropolitan Public Passenger Services

Regulation and partially funding passenger transport services within the country and regional areas, and fostering rural transport initiatives.

Output 6: Accessible Passenger Services

The provision of targeted transport assistance to groups with special needs by subsidising taxi travel (South Australian Transport Subsidy Scheme), provision of fully-accessible passenger transport and the contract management of Access Cabs.

Output 7: Strategic Plan

The development of strategic plans for the provision of passenger transport.

Output 8: Information and Advice to the Public and Industry

The provision of information to the public and industry in respect of all transport services, including the provision to customers of a comprehensive, centralised passenger transport information service that operates across a multi-modal and multi-operator metropolitan passenger transport system.

4. Payments to Metropolitan Service Contractors

Represents payments to Metropolitan Service Contractors to provide bus and rail passenger transport services in the metropolitan area. For the majority of the financial year, these payments were made to TransAdelaide, Serco, Hills Transit and Transit Regency.

During the financial year the Passenger Transport Board successfully transitioned new operators for the provision of Adelaide's metropolitan bus services. The five year contracts are with Torrens Transit, Serco, Australian Transit Enterprises and Transit Plus in seven new contract areas. Metropolitan rail contracts remain with TransAdelaide.

5. Grants and Subsidies

Grants and subsidies comprise:

	2000	1999
	\$'000	\$'000
Concessions for people with mobility difficulties (Transport Subsidy Scheme)	6 706	5 819
Concessions for older people and students on country route services and regional cities	3 111	2 577
Regional cities bus operating subsidies	981	782
Disabilities Discrimination Act 1992 initiatives	2	4
Community passenger networks ⁽¹⁾	313	165
State rail concession reimbursement	-	346
	11 113	9 693

(1) The expansion of this item is due to a Cabinet approved increase in the operating and traineeship programs within the Community Passenger Networks.

6. Employee Entitlements

(a) Employee Costs

Salaries	3 853	2 734
Superannuation and payroll tax expense	644	520
Annual leave expense	399	227
Long service leave expense	59	124
Other employee related expenses	61	97
	5 016	3 702

6. Employee Entitlements (continued)						
(b) Provision for Employee Entitlements				2000		1999
				\$'000		\$'000
Current Liabilities:						
Annual leave				295		189
Long service leave				20		-
				315		189
Non-Current Liabilities:						
Long service leave				547		525
7. Depreciation						
Depreciation was charged in respect of:						
Crouzet ticketing equipment				1 026		1 116
Plant and equipment				161		122
Furniture and fittings				124		102
Accessible taxi vehicles				19		33
Bus Interchanges				20		16
Bus stop information panels				57		45
				1 407		1 434
8. Other Expenses						
Other expenses includes a net loss arising from the disposal of non-current assets.						
Proceeds from the disposal of non-current assets				1		26
Less: Written down value of non-current assets				2		42
Net loss				1		16
9. Appropriation						
During the year the Passenger Transport Board received a cash appropriation of \$164 692 000 (\$155 407 000). A further \$4 803 000 has been accrued in relation to additional funding provided to TransAdelaide for additional depreciation expenses resulting from the revaluation of the Adelaide Railway Station.						
10. User Charges, Fees and Fines				2000		1999
User charges, fees and fines comprise:				\$'000		\$'000
Metroticket sales				47 636		46 713
Ticket equipment lease				5 545		6 433
Accreditations of drivers and operators of passenger transport services				964		983
Taxi licence revenue				172		-
Country bus route licences				260		241
Sale of blank tickets to operators				184		243
Expiation notices				183		245
				54 944		54 858
11. Contributions from Other Government Agencies						
Contributions from other Government agencies comprise:						
State Government reimbursements ⁽¹⁾				27 879		27 088
State-Local Government Reform Fund - Regional cities bus service				971		792
Home and Community Care				209		333
				29 059		28 213
(1) This item represents fare concession receipts from various State Government agencies to fund concessional travel provided to pensioners, the unemployed, and students on passenger transport in metropolitan and non-metropolitan areas.						
12. Receivables				2000		1999
Receivables consists of:				\$'000		\$'000
Debtors				6 401		2 837
Less: Provision for doubtful debts				38		38
				6 363		2 799
Accrued interest				57		48
				6 420		2 847
13. Property, Plant and Equipment						
		2000				1999
		Cost/	Accumulated	Written	Cost/	Accumulated
		Valuation	Depreciation	Down	Valuation	Depreciation
Asset Class:		\$'000	\$'000	\$'000	\$'000	\$'000
Crouzet ticketing equipment:						
At valuation		13 118	10 426	2 692	-	-
At cost		1 722	-	1 722	12 905	9 400
Plant and equipment at cost		1 245	533	712	665	393
Furniture and fittings at cost		1 062	383	679	797	258
Bus stop information panels at cost		439	116	323	369	60
Accessible taxi vehicles:						
At cost		145	91	54	145	72
At valuation		387	387	-	387	386
Land at valuation		2 103	-	2 103	1 824	-
Bus Interchanges at cost		383	47	336	113	27
Work in progress at cost ⁽¹⁾		55	-	55	-	-
Totals		20 659	11 983	8 676	17 205	10 596
						6 609

(1) Work in progress comprises costs related to the Southern O'Bahn feasibility study.

Passenger Transport Board

14. Creditors and Accruals		2000	1999
Creditors and accruals comprise:		\$'000	\$'000
Metropolitan service contractors		6 756	3 470
Grants and subsidies		493	693
Administration and service costs		1 763	1 092
Employee costs		73	263
Interest		45	48
Consultants		8	39
Asset purchase		2 030	53
Loan repayment		1 000	-
		12 168	5 658
		12 168	5 658
Current liabilities		12 103	5 595
Non-current liabilities		65	63
		12 168	5 658
15. Borrowings			
The Board is responsible to the Department of Treasury and Finance for the payment of interest and the repayment of principal in respect of all loans. These borrowings relate mainly to the transfer of Crouzet ticketing equipment from TransAdelaide as a consequence of a restructure of the Transport Portfolio. The Board has provided for a repayment of \$1 million in creditors and accruals. The cash was transferred in July 2000.			
16. Changes in Equity		2000	1999
(a) Accumulated Surplus		\$'000	\$'000
The movement in accumulated surplus is:			
Balance 1 July		7 978	2 137
Increase in Net Assets Resulting from Operations		10 560	5 841
Balance 30 June		18 538	7 978
(b) Asset Revaluation Reserve			
Asset revaluation reserve arises from the revaluation of the following assets:			
Land		414	414
Crouzet ticketing equipment		213	-
		627	414
17. Reconciliation of Net Cost of Services to Net Cash provided by Operating Activities			
Net cost of services		(158 935)	(149 566)
Cash flows from government		169 495	155 407
Items not involving cash:			
Depreciation		1 407	1 434
Assets written off		(4)	-
Loss on sale of assets		1	16
Provision for doubtful debts		-	(24)
Changes in operating assets and liabilities:			
Receivables		(3 573)	(478)
Inventories		54	(115)
Prepayments		131	(32)
Creditors and accruals		3 534	1 067
Provision for employee entitlements		148	104
Net Cash provided by Operating Activities		12 258	7 813
18. Remuneration Benefits		2000	1999
(a) Board Members Remuneration		Number of	Number of
The number of Members of the Passenger Transport Board whose remuneration received or receivable falls within the following bands were:			
\$10 000 - \$19 999		4	4
\$20 000 - \$29 999		1	1
The aggregate remuneration received by Members was \$100 000 (\$107 000).			
In accordance with the Department of the Premier and Cabinet Circular No. 100, one member (R J Dennis) did not receive any remuneration as he was an employee of the Government.			
(b) Employee Remuneration		2000	1999
The number of employees whose remuneration received or receivable falls within the following bands were:			
\$100 000 - \$109 999		1	1
\$110 000 - \$119 999		1	-
\$120 000 - \$129 999		1	-
\$140 000 - \$149 999		-	1
\$150 000 - \$159 999		1	-
The aggregate remuneration received by these employees was \$494 000 (\$249 000).			

19. Targeted Voluntary Separation Package (TVSP) Scheme	2000	1999
	Number	Number
Number of employees paid TVSPs	-	2
Amounts paid to these employees:	\$'000	\$'000
TVSP	-	47
Accrued annual leave and long service leave	-	2
	<hr/>	<hr/>
	-	49
	<hr/> <hr/>	<hr/> <hr/>
Amount recovered from the Department of the Premier and Cabinet	-	47

20. Remuneration of Auditors
 The amount due to and receivable by the Auditor-General's Department for auditing the accounts for the year was \$57 000 (\$42 000). The auditors received no other benefits.

21. Related Party Transactions
 The names of the persons who were Board Members of the Passenger Transport Board at any time during the financial year are as follows:

M M Wilson	N J Buddle
G J Crafter	D Egen
H M l'Anson	R J Dennis

No Member or employee has declared any interests in contracts involving the Passenger Transport Board during the 1999-2000 financial year.

The Members of the Passenger Transport Board have transactions with the Board 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.

22. Consultancies
 During the year the Board engaged 14 consultants to assist in its operations. The cost of these consultancies was \$349 000 (\$619 000).

	2000	1999
	Number of	Number of
	Consultancies	Consultancies
The number of consultancies whose payments fell within the following bands were:		
\$0 - \$10 000	6	6
\$10 001 - \$50 000	5	7
\$50 001 and above	3	3

23. Leases	2000	1999
(a) Operating Leases Payable	\$'000	\$'000
Commitments under operating leases as at 30 June are payable as follows:		
Not later than one year	34 878	1 283
Later than one year and not later than five years	141 980	4 957
Later than five years	1 002	2 162
	<hr/>	<hr/>
	177 860	8 402
	<hr/> <hr/>	<hr/> <hr/>

The Passenger Transport Board leases depots and buses, property for office accommodation and motor vehicles. Since the commencement of the seven new metropolitan bus contracts, the Passenger Transport Board has had the responsibility for payment to Transport SA for the leases of buses and depots. The Board receives, as part of its Parliamentary appropriation, an equivalent amount of funding to cover these commitments.

Terms for property leases vary up to ten years with rents payable monthly in advance. Rental provisions within the lease agreements require lease payments be reviewed and amended in line with movements in market rental values or CPI. An option exists to renew some of the leases at the end of the lease term. Motor vehicles are leased for two or three year terms with lease payments reviewed annually.

(b) Operating Leases Receivable	2000	1999
Receivable:	\$'000	\$'000
Not later than one year	15	30
Later than one year but not later than five years	-	15
	<hr/>	<hr/>
	15	45
	<hr/> <hr/>	<hr/> <hr/>

The Passenger Transport Board owns Accessible Taxi Cabs that it leases to Specialised Transport Systems on a fixed four year term. Contingent rentals are based on interest rates specified in the lease agreements. As at 30 June 2000, the gross value of these assets is \$145 000, accumulated depreciation is \$91 000 and written down value is \$54 000. Depreciation expense for 1999-2000 was \$18 000.

24. Agreements Equally and Proportionately Unperformed

The Board has entered into a number of contracts with service providers of metropolitan transport services. The contract areas, service providers and contract expiry dates are as follows:

Contract Area	Service Provider	Contract Expiry Date
Aldinga Region	Transit Regency	31 December 2000
Outer South	Australian Transit Enterprises (ATE)	23 April 2005
North South	Serco	23 April 2005
Outer North	Serco	23 April 2005
Outer North East	Serco	23 April 2005
East West	Torrens Transit	23 April 2005
City Free	Torrens Transit	23 April 2005
Mt Barker Region	Transit Plus	23 April 2005
Adelaide Hills	Transit Plus	23 April 2005
Train operations	TransAdelaide	1 July 2005
Tram operations	TransAdelaide	1 July 2005
Train infrastructure	TransAdelaide	1 July 2005
Tram infrastructure	TransAdelaide	1 July 2005

Agreements equally and proportionately unperformed (AEPUs) as at 30 June are as follows:	2000 \$'000	1999 \$'000
Not later than one year	155 313	175 427
Later than one year but not later than five years	604 986	18 572
	760 299	193 999

The AEPUs have been calculated by extrapolating contract payments for each contract area during 1999-2000 to the contract expiry date. Contract payments are based on the contract funding formula which includes a fixed component plus an incentive component to reward increased patronage.

During the 1999-2000 financial year, the Passenger Transport Board implemented five year contracts with Torrens Transit, Serco, Australian Transit Enterprises and Transit Plus in seven new metropolitan bus contract areas.

Currently the Passenger Transport Board is commencing negotiations with TransAdelaide for the operation of metropolitan rail and tram services for the next five years.

These AEPUs are not recognised in the financial report.

25. Administered Items

(a) Passenger Transport Research and Development Fund

Pursuant to section 62 of the *Passenger Transport Act 1994*, the Board administers on behalf of the Minister for Transport and Urban Planning the Passenger Transport Research and Development Fund (an interest bearing Deposit Account at the Department of Treasury and Finance).

The Fund may be applied by the Minister in consultation with the Board:

- (i) for the purpose of carrying out research into the taxi-cab industry; or
- (ii) for the purpose of promoting the taxi-cab industry; or
- (iii) for any other purpose considered by the Minister and the Board to be beneficial to the travelling public, in the interests of the passenger transport industry, and an appropriate application of money standing to the credit of the Fund.

	2000 \$'000	1999 \$'000
Balance at 1 July	2 865	3 406
Add: Receipts during the year	129	160
Less: Payments during the year	919	701
	2 075	2 865

(b) Criminal Injuries Compensation Levy

In accordance with the *Expiation of Offences Act 1996*, and on behalf of the Attorney-General's Department, the Board collects criminal injuries compensation levies. For 1999-2000, the amount collected and paid to the Attorney-General's Criminal Injuries Compensation Fund was \$8 000 (\$12 000).

26. Contingent Liabilities

A claim for reimbursement of concessional travel on SA Country Rail services is expected to be received from the Commonwealth. The claim relates to the 1999-2000 financial year. The Board will seek reimbursement for the full amount of this claim from the Department of Human Services in line with the State Government funding arrangements.

27. **Financial Instruments**

(a) **Terms, Conditions and Accounting Policies**

Financial Instrument	Note	Accounting Policies and Methods (including Recognition Criteria and Measurement Basis)	Nature of Underlying Instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows).
Financial Assets			
Cash at bank and on hand		Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	The Passenger Transport Board (PTB) invests surplus funds with the Department of Treasury and Finance in a Special Deposit Account. Interest is paid quarterly on the average daily balance of the account at an interest rate determined by the Treasurer for the balance up to the PTB level of borrowings and at the average 90 day bank bill rate for the balance over the level of borrowings. For the quarter ended 31 May 2000 the interest rate earned was 8.45 percent (the Common Public Sector Interest Rate) and the 90 day bank bill rate was 5.58 percent.
Receivables	11	These receivables are recognised at the nominal amounts due less any provision for doubtful debts. Collectability of debts is reviewed at balance date. Amounts are recognised when services are provided.	Standard credit terms are net 30 days.
Loan Receivable		This loan is recognised at its nominal value.	This working capital loan is repayable on demand and is free of interest.
Financial Liabilities			
Creditors and accruals	13	Creditors and accruals are recognised at their nominal amounts. Liabilities are recognised to the extent that goods and services have been received.	Creditors are paid within 30 days.
Borrowings	14	Borrowings are recognised at their nominal amounts.	Borrowings relate to borrowings from the Department of Treasury and Finance. Interest is paid quarterly at a rate determined by the Treasurer. For the quarter ended 31 May 2000 the interest rate was 8.45 percent (the Common Public Sector Interest Rate). A guarantee fee charge is also paid to the Department of Treasury and Finance on these borrowings at the annual rate of 0.75 percent. No maturity date exists for these borrowings.

(b) **Interest Rate Risk**

Financial Instrument	Note	2000			Weighted Average Effective Interest Rate Percent	1999			Weighted Average Effective Interest Rate Percent
		Floating Interest Rate \$'000	Non-Interest Bearing \$'000	Total \$'000		Floating Interest Rate \$'000	Non-Interest Bearing \$'000	Total \$'000	
Financial Assets (Controlled):									
Cash at bank and on hand		21 744	17	21 761	8.5	10 768	17	10 785	8.8
Receivables	11	-	6 420	6 420	-	-	2 847	2 847	-
Loan receivable		-	40	40	-	-	40	40	-
Total financial assets		21 744	6 477	28 221		10 768	2 904	13 672	
Total Assets				37 144				20 713	
Financial Assets (Administered):									
Cash	24	2 075	-	2 075	5.6	2 865	-	2 865	4.9
Financial Liabilities (Controlled):									
Creditors and accruals	13	-	12 168	12 168	-	-	5 658	5 658	
Borrowings	14	4 949	-	4 949	8.5	5 949	-	5 949	8.8
Total Financial Liabilities		4 949	12 168	17 117		5 949	5 658	11 607	
Total Liabilities				17 979				12 321	

(c) **Net Fair Values of Financial Assets and Liabilities**

The net fair values of the financial assets and liabilities in these accounts approximate their carrying values.

(d) **Credit Risk Exposure**

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

SOUTH AUSTRALIAN FILM CORPORATION

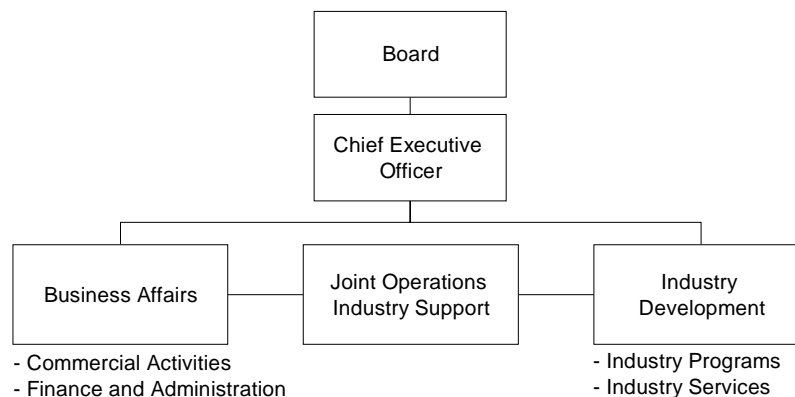
FUNCTIONAL RESPONSIBILITY

The South Australian Film Corporation was established pursuant to the *South Australian Film Corporation Act 1972*.

The main roles the Corporation performed during 1999-2000 were the:

- provision of financial assistance for developing and producing films and videos;
- promotion of a South Australian film/video industry.

The structure of the Corporation is shown in the following diagram:



SIGNIFICANT FEATURES

- During the year the Corporation received a further \$1.5 million from the South Australian Government. This was paid into the Revolving Fund which is to be used to provide loans to film productions. Refer Note 29.
- Income from Arts SA for film development decreased by \$1 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 31(2) of the *South Australian Film Corporation Act 1972* 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.

During 1999-2000 the auditable areas included:

- accounts payable
- distribution of returns receipts and payments
- accounts receivable
- general ledger
- studio inventory
- asset register
- receipting and banking
- budgetary control
- salaries
- investments and loans.

Audit Communications to Management

During the year a letter communicating issues arising from the audit was forwarded to the Chief Executive Officer and a satisfactory response was received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

An assessment of the extent and nature of the Corporation's internal control structure, conducted as part of the planning process, considered the levels of controls to be generally satisfactory.

That assessment was supported by the substantive testing of transactions throughout the financial year which did not reveal any material errors.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Film 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. 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 Film 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 and Expenditure Statement

The Corporation achieved an operating surplus of \$1.5 million the same as the previous year.

The decrease in income of \$839 000 is due principally to the Corporation receiving a reduction in film development income of \$1 million during 1999-2000. This reduction is due in part to the Corporation receiving a one off special allocation in 1998-99 for the production of a television series. (Refer Note 23).

The decrease in expenditure of \$843 000 is mainly attributable to the amortisation of film investments and loans expenditure being \$827 000 lower than last year. This is a direct result of the decrease in film development income which has resulted in a decrease in investments in film production of \$903 000.

In viewing the recorded operating result for the year it is important to have regard to explanations provided in Notes 1.2, 2 and 6 concerning expenditure and commitments under the Corporation's film development program. Commitments entered into at 30 June 2000 amounted to \$829 000.

The difference between grant income and expense does not necessarily reflect in the operating surplus of the Corporation as amounts of unsecured loans/investments are amortised each year. In 1999-2000 \$1.5 million was amortised, as compared to \$2.3 million in the previous year.

Note 25 records the dependency of the Corporation on annual appropriations of funds from the Government. Program grants are either expensed in the year they are made or are provided as unsecured loans or investments.

Income and Expenditure Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
INCOME:			
Programs:			
Film development	2	1 716	2 701
Government Film Fund	2	438	301
Operating grants		994	973
Revolving fund appropriation	29	1 500	1 500
Studio revenue		630	509
Film development and production	3	254	300
Film investments		96	176
Other	4	95	203
Interest	5	229	128
Total Income		5 952	6 791
EXPENDITURE:			
Programs:			
Film development grants	6	299	313
Government Film Fund	7	492	266
Salaries and related expenses	1.4,8,30	894	904
Board fees and related expenses	26	90	87
Operating overheads	9	872	870
Building rent		145	109
Amortisation of film investments and loans	1.5	1 456	2 283
Depreciation and amortisation	1.5	182	191
Provision for Treasury recoupment from investment returns	23	-	250
Total Expenditure		4 430	5 273
OPERATING SURPLUS	1.2	1 522	1 518
ACCUMULATED DEFICIT AT 1 JULY		4 487	*6 005
ACCUMULATED DEFICIT AT 30 JUNE		2 965	4 487

* Adjusted

Balance Sheet as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash at bank and on hand	1.6,10	122	166
Short-term deposits		2 865	1 466
Inventories	1.7	12	*14
Receivables	1.4,11	264	238
Production loans	12,29	690	930
Total Current Assets		3 953	2 814
NON-CURRENT ASSETS:			
Plant, equipment and leasehold improvements	13	933	1 067
Back catalogue marketing expenditure recoverable	14	16	8
Productions and projects in progress	15	128	128
Investments and loans:			
Film production investments and unsecured loans	1.5,16,17	710	837
SAFC Productions Ltd	18	10	10
Production loans	12,29	706	250
Total Non-Current Assets		2 503	2 300
Total Assets		6 456	5 114
LIABILITIES:			
CURRENT LIABILITIES:			
Creditors and accruals		292	203
Undisbursed distribution returns accounts	19	120	164
Provision for employee entitlements	1.4,20	39	61
Borrowings	21	111	152
Other provisions		-	44
Total Current Liabilities		562	624
NON-CURRENT LIABILITIES:			
Investments in productions and projects in progress	22	103	103
Provision for employee entitlements	1.4,20	6	13
Borrowings	21	40	151
Other provisions	23	250	250
Total Non-Current Liabilities		399	517
Total Liabilities		961	1 141
NET ASSETS		5 495	3 973
EQUITY:			
Capital contribution from State Government		8 460	8 460
Less: Accumulated deficit		2 965	*4 487
TOTAL EQUITY		5 495	3 973
Commitments	1.2		

* Adjusted

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:			
Income from State Government		4 401	5 475
Studio, film development, film investment and documentary sales income		1 015	881
Interest		218	128
Other		305	735
PAYMENTS:			
Salaries and wages		(923)	(929)
Programs and suppliers		(3 461)	(4 947)
Net Cash provided by Operating Activities	24.2	1 555	1 343
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Proceeds from sale of fixed assets		-	10
PAYMENTS:			
Payments for purchases of plant, equipment and leasehold improvements		(48)	(19)
Net Cash used in Investing Activities		(48)	(9)
CASH FLOWS FROM FINANCING ACTIVITIES:			
PAYMENTS:			
Repayment of borrowings		(152)	(552)
Net Cash used in Financing Activities		(152)	(552)
NET INCREASE IN CASH HELD		1 355	782
CASH AT 1 JULY		1 632	850
CASH AT 30 JUNE	24.1	2 987	1 632

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

1.1 General

The financial statements have been prepared on the basis of historical cost and are in accordance with the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*, appropriate Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views). The accrual method of accounting has been used. They do not take into account changing money values or, except where stated, the current valuations of non-current assets.

1.2 Commitments

The year end result identifying a surplus of \$1.522 million (\$1.518 million) does not account for financial commitments totalling \$829 000 (\$809 000) (refer Note 2), which the Board has made prior to 30 June 2000, through contracts and/or deal letters with producers involving scheduled payments after 30 June 2000. When disbursed these commitments will represent assets in the case of investments and loans, and expenditures in the case of grants.

1.3 Group Financial Statements

Consolidated financial statements have not been prepared for the Corporation because the application of the Australian Accounting Standard AAS 24 'Consolidated Financial Reports' in this instance is not considered to be of material consequence. At 30 June 2000, the net assets of the wholly owned controlled entity SAFC Productions Ltd were \$11 000 (\$11 000) (refer Note 18).

1.4 Provisions

Doubtful Debtors

The collectibility of trade debts is assessed annually and provision is made for any specific doubtful accounts.

Employee Entitlements

Provision has been made in the financial statements, where stated, 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 (superannuation, payroll tax and workers' compensation insurance) have been included in creditors and accruals.

- Annual Leave
Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates.
- Long Service Leave
Provision has been made for employee entitlements for long service leave and represents the 'short-hand' estimation of long service leave liability in accordance with the provisions of Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. The liability determination took into consideration an analysis of each of the Corporation's employees' long service leave entitlements. Based on this analysis a provision for long service leave has been made at current pay rates for all salaried staff who have completed seven or more years of continuous service.
- 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.

1. **Statement of Accounting Policies (continued)**

1.5 **Depreciation and Amortisation**

Depreciation/Amortisation of Plant, Equipment and Leasehold Improvements

	Method	Rates Percent	Depreciation/ Amortisation Expense	
			2000 \$'000	1999 \$'000
Depreciation and amortisation policies and expenses are as follows:				
Class of Assets:				
Leasehold Improvements	Straight Line	10,20	15	14
Production, projection editing and sound equipment	Straight Line	10,20	124	127
Office furniture and equipment	Straight Line	10,20,33	43	50
			182	191

Depreciation rates and methods are reviewed annually.

Amortisation of Film Production Investments and Film Development Unsecured Loans

The Corporation acknowledges the high level of risk and low rate of return on film investments and loans and accordingly reviews annually its portfolio of investments and unsecured loans made under the Film Development Program and uses its professional judgement to determine the level of amortisation required (refer Notes 16 and 17).

1.6 **Cash at Bank**

The Corporation manages the disbursement of investment returns on behalf of investors. In taking into account the management of these investment accounts the Corporation has included in the financial statements undisbursed investors funds held as a current asset (Cash at bank and on hand) (refer Note 10) and a current liability (Undisbursed distribution returns accounts) (refer Note 19).

1.7 **Inventories**

The Corporation performs a physical stocktake annually to determine obsolete stock. Inventories are valued at their average cost.

2. **Program Funds**

The Corporation administers specific programs which are funded by grants from Arts SA.

Applications by film producers and scriptwriters for investments, loans and grants under the Film Development Program require approval by the Board when the commitment exceeds \$50 000. Applications involving commitments for less than \$50 000 are approved by a Committee or the Chief Executive Officer under delegation from the Board. Decisions to commit funding are implemented through commitment letters and, in the case of investments and loans, contracts between the Corporation and the applicant producer/production company. Payments are made in accordance with contracted cash flows.

For the year ending 30 June 2000, the Corporation approved commitments or signed contracts totalling \$2.054 million (\$2.623 million).

At 30 June 2000 the Corporation held undisbursed funds totalling \$1.062 million (\$1.028 million), of which \$829 000 (\$809 000) was committed to be disbursed in subsequent financial years.

	Film Dvlpmnt \$'000	Govt Films \$'000	2000 \$'000	1999 \$'000
Undisbursed funds brought forward	654	374	1 028	837
Income from State Government:				
Program grants:				
Arts SA	1 479	200	1 679	2 901
Contributions from other State Government agencies	-	238	238	101
Income from State Government	1 479	438	1 917	3 002
Other Income	237	-	237	-
Total Income	1 716	438	2 154	3 002
Funds available	2 370	812	3 182	3 839
Less: Disbursed (refer Notes 6 and 7)	1 628	492	2 120	2 811
Undisbursed Funds at 30 June	742	320	1 062	1 028
Less: Commitments	572	257	829	809
Uncommitted Funds at 30 June	170	63	233	219

3. **Film Development and Production Income**

Film development and production income comprises:

Investment returns	212	276
Interest from film projects	24	5
Administration fees charged	18	19
	254	300

4. **Other Income**

Other income comprises:

Executive Producer fees	48	64
Fees for services to productions	11	27
Training subsidy - National Training Wage	30	16
Insurance recoveries	-	52
Debt extinguished	-	25
Sale of fixed assets	-	10
Documentary sales	6	9
	95	203

5. Interest		2000	1999
		\$'000	\$'000
SAFA Interest		85	83
Interest on Revolving Fund transactions:			
SAFA Interest		86	14
Interest on loans		58	31
		<u>229</u>	<u>128</u>
6. Film Development Program			
Expenditure and commitments under the Film Development Program includes amounts previously approved by Filmsouth. Total expenditure and commitments for the year were:			
	Unsecured		
	Loans	Investments	Grants
	\$'000	\$'000	\$'000
Expenditure:			
Project development and production investment	310	536	-
Professional development	-	-	70
Creative development scheme	-	483	-
Cultural organisations	-	-	229
Total expenditure for year	<u>310</u>	<u>1 019</u>	<u>299</u>
Add: Commitments due to be paid	91	451	30
Total Expenditure and Commitments for Year	<u>401</u>	<u>1 470</u>	<u>329</u>
			2000
			\$'000
			1999
			\$'000
			846
			70
			483
			229
			2 545
			514
			3 059
7. Government Film Fund			
Government Film Fund expenditure and commitments comprise:			
Expenditure:			
Production costs			492
Add: Commitments due to be paid			257
Total Expenditure and Commitments for Year			<u>749</u>
			561
8. Superannuation			
The Corporation contributes to an externally managed fund in respect of the provision of future retirement benefits for members of the Corporation's employer sponsored superannuation scheme. In addition, pursuant to the Commonwealth Government's Superannuation Guarantee Legislation payments were made to State and private superannuation schemes on the following basis:			
•	Members of the Corporation sponsored fund	:	3
	percent of eligible earnings		
•	Non-members	:	7 percent of eligible earnings
The Corporation does not guarantee the performance of any of the funds.			
		2000	1999
		\$'000	\$'000
Payments made were:			
Commonwealth Government Superannuation Guarantee Legislation:			
State Superannuation Benefits Scheme		2	4
Private superannuation schemes		81	70
Corporation Sponsored Fund		4	8
		<u>87</u>	<u>82</u>
9. Operating Overheads			
Operating overheads comprise:			
Industry promotion		81	83
Industry participation		39	39
Utility expenses		91	93
Legal and other professional services		168	150
Motor vehicle and travelling		115	112
Repairs and maintenance		17	88
Stationery and photocopier expenses		39	33
Telephones and communication		31	51
Audit fees		34	30
Freight and courier		30	27
Contract cleaning and associated expenses		47	45
Committee fees		8	7
Staff expenses		54	30
Computer supplies and related expenses		45	33
Annual Report		18	17
Publicity in trade magazines		7	3
Interest on borrowings from State Government		11	21
Other		37	8
		<u>872</u>	<u>870</u>
10. Cash at Bank and on Hand			
Cash at bank and on hand comprises:			
SAFC operations		2	2
Undisbursed Distribution Returns Accounts (refer Note 19)		120	164
		<u>122</u>	<u>166</u>

11. Receivables		2000	1999
Receivables comprise:		\$'000	\$'000
Trade debtors		195	230
Less: Provision for doubtful debts		2	2
		193	228
Add: Accrued revenue		26	5
Sundry debtors and prepayments		45	5
		264	238

12. Production Loans			
The amounts due for Production Loans comprises:			
Revolving Fund loans (refer Note 29):			
Due in 12 months		690	930
Due in more than 12 months		706	250
		1 396	1 180

These loans have been made to the following productions:

Sample People		346	380
Innocence		147	-
Nijinsky		113	-
Serenades		790	-
Siam Sunset		-	800
		1 396	1 180

All loans are secured against distribution guarantees of the film. In addition, the Corporation has a deed of charge over certain assets of the production company, including its right to receive income from the film.

13. Plant, Equipment and Leasehold Improvements		Historic Cost	Accumulated Depreciation/Amortisation	Depreciated Value	
Plant, equipment and leasehold improvements comprises:				2000	1999
		\$'000	\$'000	\$'000	\$'000
Leasehold improvements		1 659	1 564	95	95
Production, projection, editing and sound equipment		1 653	929	724	840
Office furniture and equipment		620	506	114	132
		3 932	2 999	933	1 067

14. Back Catalogue Marketing Expenditure Recoverable

The Corporation annually reviews outstanding back catalogue marketing expenses recoverable relating to the Corporation's own productions which have been previously capitalised in its Balance Sheet and amortises those considered uncollectable.

		2000	1999
		\$'000	\$'000
Back catalogue marketing expenses recoverable		106	98
Less: Accumulated amortisation		90	90
Unamortised Balance at 30 June		16	8

15. Productions and Projects in Progress

Productions and projects in progress comprises one project entitled *Two Weeks with the Queen* for which the Corporation owns the copyright and has been granted Ministerial approval to remain as producer. The value of this project at 30 June was \$128 000 (\$128 000) which includes investment obtained from the private sector as well as from the Project Development Fund (refer Note 22).

16. Film Production Investments

Investments:		2000	1999
		\$'000	\$'000
Balance at 1 July		6 086	4 165
Add: Investments during the year (refer Note 6)		1 019	1 921
Balance 30 June		7 105	6 086
Less: Accumulated amortisation		6 395	5 249
Unamortised Balance at 30 June		710	837

17. Film Development Unsecured Loans:

Balance 1 July		1 873	1 562
Add: Loans during the year (refer Note 6)		310	311
		2 183	1 873
Less: Accumulated amortisation		2 183	1 873
Unamortised Balance at 30 June		-	-

18. SAFC Productions Ltd

SAFC Productions Ltd was incorporated on 31 March 1983 for the purposes of financing and producing films. Its issued share capital of 10 100 shares of one dollar each is wholly owned by the Corporation. Consolidated financial statements are not prepared in view of the limited contribution of the subsidiary company.

At 30 June 2000 the net assets of the company were \$11 000.

19. Undisbursed Distribution Returns Accounts	2000	1999
Operations for the year were:	\$'000	\$'000
Balance at 1 July	<u>164</u>	110
<i>Add:</i> Receipts:		
Royalties, distribution advances, etc	<u>455</u>	576
<i>Less:</i> Expenditure:		
Disbursements to investors	<u>293</u>	238
Marketing expenditure	<u>54</u>	68
Other	<u>152</u>	216
	<u>499</u>	522
Balance at 30 June	<u>120</u>	164
20. Provision for Employee Entitlements		
Provision for employee entitlements comprise:		
Current Liabilities:		
Provision for annual leave	<u>39</u>	43
Accrued salaries	<u>-</u>	18
	<u>39</u>	61
Non-Current Liability:		
Provision for long service leave	<u>6</u>	13
21. Borrowings		
21.1 Digital Sound and Studio Upgrade Loan Facility		
The Corporation has entered into an interest free loan facility with its former landlord, National Mutual Health Insurance Pty Ltd, to the value of \$260 000 for various digital sound and studio upgrades. At 30 June \$31 000 (\$103 000) was outstanding on this loan facility. Loan repayments are due as follows:		
	2000	1999
	\$'000	\$'000
Due in 12 months	<u>31</u>	72
Due in more than 12 months	<u>-</u>	31
	<u>31</u>	103
21.2 Harrison Series 12 Loan		
The Corporation received a loan facility from Arts SA for \$400 000 to assist with the purchase of a Harrison Series 12 mixing console. Interest of 5.7 percent per annum is payable on this loan. Loan repayments are due as follows:		
	2000	1999
	\$'000	\$'000
Due in 12 months	<u>80</u>	80
Due in more than 12 months	<u>40</u>	120
	<u>120</u>	200
22. Investments in Productions and Projects in Progress		
Included in productions and projects in progress (refer Note 15) are investments totalling \$103 000 (\$103 000) which are required to be repaid to investors when projects are funded for actual production. These investors include the Australian Film Commission and Cinema Verity (United Kingdom).		
23. Other Provisions		
On 28 January 1999, Cabinet approved a special allocation of \$500 000 for the television series, Chuck Finn. A condition of this allocation was that the Corporation would guarantee to repay \$250 000 to Treasury on or before 30 June 2007 from investment returns for the series. The Corporation has therefore made a provision of \$250 000 for the required recoupment to Treasury.		
The Corporation has a corporate guarantee from the series producer, Barron Entertainment Ltd, who have undertaken to meet any shortfall between returns from the series and \$250 000 as at 30 June 2007.		
24. Notes to the Statement of Cash Flows		
24.1 Reconciliation of Cash		
For the purposes of the Statement of Cash Flows, cash consists of cash on hand and at bank and investments in money market instruments.		
Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
	2000	1999
	\$'000	\$'000
Cash at bank and on hand	<u>122</u>	166
Short-term deposits	<u>2 865</u>	1 466
	<u>2 987</u>	1 632

24.	Notes to the Statement of Cash Flows (continued)	2000	1999
	24.2 Reconciliation of Net Cash used in Operating Activities to Operating Surplus	\$'000	\$'000
	Operating surplus	1 522	1 518
	Non-cash flows in operating surplus:		
	Amortisation of film investments and loans	1 456	2 283
	Depreciation and amortisation	182	191
	Profit on sale of fixed assets	-	(10)
	Changes in assets and liabilities:		
	Decrease (Increase) in inventories	2	(10)
	Increase in receivables	(26)	(160)
	Increase in back catalogue marketing expenditure recoverable	(8)	(2)
	Increase in film production investments and loans	(1 329)	(2 232)
	Increase in production loans	(216)	(506)
	Increase (Decrease) in creditors and accruals	89	(27)
	(Decrease) Increase in undisbursed distribution returns accounts	(44)	54
	Decrease in provision for employee entitlements	(29)	(25)
	(Decrease) Increase in other provisions	(44)	294
	Debt forgiven	-	(25)
	Net Cash provided by Operating Activities	1 555	1 343

24.3 Tax Status

The activities of the Corporation are exempt from Commonwealth income tax and sales tax but subject to other Commonwealth taxes such as fringe benefits tax and other State taxes (including payroll tax).

25. Economic Dependency

The ongoing activities of the Corporation in stimulating the continued development of the film industry in South Australia are dependent on the annual appropriation of funds from government. Any significant reduction in amounts appropriated would have a detrimental impact on the operations of the Corporation and decrease the economic and cultural benefits generated by the State's film industry.

26. Remuneration of Board Members and Employees

	Board Members	2000	1999
	Remuneration paid to Board members or their related parties was in the following bands:	Number of	Number of
		Members	Members
	\$0 - \$10 000	11	8
	\$10 001 - \$20 000	1	1

The aggregate remuneration referred to in the table above for all members was \$73 000 (\$77 000)

The following people held office as Board members for the full year ended 30 June 2000:

T Whiting	W Marshall
H Thorne	J Ballantyne
M Andreacchio	B Loane

The following people held office as Board members during the year ended 30 June 2000:

D Tonkin	(1 July 1999 to 31 December 1999)
R de Heer	(1 July 1999 to 29 May 2000)
J Murphy	(1 July 1999 to 31 January 2000)
P Martin	(2 February 2000 to 30 June 2000)
M Mason	(2 February 2000 to 30 June 2000)
A Edwards	(2 February 2000 to 30 June 2000)

V Sowry and K McLean acted as Deputy Board members from 2 February 2000 to 30 June 2000.

Employees

The Corporation had one employee whose remuneration was in the range \$110 001 - \$120 000.

27. Transactions with Related Parties

The general nature of transactions entered into during the year with related parties are as follows:

- (a) Project development loans, grants and production investments were provided to production companies with which Board members R de Heer, J Ballantyne, W Marshall, M Andreacchio and Deputy Board member, V Sowry are associated. The approval of each transaction was in accordance with the Corporation's usual guidelines. Each interested party was excluded from the approval process for the relevant applications for funding.
- (b) The Corporation provided sponsorship to the 6th Australian International Documentary Conference held in Adelaide in November 1999. Board member Michael Mason was also a board member of the conference governing body.
- (c) The Corporation had the following transactions during the year with Arts SA, the major source of the Corporation's grant funding:

Rent paid for Mercury Cinema	2000
Repayment of principal on Harrison loan	\$'000
Interest paid on loan	74
	80
	11

28. Operating Lease Commitments

Non cancellable operating lease commitments contracted but not capitalised in the accounts are payable as follows:

	2000	1999
	\$'000	\$'000
Within 12 months	164	171
Later than one year but not later than two years	159	151
Later than two years but not later than five years	328	481

29. Revolving Fund

The \$3 million Revolving Fund was established in 1998-99 with an initial allocation from Government of \$1.5 million. The second \$1.5 million was received in 1999-2000.

The loans provided by the Revolving Fund to production companies are repaid from guarantees applicable to the film project. The loans are secured by a combination of:

- (a) a charge over the producer's assets from the film, including the right to receive income;
- (b) a charge over the gross proceeds from exploitation of the film.

Loans are provided on an interest bearing basis and with due regard to the credit worthiness of the producer and the distributors providing the distribution guarantees.

The Corporation treats the interest earned by the Revolving Fund as quarantined, so that over time the balance available for loans will increase. At 30 June 2000, the Revolving Fund consisted of:

	2000
	\$'000
Original allocation	3 000
Interest on loans and SAFA deposit to date	177
	3 177
	<hr/> <hr/>
This was represented by:	
Loans (refer Note 12)	1 396
SAFA deposit	1 781
	<hr/> <hr/>
	3 177

30. Targeted Voluntary Separation Packages (TVSPs)

Two employees of the Corporation were paid TVSP during 1998-99. The TVSP payments totalled \$55 000. These TVSP payments were met by the Corporation and have been recovered from the Department of the Premier and Cabinet.

No TVSP payments were made during 1999-2000.

31. Financial Instruments

The following disclosures have been provided to satisfy the requirements of Australian Accounting Standard AAS 33, 'Presentation and Disclosure of Financial Instruments'.

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

- Cash at bank and short-term deposits are available at call and are recorded at cost.
- Receivables, productions and projects in progress, investments in film projects and investment in unlisted company are recorded at cost.
- Production loans (refer Note 12) are advanced to production companies and are secured by way of a charge or guarantee appropriate to the circumstances of each loan. Interest is charged at rates consistent with usual Corporation policy, but generally at 4.3 percent per annum. Production loans are recognised at cost and are classified between current and non-current elements based on the repayment terms specified in each agreement.

(ii) Financial Liabilities

- Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.
- Undisbursed distribution returns account represents funds received on behalf of investors in projects managed by the Corporation's disbursement service. These funds will be distributed to investors in 1999-2000.
- Productions and projects in progress (refer Note 22) represents amounts due to various investors upon funding of certain projects.
- Borrowings (refer Note 21) are recognised when the relevant contract or agreement is executed by the Corporation. Repayments are classified between current and non-current elements based on the individual terms of each loan. All loans are unsecured.

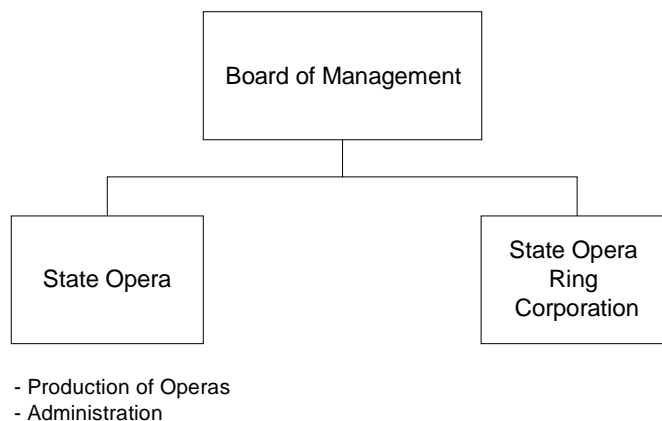
THE STATE OPERA OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The State Opera, a body corporate established pursuant to subsection 5(1) of the *State Opera of South Australia Act 1976*, promotes the art of the opera and related theatrical arts by presenting performances; commissioning the scoring and writing of operas; training people concerned in operatic presentations; and establishing and conducting educational programs.

The State Opera Ring Corporation was established pursuant to the *Public Corporations Act 1993*, as a subsidiary of the State Opera. Its primary functions were to produce and stage in Adelaide during November and December 1998, four major Wagner operas comprising *Der Ring des Nibelungen* (The Ring) and to market and promote The Ring within and outside the State.

The structure of the State Opera is:



CHANGES TO AGENCY ORGANISATIONAL STRUCTURE

A decision to wind up the State Opera Ring Corporation (SORC), established by regulation under the *Public Corporations Act 1993*, was made on 31 May 2000 and it was subsequently agreed to distribute the remaining surplus of \$22 000 to the State Opera. The process of legally winding up SORC is the responsibility of the Department for Transport, Urban Planning and the Arts and is expected to be finalised during 2000-01.

SIGNIFICANT FEATURES

- The result on operations was a deficit of \$263 000 (operating surplus of \$46 000).
- Net assets decreased to \$14 000 (\$277 000).

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 23(3) of the *State Opera of South Australia Act 1976* provides for the Auditor-General to audit the accounts of the State Opera in respect of each financial year. The authority for the Auditor-General to audit the State Opera Ring Corporation is provided by subclause 13(3) of the Schedule to the *Public Corporations Act 1993* which relates to subsidiaries.

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:

- expenditure systems, including accounts payable and salaries and wages
- general ledger
- management reporting and budgetary control
- plant and equipment, including the adequacy of asset register maintenance
- revenue, including box office sales, donations and grants
- investments
- computer information systems environment (CIS).

The State Opera Ring Corporation was largely dormant during 1999-2000, with the exception of the distribution of its surplus.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the General Director. The main issues related to the exercise of expenditure delegations surrounding the purchases of goods and services, the documentation of computing environment controls relating to financial systems and the need to document policies and procedures with respect to the major financial systems in accordance with the Financial Management Framework. A satisfactory response was received. Further details relating to these issues are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall assessment of the State Opera's control structure was that it was satisfactory. This took into account certain aberrations from the prescribed elements of the Financial Management Framework, notwithstanding that 1999-2000 represented the second year of its operation.

Documentation of Policies and Procedures

As with many other agencies, the requirement to formulate policies and procedures manuals is often neglected or lapses in the face of challenging priorities and resource constraints. Nevertheless, it is a fundamental management responsibility to display commitment to and compliance with the principles and practices embodied within the Financial Management Framework.

The audit revealed that policies, procedures and a description of the controls environment for the major financial systems were not completely documented.

Management responded that it would provide to Audit documented policies and procedures for major financial systems to ensure compliance with the Framework.

Expenditure Delegations and Support for Procurement

Audit noted instances where various officers had approved purchases without appropriate authority from the Board. It also noted that, while State Opera had contractual obligations with certain suppliers and performers, certain purchases were not supported by evidence that competitive quotes had been obtained, including accommodation arrangements for performers.

Management responded that the Board had agreed to revised Purchasing Authorities, so as to include various officers, who previously were not authorised to enter into purchases or approve payments within their areas of responsibility.

Further, Audit was advised that a system of analysis would be implemented by August 2000 and that purchasing officers would in future ensure that records are maintained, where appropriate, to evidence fair and competitive procurement.

Commentary on Computer Information Systems (CIS) Environment

Audit followed up its review of the CIS environment undertaken during 1998-99 and found that management had implemented the majority of Audit recommendations. Improvements yet to be implemented related to the development of a contingency plan should existing systems or equipment fail and the documentation of systems operator and back-up procedures.

Management advised that it would address these matters by December 2000 and had been limited by time constraints, notably arising from the implementation of new business systems software and the need to implement arrangements for the GST.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the State Opera of South Australia (including the State Opera Ring 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. 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 Opera 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

With the dormant nature of the State Opera Ring Corporation (ie the Controlled Entity) throughout 1999-2000, the financial operations and position of the Chief Entity did not differ materially from that of the Economic Entity. Accordingly, Audit commentary is directed to a consideration of the Economic Entity.

Result of Operations

The operating deficit was \$263 000 compared with a surplus of \$46 000 in the previous year.

Commonwealth and State Government grants (net of payments to the Adelaide Symphony Orchestra) decreased to \$1.5 million (\$3.4 million).

The decrease reflects, in part, the last year of funding for the State Opera Ring Corporation during 1998-99. It also reflects the financial effect of prior period adjustments, included in the financial report for the financial year ending 30 June 1999. The latter was the subject of a 'Qualified Audit Opinion' issued in respect of both the Economic Entity and the Controlled Entity for that year.

The effect of this was to recognise \$825 000 in contributions and \$75 000 in interest earned as operating revenues, and \$751 000 in operation expenses in the financial report for the year ended 30 June 1999, but which related to the prior financial year.

Notwithstanding the decline in overall grants, these revenues increased in terms of their proportion to other revenues and represented 44 percent of total net operating revenues (39 percent).

This serves to highlight the extent of the economic dependency of the State Opera on the maintenance of these grants. State Government grants for operating purposes are provided in accordance with section 25 of the *State Opera of South Australia Act 1976*. The operating budget of the State Opera must be approved by the Minister for the Arts on an annual basis and expenditure can only be incurred in accordance with the approved budget.

Correspondingly, production costs decreased to \$3 million (\$8.1 million) primarily reflecting the wind down of the State Opera Ring Corporation and the financial effect of the prior period adjustment, referred to herein. The number of major productions and performances however increased in terms of the State Opera, when considered in isolation (refer 'Further Commentary on Operations').

Statement of Financial Position

As at 30 June 2000 the State Opera had net assets of \$14 000 (\$277 000), after taking into account reserves of \$95 000 (\$95 000).

FURTHER COMMENTARY ON OPERATIONS

State Opera of South Australia

Statistical details on major productions for the last four years, as provided by the State Opera, are presented in the following table:

	1999-2000	1998-99	1997-98	1996-97
Number of major productions	5	1	2	3
Number of performances	23	5	11	17
Total seat capacity	42 000	9 100	20 100	25 000
Number of seats sold*	33 300	5 100	14 900	19 300
Average number of seats sold per performance	14 050	1 020	1 350	1 140
	\$	\$	\$	\$
Direct production costs per seat sold	105	142	106	110
Box office revenue per seat sold	57	55	49	58
State Government grants and other revenue per seat sold	58	87	57	52

* Seats sold exclude complimentary tickets.

Operating Statement for the year ended 30 June 2000

	Note	Economic Entity		Chief Entity	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
OPERATING REVENUES:					
State Government Grants		1 750	3 426	1 750	664
Less: Payment to Adelaide Symphony Orchestra	3	(230)	(230)	(230)	(230)
		1 520	3 196	1 520	434
Commonwealth Government Grant	3	-	250	-	-
Box office and production revenue	4	1 647	4 569	1 647	368
Administrative and production services recovered	1	-	-	-	704
Private sector support	5	252	627	252	81
Interest and sundry revenue	1	37	184	59	25
Net Operating Revenues		3 456	8 826	3 478	1 612
OPERATING EXPENSES:					
PRODUCTION COSTS:	6				
Performers and employee entitlements		1 357	4 506	1 357	526
Theatre hire and related expenses		684	1 339	684	183
Costumes and sets		370	930	370	62
Advertising		213	641	213	20
Travel and accommodation		149	356	149	68
Shipping and freight		43	159	43	16
Other expenses		166	188	166	52
		2 982	8 119	2 982	927
ADMINISTRATION, MARKETING AND FINANCIAL:					
Employee entitlements		339	335	339	335
Rental accommodation and service expenses		142	142	142	142
Subscription and marketing costs		71	27	71	27
Other expenses		185	157	185	157
		737	661	737	661
Total Operating Expenses		3 719	8 780	3 719	1 588
OPERATING (DEFICIT) SURPLUS		(263)	46	(241)	24
ACCUMULATED SURPLUS AT 1 JULY		182	123	160	123
Add: Net transfer from reserves	7	-	13	-	13
ACCUMULATED (DEFICIT) SURPLUS AT 30 JUNE		(81)	182	(81)	160

Statement of Financial Position as at 30 June 2000

	Note	Economic Entity		Chief Entity	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
ASSETS:					
CURRENT ASSETS:					
Short term deposits	8,15	244	342	244	321
Prepayments		148	272	148	272
Cash at bank and on hand	15	46	90	46	7
Debtors		104	410	104	393
Stock on hand		-	6	-	6
Total Current Assets		542	1 120	542	999
NON-CURRENT ASSETS:					
Plant and equipment	9	107	113	107	113
Total Non-Current Assets		107	113	107	113
Total Assets		649	1 233	649	1 112
LIABILITIES:					
CURRENT LIABILITIES:					
Advance box office revenue etc		364	713	364	713
Creditors		87	16	87	16
Accruals		19	125	19	26
Employee entitlements	10	29	24	29	24
Total Current Liabilities		499	878	499	779
NON-CURRENT LIABILITIES:					
Employee entitlements	10	85	78	85	78
Trust Fund	2	51	-	51	-
Total Non-Current Liabilities		136	78	136	78
Total Liabilities		635	956	635	857
NET ASSETS		14	277	14	255
EQUITY:					
Reserves	7	95	95	95	95
Accumulated (deficit) surplus		(81)	182	(81)	160
TOTAL EQUITY		14	277	14	255
Commitments and Contingent Liabilities	11				

Statement of Cash Flows for the year ended 30 June 2000

		Economic Entity		Chief Entity	
		2000	1999	2000	1999
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
RECEIPTS:	Note				
Grants - State and Commonwealth Government		1 750	3 111	1 750	664
Box office and production		1 294	1 972	1 302	978
Administrative and production services recovered		-	-	-	704
Private sector support		217	334	217	136
Interest and sundries		37	184	59	25
PAYMENTS:					
Performers and employee entitlements		(1 684)	(4 795)	(1 684)	(1 033)
Production, administration, marketing and other payments		(1 792)	(3 516)	(1 718)	(1 440)
Net Cash (used in) provided by Operating Activities	16	(178)	(2 710)	(74)	34
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payments for plant and equipment		(15)	(88)	(15)	(88)
Net Cash used in Investing Activities		(15)	(88)	(15)	(88)
NET DECREASE IN CASH HELD		(193)	(2 798)	(89)	(54)
CASH AT 1 JULY		432	3 230	328	382
CASH AT 30 JUNE	15	239	432	239	328

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Principles of Consolidation

The financial report of the State Opera of South Australia has been prepared on a consolidated basis comprising the accounts of the State Opera of South Australia, the Chief Entity, consolidated with the accounts of the State Opera Ring Corporation, the Controlled Entity, to report as the Economic Entity.

The Controlled Entity's principal function was to produce and stage the Wagner Operas comprising *Der Ring des Nibelungen* (The Ring) in Adelaide in 1998-99. As a result the Controlled Entity has since ceased trading and its prior year surplus of \$22 000 has been distributed to the Chief Entity and included as sundry revenue. The winding up of the wholly owned subsidiary State Opera Ring Corporation which was established under the *Public Corporations Act 1993* is expected to be completed in 2000-01.

The Chief Entity provided administrative services for the Controlled Entity during the year at no charge.

2. Statement of Significant Accounting Policies

The significant accounting policies adopted by the Chief Entity and its Controlled Entity are stated in order to assist in a general understanding of the financial report. These policies have been consistently applied except as otherwise indicated.

Basis of Accounting

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Department of Treasury and Finance Accounting Policy Statements and the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The financial report has been prepared on the basis of historical costs using the accrual method of accounting.

Employee Entitlements

Employee entitlements include entitlements to salaries, wages and contract fees, long service leave, annual leave and superannuation benefits.

Long service leave and annual leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. Liabilities in respect of these entitlements have been calculated at nominal amounts based on current salaries and wages rates and include related on-costs. The Department of Treasury and Finance has advised that a benchmark of eight years can be used for a shorthand estimation of the long service leave liability in accordance with the provisions of Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. This advice has been adopted and the long service leave liability has been calculated on that basis.

The superannuation expense comprises contributions to accumulation style superannuation schemes for performers and employees. In addition, in accordance with employment agreements, amounts are payable to externally managed funds. The schemes have the responsibility for meeting benefit payments, in accordance with scheme rules.

Sick leave is not provided for as it is non-vesting, however, entitlements are accumulated.

Depreciation of Non-Current Assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives, ranging from 3 to 10 years, in a manner which reflects the consumption of their service potential. Depreciation of plant and equipment is calculated using the straight line method of allocation and is recognised in the financial report from 1 July following acquisition.

Result of Operations

Ticket sales for, and production costs of, future productions are carried forward as accruals and prepayments and are not included in Operating Revenues and Operating Expenses for the year.

Operating Grant

The State Government grant is based on cash flow and as such does not take into account accrued expenses and amounts set aside for depreciation and future employee entitlements.

2. **Statement of Significant Accounting Policies (continued)****Economic Dependency**

The normal business activities of the Economic Entity are dependent of the continuation of grants from the State and Commonwealth Government at an appropriate level. The State Government has advised that funding at current levels will be maintained through to 30 June 2001.

Financial Instruments

The Economic Entity's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2000, are as follows:

Financial Assets

Cash at bank (Note 15) comprises deposits at call with the Commonwealth Bank of Australia. No interest is earned on this account.

Short term deposits (Note 8) comprises deposits at call. Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 4.0 percent and 5.9 percent for the year ended 30 June 2000 (between 4.6 percent and 5.13 percent in 1998-99).

Debtors are reported at amounts due.

Financial Liabilities

Creditors are raised for amounts billed but unpaid and are normally settled within 30 days.

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

Trust Fund

The Company administers the Thora and Frank Pearce Opera Foundation established in August 1999 and financed by public donations. The Foundation funds are to be used exclusively for cultural purposes associated with opera.

3. **State and Commonwealth Government Grants**

Comprised the following:

	Economic Entity		Chief Entity	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
From Arts SA for:				
Operating	1 520	1 820	1 520	350
Special purpose	-	84	-	84
Orchestral services	230	230	230	230
From Australian Major Events for:				
Special purpose	-	1 292	-	-
	1 750	3 426	1 750	664
Less: Payment to Adelaide Symphony Orchestra	230	230	230	230
	1 520	3 196	1 520	434
Commonwealth Government Special Purpose	-	250	-	-

4. **Box Office and Production Revenue**

Comprised revenue for operas and other events staged during the year:

	Economic Entity		Chief Entity	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Opera:				
<i>Madama Butterfly</i>			512	512
<i>Il Trovatore</i>			422	422
<i>Così fan tutte</i>			353	353
<i>The Mikado</i>			345	345
Opera Studio			15	15
			1 647	1 647

5. **Private Sector Support**

This comprises money received from:

	Economic Entity		Chief Entity	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Production sponsors	172	569	172	23
Patrons	80	58	80	58
	252	627	252	81

6. **Production Costs**

Production costs which can be directly attributed to operas, staged during the year, other events and other production costs, are as follows:

	Economic Entity		Chief Entity	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Opera:				
<i>Il Trovatore</i>			881	881
<i>Madama Butterfly</i>			693	693
<i>Così fan tutte</i>			587	587
<i>The Mikado</i>			538	538
Opera Studio			63	63
<i>Writing to Vermeer</i>			31	31
Other production costs			189	189
			2 982	2 982

7.	Reserves	Economic Entity		Chief Entity	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
	Movements during the year were:				
	Total Reserves:				
	Balance at 1 July	95	108	95	108
	Net transfer (to) from accumulated surplus	-	(13)	-	(13)
	Balance at 30 June	95	95	95	95
	Reserve for Touring Operas, Outreach and Audience Development:				
	Balance at 1 July	95	95	95	95
	Transfer to accumulated surplus	-	-	-	-
	Transfer from accumulated surplus	-	-	-	-
	Balance at 30 June	95	95	95	95
	Reserve for The Ring Ancillary Events:				
	Balance at 1 July	-	13	-	13
	Transfer (to) from accumulated surplus	-	(13)	-	(13)
	Balance at 30 June	-	-	-	-
8.	Short Term Deposits				
	Comprises deposits with the:				
	South Australian Government Financing Authority	194	342	194	321
	Commonwealth Bank of Australia	50	-	50	-
		244	342	244	321
9.	Plant and Equipment				
				Economic Entity	
				Chief Entity	
				2000	1999
				\$'000	\$'000
	Plant and equipment at cost			209	201
	Less: Accumulated depreciation			102	88
				107	113
10.	Employee Entitlements				
	Current Liabilities:				
	Annual leave			29	24
	Non-Current Liabilities:				
	Long service leave			85	78
11.	Commitments and Contingent Liabilities				
	The Economic Entity, by the nature of its operations, has entered into contracts with artists and theatre proprietors for performances scheduled to take place subsequent to 30 June 2000. The terms and conditions of the contracts may also place a liability on the Chief Entity to pay some or all of these amounts should the artist not be engaged or the theatre, hired scenery, or costumes not be used.				
	These commitments have been made on the basis that ongoing funding will continue from the State Government at an appropriate level.				
		2000		Economic	
		Chief Entity	Chief Entity	Total	Entity
		Due within	Due within	2000	Total
		1 year	1-2 years	1999	
		\$'000	\$'000	\$'000	\$'000
	Performers' salaries, etc	273	628	901	621
	Hire agreements	-	-	-	125
		273	628	901	746
12.	Related Party Information				
	The Board members who have held office during the financial year are:				
	Chief Entity and Controlled Entity				
	Mr Colin Dunsford*			Ms Patricia Lange	
	Mr Peter Bassett			Ms Deborah Morgan*	
	Mr Albert Bensimon*			Mr Robert Pontifex*	
	Mr Maurice Crotti*			Mrs Jeanette Sandford-Morgan OAM	
	Mr Bill Spurr*				

* Appointed as members of the Controlled Entity until 30 September 1999.

No Board member received any remuneration from the Economic Entity during the 12 months to 30 June 2000 (remuneration nil in 1998-99). All Board members have waived the basic sitting fees as a contribution to the Economic Entity. Members of the Boards of Management use the services of the Economic Entity no more favourably than members of the public, except for the provision of tickets to each staged production.

13. Remuneration of Employees

Remuneration includes salary and other employee entitlements and benefits that form the total remuneration package for an employee. The Economic Entity has one employee in 1999-2000 whose remuneration fell within the band \$110 001 - \$120 000. Total remuneration paid to that employee was \$111 000 (\$105 000).

14. Auditor's Remuneration

	Economic Entity		Chief Entity	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
The amount received or due and receivable by the Auditor-General for auditing the accounts was:	19	19	19	14

15. Reconciliation of Cash

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

Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Economic Entity		Chief Entity	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Short term deposits	244	342	244	321
Cash at bank	44	88	44	5
Cash on hand	2	2	2	2
Less: Cash held in trust	51	-	51	-
	239	432	239	328

16. Reconciliation of Operating (Deficit) Surplus to Net Cash (used in) provided by Operating Activities

Operating (deficit) surplus	(263)	46	(241)	24
Depreciation of plant and equipment	21	9	21	9
Increase (Decrease) in debtors and prepayments	430	479	413	(616)
Decrease (Increase) in stock on hand	6	(5)	6	(5)
(Decrease) Increase in advance box office sales	(349)	(2 310)	(349)	665
Increase (Decrease) in advances from government and sponsors	-	(825)	-	-
(Decrease) Increase in creditors and accruals	(35)	(109)	64	(48)
Increase in provisions	12	5	12	5
Net Cash (used in) provided by Operating Activities	(178)	(2 710)	(74)	34

17. Tax Status

The activities of the Economic Entity are exempt from taxation.

STATE THEATRE COMPANY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

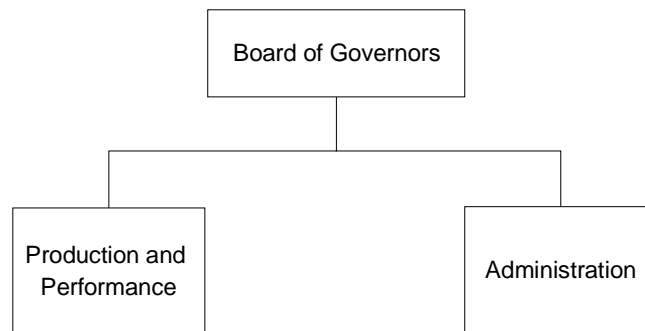
The State Theatre Company (the Company), a body corporate, established pursuant to subsection 5(1) of the *State Theatre Company of South Australia Act 1972* (the Act), is administered by a Board of Governors.

The objectives of the Company are to:

- present theatrical performances to promote the art of the theatre;
- promote and commission the writing of works for theatrical performances;
- promote the training of people concerned in the production, presentation and performance of theatrical works;
- promote public interest and participation in the art of the theatre;
- establish and conduct educational programs.

As the resident theatre company in the Adelaide Festival Centre the Company uses that facility for most of the year and occupies workshops and offices in the Centre. The Adelaide Festival Centre Trust charges rent for the use of its premises.

The structure of the Company is:



SIGNIFICANT FEATURES

- Box office and related revenues increased from \$836 000 in 1998-99 to \$1.4 million in 1999-2000, representing an increase of \$603 000 or 72 percent.
- As at 30 June 2000 the Company had a total funds deficiency of \$119 000 (\$122 000).

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 26(2) of the *State Theatre Company of South Australia Act 1972* provides for the Auditor-General to audit the accounts of the Company 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:

- revenue, including box office sales and grants received
- expenditure, including the payment of accounts and payroll
- budgetary control and management reporting
- investments

Audit Communications to Management

During the year, a management letter was forwarded to the Artistic Director communicating issues arising from the audit. A satisfactory response was received.

The primary matters addressed related to instances whereby authorisation of expenditure did not always accord with the approved delegations and supporting documentation was not always evident to support payroll calculations. The finalisation of policy manuals for each significant financial process was also raised with management, as has been the case in the previous two years.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

As discussed under 'Audit Communications to Management' there were opportunities to strengthen the control framework operating within the Company. As with many other agencies, the requirement to formulate policies and procedure manuals is often neglected or lapses in the face of challenging priorities and resource constraints. It is, nevertheless, a fundamental management responsibility to display commitment to, and compliance with, the principles and practices embodied within the Financial Management Framework.

This and other control issues identified by Audit were assessed in the terms of the general control environment, which was found to be satisfactory.

Commentary on Computer Information Systems (CIS) Environment

A follow up review on the previous year's audit, identified that the Company had implemented the majority of Audit recommendations aimed at ensuring the completeness of data entry and the security and integrity of the personal computer systems in operation. The need for documentation of systems operator and back-up procedures was reiterated by Audit in its 1999-2000 audit findings.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the State Theatre Company 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 Theatre Company 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 Company recorded an operating surplus of \$3 000 (\$4 000). Operating revenues increased by \$647 000 to \$3.8 million, due mainly to the increased number of performances and seats sold during the year (refer 'Further Commentary on Operations'). Correspondingly, production and play expenses increased by \$202 000 to \$1.3 million.

Grants from the State Government and the Australia Council decreased slightly by \$48 000 to \$1.9 million. The grants from the State Government for operating purposes are provided in accordance with section 28 of the *State Theatre Company of South Australian Act 1972* (the Act). Section 29 of the Act, requires the Company's budget to be approved by the portfolio Minister and expenditure can only be incurred in accordance with the approved budget.

The Company has an economic dependency in relation to the grants provided by the State Government and the Australia Council, as has been the case in prior years.

Statement of Financial Position

As at 30 June 2000 the Company had a total funds deficiency of \$119 000, down from the previous year (\$122 000).

FURTHER COMMENTARY ON OPERATIONS

Production Statistics

Statistical details on productions for the last four years, as provided by the Company, are presented in the following table:

	1999-2000	1998-99	1997-98	1996-97
Number of productions	7	7	6	7
Number of performances	161	144	162	166
Number of seats sold	43 000	38 000	36 000	45 000
	\$	\$	\$	\$
Total production expenses per seat sold	81	77	78	77
Box office revenue per seat sold	33	22	26	22
Subsidy per seat sold	48	55	52	55

Operating Statement for the year ended 30 June 2000

	Note	2000 \$'000	1999 \$'000
OPERATING REVENUES:			
Grants	2	1 913	1 961
Box office and related revenue	2	1 439	836
Other revenue	2	493	401
Total Operating Revenues		3 845	3 198
OPERATING EXPENSES:			
PRODUCTION AND PERFORMANCE:			
Employee entitlements		1 868	1 499
Production and play expenses		1 248	1 046
Sales and sponsorship expenses		385	364
		3 501	2 909
ADMINISTRATION:			
Employee entitlements		176	141
Other expenses		165	144
		341	285
Total Operating Expenses		3 842	3 194
OPERATING SURPLUS	3	3	4
ACCUMULATED DEFICIT AT 1 JULY		(122)	(126)
ACCUMULATED DEFICIT AT 30 JUNE		(119)	(122)

Statement of Financial Position as at 30 June 2000

	Note	2000 \$'000	1999 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash on hand and at bank	11.1	1	1
Short term deposits	4	316	428
Stock on hand		5	8
Debtors and prepayments	5	201	242
Total Current Assets		523	679
NON-CURRENT ASSETS:			
Plant and equipment (at cost)		358	304
Less: Accumulated depreciation		290	271
Total Non-Current Assets		68	33
Total Assets		591	712
LIABILITIES:			
CURRENT LIABILITIES:			
Bank overdraft	11.1	65	84
Creditors and accruals	6	504	595
Employee entitlements	7	29	58
Special funds	1	4	2
Total Current Liabilities		602	739
NON-CURRENT LIABILITIES:			
Creditors and accruals	6	14	8
Employee entitlements	7	62	52
Special funds	1	32	35
Total Non-Current Liabilities		108	95
Total Liabilities		710	834
NET ASSETS DEFICIENCY		(119)	(122)
TOTAL FUNDS:			
Accumulated deficit		(119)	(122)
TOTAL FUNDS DEFICIENCY		(119)	(122)
Commitments and Contingent Liabilities	8		

Statement of Cash Flows for the year ended 30 June 2000

		2000	1999
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee entitlements	Note	\$'000	\$'000
Supplies		(2 067)	(1 653)
RECEIPTS:			
Grants from funding bodies		1 913	1 961
Box office and other receipts		1 918	1 267
Interest received		21	15
Net Cash (used in) provided by Operating Activities	11.2	<u>(72)</u>	<u>127</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for plant and equipment		(31)	(6)
Proceeds from sale of plant and equipment		16	-
Net Cash used in Investing Activities		<u>(15)</u>	<u>(6)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of finance leases		(5)	(7)
Net Cash used in Financing Activities		<u>(5)</u>	<u>(7)</u>
NET (DECREASE) INCREASE IN CASH HELD		<u>(92)</u>	<u>114</u>
CASH AT 1 JULY		<u>308</u>	<u>194</u>
CASH AT 30 JUNE	11.1	<u><u>216</u></u>	<u><u>308</u></u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

These policies are consistent with those adopted in the previous year.

Basis of Accounting

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Department of Treasury and Finance Accounting Policy Statements and the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, and the historical cost convention using the accrual method of accounting.

Economic Dependency

The normal business activities of the Company are dependent on the continuation of grants from the State Government and the Australia Council at appropriate levels. The State Government has advised that funding at current levels will be maintained through to 30 June 2001. Accordingly, this financial report has been prepared on a going concern basis.

Operating Grants

The State Government and Australia Council grants are based on the Company's cash flows and do not take into account accrued expenses and amounts set aside for depreciation, amortisation and future employee entitlements.

In accordance with Department of Treasury and Finance Accounting Policy Statement APS 11 'Contributions', grants received to fund expenses in the following financial year are recognised as operating revenues when received.

Result of Operations

Ticket sales for, and production costs of, future productions are carried forward as accruals and prepayments and are not included in Operating Revenues and Operating Expenses for the year.

Stock on Hand

In addition to the assets reported, the Company also holds stocks of costumes and props. However, given the special purpose nature of these items, the Board of Governors does not believe it appropriate to bring the value of costumes and props to account.

Provision for Doubtful Debts

The Company established a provision for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off when they are identified.

Plant and Equipment

All non-current assets having a limited useful life are systematically depreciated over their useful lives ranging from 3 to 10 years in a manner which reflects the consumption of their service potential. Depreciation of plant and equipment is calculated using the straight line method of allocation and is recognised in the financial statements from the date of acquisition.

Leased Assets

Assets of the Company acquired under finance leases are capitalised. Leased assets are amortised over the life of the relevant lease or, where it is likely the Company will obtain ownership of the asset on expiration of the lease, the expected useful life of the asset.

Employee Entitlements

Employee entitlements include entitlements to salaries, wages and contract fees, long service leave, annual leave and superannuation benefits.

Long service leave is recognised on a pro rata basis in respect of services provided by employees up to the reporting date. Liabilities in respect of these entitlements have been calculated at nominal amounts based on current salary and wages rates and include related on-costs. The Department of Treasury and Finance has advised that a benchmark of eight years can be used for short hand estimation of long service leave liability in accordance with the provisions of Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. This advice has been adopted and the long service leave liability has been calculated on that basis.

Employee Entitlements (continued)

The superannuation expense comprises contributions to accumulation style superannuation schemes for employees. In addition, in accordance with employment agreements for employees and artists, amounts are payable to externally managed funds. The schemes have the responsibility for meeting benefit payments, in accordance with the rules.

Sick leave is not provided for as it is non-vesting, however, entitlements are accumulated.

Special Funds

The Company administers two special funds, the Adele Koh Scholarship Acting Fund and the Jill Blewitt Playwright's Award, both of which are financed by public donations.

Financial Instruments

The Company's accounting policies, including the terms and conditions of each class of financial asset and financial liability, are as follows:

Financial Assets

Cash at bank (Note 11) comprises deposits at call with BankSA and are recorded at cost. Interest revenues are recognised as they accrue. The interest rate for 1999-2000 was 1 percent (1 percent).

Short term deposits (Note 4) includes deposits at call with the South Australian Government Financing Authority and are recorded at cost. Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 4.6 percent and 5.9 percent for the year ended 30 June 2000 (4.6 percent and 5.13 percent in 1998-99).

Trade debtors (Note 5) are reported at amounts due.

Financial Liabilities

Bank Overdraft (Note 11). The Company manages its finances to ensure the bank account is not in overdraft. As at 30 June 2000 the account with BankSA had a credit balance of \$29 000, excluding un-presented cheques and deposits.

Trade creditors (Note 6) are raised for amounts billed but unpaid and are normally settled within 30 days.

Finance leases (Notes 6 and 8) are recognised at the present value of the minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rates implicit in the leases. At the reporting date, the Company had two finance leases with terms of 1 month (1 year) and 3 years (4 years) and interest rates of 13 percent and 11 percent respectively. Lease liabilities are reduced by the principal component of lease payments and are secured by the lease assets. The interest component is charged as an operating expense.

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

2.	Operating Revenues comprise	2000	1999
	Grants from the:	\$'000	\$'000
	State Government:		
	Operating	1 485	1 485
	Special purpose	-	8
	Australia Council:		
	General	413	413
	Special purpose:		
	Relating to current periods	15	45
	Relating to future periods	-	10
	Total Grants	1 913	1 961
	Box Office and Related Revenue:		
	Comprises revenue for the following productions staged during the year:		
	<i>Wild Duck</i>	177	-
	<i>Department Tour</i>	290	-
	<i>Closer</i>	112	-
	<i>Rose Tattoo</i>	144	-
	<i>Twelfth Night</i>	153	-
	<i>Emma</i>	131	-
	<i>Dance of Death</i>	224	-
	<i>Blithe Spirit</i>	204	-
	Other productions	4	836
	Total Box Office and Related Revenue	1 439	836
	Other Revenue:		
	Commercial sponsorship	224	218
	Interest	21	15
	Theatre prop hire fees	92	56
	Miscellaneous revenue	156	112
	Total Other Revenue	493	401
	Total Operating Revenues	3 845	3 198

3. Operating Surplus

The operating surplus includes the following expenses whose disclosure is relevant in explaining the financial performance of State Theatre:

	Rental paid to the Adelaide Festival Centre Trust	293	279
	Fees paid or due and payable to the Auditor-General for auditing the accounts	16	15
	Depreciation of plant and equipment	19	11
	Amortisation of leased assets	5	6

4. Short Term Deposits	2000 \$'000	1999 \$'000
Deposits with the South Australian Government Financing Authority	297	410
Other	19	18
	<u>316</u>	<u>428</u>
5. Debtors and Prepayments		
Prepayments for future productions	179	196
Trade debtors, net	22	44
Sundry debtors	-	2
	<u>201</u>	<u>242</u>
6. Creditors and Accruals		
Current Liabilities:		
Trade creditors	133	153
Sales of tickets for future productions	291	310
Accruals	77	128
Finance leases	3	4
	<u>504</u>	<u>595</u>
Non-Current Liability:		
Finance leases	14	8
	<u>14</u>	<u>8</u>
7. Employee Entitlements		
Current Liability:		
Annual leave	29	58
	<u>29</u>	<u>58</u>
Non-Current Liability:		
Long service leave	62	52
	<u>62</u>	<u>52</u>
8. Commitments and Contingent Liabilities		
Finance leases expenditure contracted for is payable as follows:		
Not later than one year	3	5
Later than one year but not later than five years	18	10
	<u>21</u>	<u>15</u>
Less: Future finance charges	4	3
	<u>17</u>	<u>12</u>
Net finance lease liability	<u>17</u>	<u>12</u>
	<u>3</u>	<u>4</u>
Current liability*	3	4
Non-current liability*	14	8
	<u>17</u>	<u>12</u>

* Refer Note 6.

The Company, given the nature of its operations, has entered into contracts with artists and arrangements with interstate Theatre Companies for theatre performances scheduled to take place subsequent to 30 June 2000. The terms and conditions of the contracts and the arrangements may place a liability on the Company to pay some or all of these amounts should the artists or the interstate Theatre Companies not be engaged.

Contracts and arrangements amounting to \$307 000 (\$203 000) were entered into as at 30 June 2000 and are all due for payment within one year.

9. Related Party Information

Members of the Board of Governors who have held office during the year are:

Ms Elizabeth Raupach (Chair)	Mr Rob Richards
Mr Peter Agars (resigned 29/9/99)	Ms Julie Brennan
Ms Irene Jones (resigned 30/6/99)	Mr John Meyer (appointed 4/8/99)
Ms Judith Quigley (resigned 3/11/99)	Mr Peter Vaughan (appointed 8/12/99)
Ms Catherine Fitzgerald	Ms Barbara Messenger (appointed 8/12/99)
Mr David Corkindale (resigned 3/11/99)	Ms Liz Wilson (appointed 8/12/99)

One member of the Board of Governors received remuneration from the Company amounting to \$1 000 in relation to that person's capacity as a Governor, during the reporting period ended 30 June 2000 (no members received remuneration in 1998-99). Members of the Board of Governors use the services of the Company no more favourably than members of the public, except for receiving complimentary tickets to each production.

10. Remuneration of Employees

The Company has no employees whose remuneration exceeded \$100 000 in 1999-2000 (nil in 1998-99).

11. Statement of Cash Flows

11.1 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits, net of bank overdraft and cash held in trust. Cash 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 at bank (overdraft)	(65)	(84)
Cash on hand	1	1
	<u>(64)</u>	<u>(83)</u>
Short-term deposits	316	428
Less: Cash held in trust	<u>(36)</u>	<u>(37)</u>
	<u>216</u>	<u>308</u>
11.2 Reconciliation of Operating Surplus to Net Cash provided by (used in) Operating Activities		
Operating surplus	3	4
Adjustments for non-cash revenue and expense items:		
Depreciation and amortisation	24	17
Profit from sale of plant and equipment	(5)	-
Changes in assets and liabilities:		
Decrease (Increase) in debtors	26	(36)
Decrease (Increase) in prepayments	15	(16)
Decrease in stock on hand	3	-
Increase (Decrease) in trade creditors and accruals	(119)	59
(Decrease) Increase in employee entitlements	(19)	18
(Decrease) Increase in sales of tickets for future productions	-	81
Net Cash (used in) provided by Operating Activities	<u>(72)</u>	<u>127</u>

TRANSADELAIDE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

TransAdelaide (Corporate Structure) Act 1998

On 14 January 1999 the *TransAdelaide (Corporate Structure) Act 1998* (the Act) was proclaimed. The Act provides for the continuation of TransAdelaide as a statutory corporation to which the provisions of the *Public Corporations Act 1993* apply.

Pursuant to the Act, TransAdelaide continues in existence and is subject to control and direction by the Minister for Transport and Urban Planning.

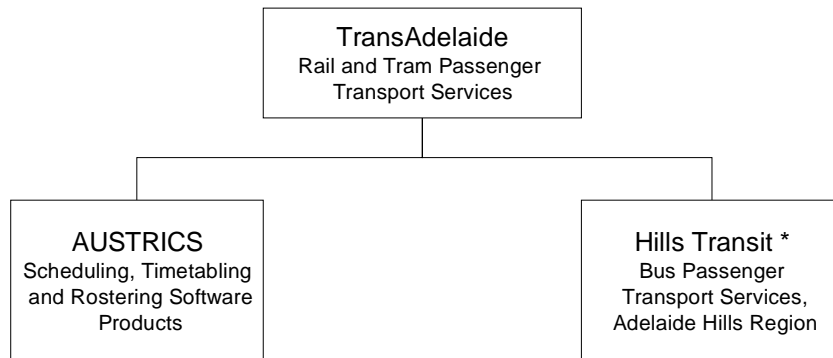
The Act establishes a Board of Directors as the governing body of TransAdelaide.

Objectives and Functions

The key objectives of TransAdelaide are to:

- ensure efficient, relevant and reliable services;
- undertake activities which build client support and use of the public transport system;
- maintain infrastructure to a standard that ensures the efficient and reliable delivery of passenger transport services.

Pursuant to the *Public Corporations Act 1993*, TransAdelaide has established two subsidiaries. The following diagram depicts the structure of TransAdelaide as an economic entity.



- * Hills Transit was dissolved on 30 June 2000 pursuant to the Public Corporations (Hills Transit Dissolution) Regulations 2000.

Application of the *Public Corporations Act 1993* - The Charter

TransAdelaide is a statutory corporation subject to the provisions of the *Public Corporations Act 1993*. That Act requires a charter and performance statement to be prepared by the Minister and the Treasurer after consultation with the TransAdelaide Board.

The TransAdelaide Corporation Charter and TransAdelaide Performance Statement were approved in August 1999.

The charter for TransAdelaide outlines:

- The nature and scope of commercial and non-commercial activities, including the commercial operations of TransAdelaide's subsidiary corporations, namely AUSTRICS and Hills Transit (dissolved 30 June 2000).

- Financial standards and reporting, including providing interim reports on operations; the form and content of accounts and financial statements; and accounting and internal auditing systems and practices.
- Operating principles, including primary functions of TransAdelaide.
- Compliance with government policies, and the *Public Finance and Audit Act 1987*.

Contracts to Provide Passenger Transport Services

The Passenger Transport Board, established on 1 July 1994, progressively offered for open tender the provision of various passenger transport services previously provided exclusively by TransAdelaide. The Passenger Transport Board separated portions of these passenger transport services into 14 bus contract parcels and 4 contract parcels covering the rail and tram operations.

During 1995-96 the Passenger Transport Board awarded three bus contract parcels, one to TransAdelaide, one to Hills Transit (a subsidiary of TransAdelaide) and one to a private contractor.

The remainder of the contract parcels were awarded or negotiated in 1996-97 with TransAdelaide gaining the right to operate a further 10 bus contracts and the four rail and tram contracts.

In late 1998 the Passenger Transport Board advised that it wished to enter into negotiations with TransAdelaide to extend all bus and rail contracts which expired in January 1999 and June 1999 respectively, for a minimum period of 12 months. A Memorandum of Understanding between TransAdelaide and the Passenger Transport Board was signed to reflect this extension.

In February 1999, the Passenger Transport Board released an Expression of Interest document outlining the timeframe and process for the next round of competitive tendering for the bus contracts.

Although TransAdelaide submitted bids for the bus contracts as part of that process, it was not successful in winning any of the contracts in its own right. As a result, TransAdelaide ceased all bus operations from 23 April 2000.

Notwithstanding this, TransAdelaide retains an interest in one bus contract through its involvement in a joint venture with Australian Transit Enterprises (ATE). The joint venture entitled, Adelaide Hills, came into operation on 28 May 2000.

Hills Transit, the subsidiary of TransAdelaide was subsequently dissolved on 30 June 2000 pursuant to the Public Corporation (Hills Transit Dissolution) Regulations 2000.

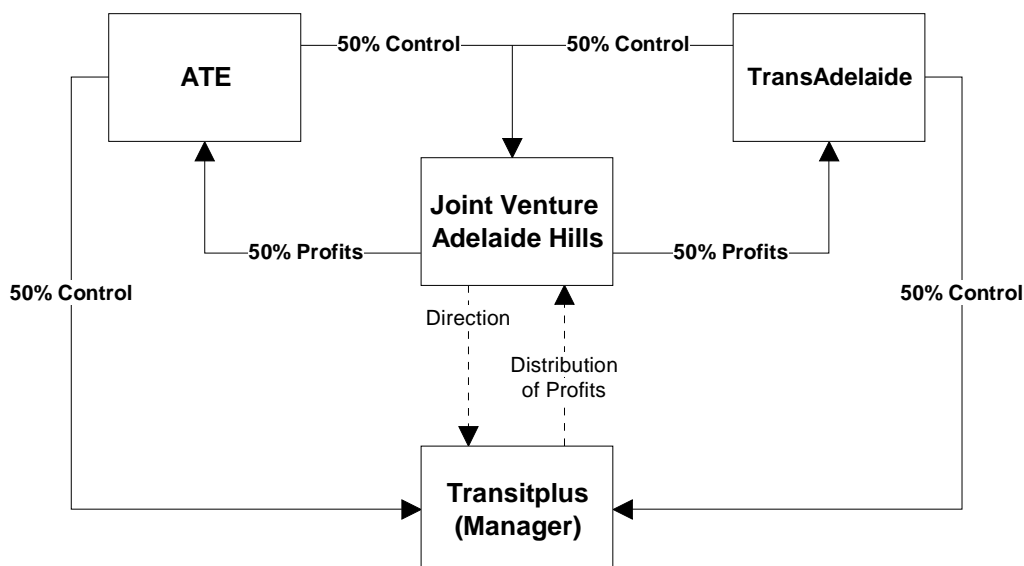
At the time of preparing this Report TransAdelaide is in the process of re-negotiating the Metropolitan Train and Tram service contracts.

Further commentary relating to passenger transport contracts is detailed below under the heading 'Interpretation and Analysis of Financial Statements'.

CHANGES TO AGENCY ORGANISATIONAL STRUCTURE

Joint Venture Agreement

As mentioned above, a Joint Venture Agreement was established during 1999-2000 between TransAdelaide and Australian Transit Enterprises (ATE) to manage a bus contract entered into with the Passenger Transport Board. The joint venture is known as the 'Adelaide Hills' joint venture. The following diagram illustrates this relationship:



As the joint venture only commenced operations late in the financial year, TransAdelaide did not receive any distribution of profits in 1999-2000.

SIGNIFICANT FEATURES

- Operating profit before abnormal items and income tax was \$9 million (loss \$1.5 million).
- Extraordinary items associated with TransAdelaide’s disengagement from the bus passenger business were \$2.3 million (refer Note 9.2).
- Provisions (largely attributable to employee entitlements) decreased by \$13.8 million to \$21.8 million.
- Separation packages totalling \$37.8 million (\$6.4 million) were paid during the year due to a reduction of 935 (163) employees.
- Receivables increased by \$5.2 million to \$13.9 million.
- Permanent Way non-current assets at cost increased by \$9.2 million to \$11.9 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 TransAdelaide in respect of each financial year. The authority for the Auditor-General to audit the subsidiaries of TransAdelaide is provided by subclause 13(3) of the Schedule to the *Public Corporations Act 1993*.

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 a specific area of audit attention was the payment of termination payments.

Audit Communications to Management

During the year Audit attended meetings with management to discuss matters mentioned in the audit management letters issued. All audit management letters were forwarded to the General Manager. Satisfactory responses have been received with respect to the matters raised by Audit.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Finance and 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 TransAdelaide has established a Finance and Audit Committee whose membership comprises TransAdelaide Board members.

The primary function of the Finance and Audit Committee as outlined in the Finance and Audit Committee Charter 'is to assist the Board in effectively fulfilling responsibilities for financial management and reporting, risk management, internal control and achieving good corporate governance'.

The General Manager attends the Finance and Audit Committee meetings in an ex-officio capacity. Audit representatives attend Finance and Audit Committee meetings as observers.

Internal Audit

In accordance with section 31 of the *Public Corporations Act 1993*, TransAdelaide has established an internal audit function. The authority and responsibility of the internal audit function are detailed in the Internal Audit Charter. The objective of the internal audit function, as set out in the Charter, is to provide an independent review of all aspects of TransAdelaide's activities, including administrative controls and procedures, and to assist management in the effective discharge of its responsibilities.

During 1999-2000 TransAdelaide contracted out its internal audit function.

Internal audit reports are provided to the General Manager and the Finance and Audit Committee.

Management Representations

The TransAdelaide Board 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 TransAdelaide's management concerning such matters as the controls exercised over cash, receivables, assets, liabilities, borrowings, commitments, insurance, as well as relating to issues of legal compliance, environmental considerations, and fraud control.

General Control Environment

The audit included consideration of the general control environment within TransAdelaide. TransAdelaide has recognised the need to undertake a review of the internal control environment with a view to identifying and assessing the risks to which it is exposed. During 1999-2000 TransAdelaide internal audit prepared a Business Risk Profile and Internal Audit Plan with the aim 'for the audit function to adopt a risk-focused approach, and to improve the alignment of the audit approach to the goals and strategic plans of the organisation'. A corporation wide risk review was conducted, with the outcome forming the basis of the audit plan.

Commentary on Computer Information Systems (CIS) Environment

The audit of TransAdelaide'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.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of TransAdelaide 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 TransAdelaide 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

Contract Income

Passenger Transport Contracts

The passenger transport contracts require TransAdelaide to provide passenger services in the specified service area in return for contract payments. The contract payments are based on a fixed component plus an incentive component based on patronage. All ticket revenue collected by TransAdelaide is remitted to the Passenger Transport Board.

In addition, under the contracts TransAdelaide must maintain public liability insurance, comprehensive motor vehicle insurance and compulsory third party insurance.

Financial Dependence

Income from the Passenger Transport Board relating to contracts for the provision of passenger services represented 87 percent (91 percent) of TransAdelaide's revenue. The reliance on contract payments creates a high degree of financial dependency on the Passenger Transport Board. This dependency has been recognised in Note 1 to the Financial Statements.

Consolidated Operating Result

TransAdelaide achieved a consolidated operating profit before abnormal items and income tax of \$9 million (loss \$1.5 million). While revenue decreased by \$4.7 million, the result was due mainly to a reduction in operating expenses of \$12.8 million, largely resulting from decreased employee expenses of \$4.9 million and reduction in transfer to workers compensation provision of \$4.6 million.

Statement of Financial Position

Receivables

Receivables increased by \$5.2 million due mainly to a \$4.8 million receivable from the Passenger Transport Board for funding made available by the State Government.

Property, Plant and Equipment

Permanent Way assets at cost increased by \$9.2 million to \$11.9 million during the year. This is due to major upgrades of rail lines.

Buildings at cost increased by \$1.9 million to \$3.7 million as a result of building improvements to the Elizabeth and Noarlunga rail stations.

These increases have been offset by a decrease in work in progress by \$4.6 million to \$9.9 million.

Provisions

During 1999-2000 provisions which are primarily for employee entitlements, decreased by \$13.8 million to \$21.8 million. This decrease in liabilities is due to the reduction of 935 (163) employees as a result of the disengagement of TransAdelaide from the provision of bus services.

Statement of Cash Flows

During 1999-2000 the net cash provided by operating activities increased by \$4.6 million to \$18.4 million. This is due to an increase in receipts of \$36.7 million which is primarily as a result of an increase in government funding of \$16.8 million to \$22.8 million.

Government funding in 1999-2000 was received by TransAdelaide for accrued annual leave and long service leave entitlements of \$13 million paid to those employees who received a separation package, \$2 million for incentive payments to those employees who remained with TransAdelaide after the disengagement from the provision of bus services, and \$7.6 million for employee redeployment costs.

Controlled Entities Operations

AUSTRICS

AUSTRICS is a wholly-owned subsidiary of TransAdelaide established by regulations under the *Public Corporations Act 1993*.

The regulations establish AUSTRICS as a body corporate with board members being appointed by TransAdelaide. The functions of the subsidiary are to carry out research and to develop computer software and associated products within TransAdelaide's area of expertise, to market and to promote these products, to provide consultancy and other services, and any other function conferred by TransAdelaide.

Audit Observations and Comments

The results of the audit indicated that the control environment within AUSTRICS was satisfactory.

Financial Results

For the 1999-2000 financial year AUSTRICS achieved an operating profit before income tax of \$259 000 (loss \$76 000).

A summary of AUSTRICS operating result and financial position is detailed below:

	2000	1999
Operating Result:	\$'000	\$'000
Revenue	2 273	1 445
Expenditure	2 014	1 521
Operating Profit (Loss) Before Tax	259	(76)
Income tax expense	100	27
OPERATING PROFIT (LOSS) AFTER ABNORMAL ITEMS AND TAX	159	(49)
Financial Position:		
Total Assets	1 333	895
Total Liabilities*	992	563
NET ASSETS	341	332

* Includes \$484 000 owing to TransAdelaide.

Hills Transit

Hills Transit commenced operations on 24 September 1995 as a wholly-owned subsidiary of TransAdelaide established by regulations under the *Public Corporations Act 1993*.

The regulations established Hills Transit as a body corporate with board members being appointed by TransAdelaide. The functions of the subsidiary were to undertake and carry on the business of providing passenger transport services, enter into service contracts with the Passenger Transport Board and carry out any other functions conferred upon Hills Transit by TransAdelaide.

The Hills Transit contract to provide bus services to the Adelaide Hills area ceased in April 2000. As a result, Hills Transit ceased trading and was subsequently dissolved on 30 June 2000 pursuant to the Public Corporation (Hills Transit Dissolution) Regulations 2000.

Audit Observations and Comments

Audit observed that the general control environment was characterised by reliance on one or two individuals for the preparation and processing of transactions with minimal independent checking to ensure transactions and processes were complete and accurate.

A number of specific issues were raised with Hills Transit and a satisfactory response was received.

Financial Results

Hills Transit achieved an operating profit before income tax of \$39 000 (\$160 000).

A summary of Hills Transit operating result and financial position is detailed below:

	2000	1999
	\$'000	\$'000
Operating Result:		
Revenue	5 707	6 030
Expenditure	5 477	5 870
Operating Profit Before Extraordinary Items	230	160
Extraordinary items charged	(191)	-
Operating Profit Before Tax	39	160
Income tax attributable to operating profit	14	58
Write off of income tax expense	58	-
OPERATING (LOSS) PROFIT AFTER ABNORMAL ITEMS AND TAX	(33)	102
Financial Position:		
Total Assets	-	1 381
Total Liabilities	-	999
NET ASSETS*	-	382

* Assets and liabilities have been transferred to TransAdelaide (parent entity) in accordance with the *Public Corporations Act 1993*.

Operating Statement for the year ended 30 June 2000

	Note	Economic Entity		Parent Entity	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
REVENUE	4	187 945	192 624	181 661	186 803
OPERATING EXPENSES	5	148 182	160 956	142 004	155 238
OPERATING PROFIT BEFORE DEPRECIATION, AMORTISATION, INTEREST, INCOME TAX AND ABNORMAL ITEMS		39 763	31 668	39 657	31 565
Depreciation and amortisation	6	(18 323)	(19 507)	(18 219)	(19 443)
Interest and other finance expenses	7	(12 372)	(13 644)	(12 361)	(13 629)
OPERATING PROFIT (LOSS) BEFORE ABNORMAL ITEMS AND INCOME TAX		9 068	(1 483)	9 077	(1 507)
ABNORMAL ITEMS	9.1	(7 842)	(667)	(7 931)	(667)
OPERATING PROFIT (LOSS) AFTER ABNORMAL ITEMS AND BEFORE INCOME TAX		1 226	(2 150)	1 146	(2 174)
INCOME TAX BENEFIT ATTRIBUTABLE TO OPERATING PROFIT	8.1	(3 145)	(918)	(3 359)	(949)
OPERATING PROFIT (LOSS) AFTER ABNORMAL ITEMS AND INCOME TAX		4 371	(1 232)	4 505	(1 225)
PROFIT ON EXTRAORDINARY ITEMS	9.2	2 307	801	2 587	801
INCOME TAX EXPENSE (BENEFIT) ATTRIBUTABLE TO EXTRAORDINARY ITEMS	8.2	8 459	(2 171)	8 502	(2 171)
OPERATING (LOSS) PROFIT AND EXTRAORDINARY ITEMS AFTER INCOME TAX		(1 781)	1 740	(1 410)	1 747
RETAINED PROFITS AT 1 JULY		112 299	111 714	114 676	114 084
AGGREGATE OF AMOUNTS TRANSFERRED FROM RESERVES	10.1	3 148	-	3 148	-
DIVIDENDS PAID/PROVIDED FOR	10.2	-	(1 155)	-	(1 155)
RETAINED PROFITS AT 30 JUNE		113 666	112 299	116 414	114 676

Statement of Financial Position as at 30 June 2000

	Note	Economic Entity		Parent Entity	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
ASSETS:					
CURRENT ASSETS:					
Cash	18(a)	19 743	11 624	19 012	10 711
Receivables	11	13 934	8 744	13 529	8 192
Stores inventories		3 544	4 588	3 544	4 559
Work in progress		1 334	1 698	1 334	1 698
Dividend receivable		-	-	-	146
Total Current Assets		38 555	26 654	37 419	25 306
NON-CURRENT ASSETS:					
Rolling stock	12	181 070	180 373	181 070	180 373
Property, plant and equipment	12	368 630	377 849	368 552	377 584
Work in progress	12	9 898	14 490	9 898	14 490
Investment in related entities	3	1 225	-	4 786	3 079
Future income tax benefit		12 322	17 220	12 208	16 897
Total Non-Current Assets		573 145	589 932	576 514	592 423
Total Assets		611 700	616 586	613 933	617 729
LIABILITIES:					
CURRENT LIABILITIES:					
Payables		21 475	14 738	21 105	14 192
Borrowings	14	-	39	-	-
Provisions	17	8 749	13 625	8 687	13 388
Provision for income tax	8.1	-	226	-	-
Provision for deferred income tax		-	36	-	-
Total Current Liabilities		30 224	28 664	29 792	27 580
NON-CURRENT LIABILITIES:					
Borrowings	14	128 736	132 736	128 736	132 736
Lease liability	15	1 300	1 149	1 300	1 149
Provisions	17	13 031	21 996	12 948	21 846
Provision for deferred income tax		8 660	8 206	8 660	8 206
Total Non-Current Liabilities		151 727	164 087	151 644	163 937
Total Liabilities		181 951	192 751	181 436	191 517
NET ASSETS		429 749	423 835	432 497	426 212
EQUITY:					
Reserves	10.1	316 083	311 536	316 083	311 536
Retained profits	10.2	113 666	112 299	116 414	114 676
TOTAL EQUITY		429 749	423 835	432 497	426 212
Commitments	13, 15, 16				
Contingent Liabilities	26				

Statement of Cash Flows for the year ended 30 June 2000

		Economic Entity		Parent Entity	
		2000	1999	2000	1999
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
RECEIPTS:					
	Note				
Sales of goods and services		169 160	182 870	162 180	177 251
Government funding		22 845	6 037	22 845	5 985
Separation packages and incentive payment recoveries		37 840	5 758	37 840	5 758
Investment revenues		1 354	467	1 319	421
Other receipts		648	-	591	-
Total Receipts		231 847	195 132	224 775	189 415
PAYMENTS:					
Wages and salaries		(97 040)	(95 089)	(94 466)	(92 390)
Separation packages and incentive payments		(37 840)	(6 406)	(37 840)	(6 406)
Goods and services		(66 015)	(66 073)	(61 601)	(63 387)
Interest on borrowings		(12 217)	(13 835)	(12 206)	(13 820)
Interest on leases		(155)	-	(155)	-
Income tax		(226)	-	-	-
Total Payments		(213 493)	(181 403)	(206 268)	(176 003)
Net Cash provided by Operating Activities	18(b)	18 354	13 729	18 507	13 412
CASH FLOWS FROM INVESTING ACTIVITIES:					
RECEIPTS:					
Dividend receipts		-	-	644	42
Increase in lease liability		151	-	151	-
Proceeds from asset sale		2 413	1 560	2 279	1 560
Total Receipts		2 564	1 560	3 074	1 602
PAYMENTS:					
Purchase of non-current assets		(8 510)	(8 737)	(8 549)	(8 526)
Decrease in lease liability		-	(1 361)	-	(1 361)
Investment in associated companies		(250)	-	(731)	-
Costs associated with property sales		-	(105)	-	(105)
Total Payments		(8 760)	(10 203)	(9 280)	(9 992)
Net Cash used in Investing Activities		(6 196)	(8 643)	(6 206)	(8 390)
CASH FLOWS FROM FINANCING ACTIVITIES:					
PAYMENTS:					
Repayment of borrowings		(4 039)	(2 036)	(4 000)	(2 000)
Total Payments		(4 039)	(2 036)	(4 000)	(2 000)
Net Cash used in Financing Activities		(4 039)	(2 036)	(4 000)	(2 000)
NET INCREASE IN CASH		8 119	3 050	8 301	3 022
CASH AT 1 JULY		11 624	8 574	10 711	7 689
CASH AT 30 JUNE	18(a)	19 743	11 624	19 012	10 711

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Introduction

TransAdelaide was established as a Public Authority under the *TransAdelaide (Corporate Structure) Act 1998* in January 1999. As a result, the TransAdelaide Board have endorsed the preparation of one set of Financial Statements and Statutory Accounts for the financial year ended 30 June 2000. TransAdelaide has two wholly owned subsidiaries that were established under the *Public Corporations Act 1993*, being AUSTRICS and Hills Transit. Hills Transit was dissolved on 30 June 2000 pursuant to the Public Corporations (Hills Transit Dissolution) Regulations 2000.

1.1 Economic Dependency and Going Concern

The Economic Entity is dependent on contract payments from the Passenger Transport Board relating to the provision of Train and Tram services in the Adelaide metropolitan area. TransAdelaide is currently negotiating for the provision of Metropolitan Train and Tram service contracts.

2. Summary of Accounting Policies

2.1 General

The financial statements are a General Purpose Financial Report which has been prepared in accordance with the Statements of Accounting Concepts, applicable Australian Accounting Standards, other mandatory reporting requirements (Urgent Issues Group Consensus Views), the Department of Treasury and Finance Accounting Policy Statements and Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*. In the case of a conflict between the above mentioned standards and policies, the Department of Treasury and Finance Accounting Policy Statements and Treasurer's Instructions take precedent.

The Financial Report has been prepared in accordance with the historical cost convention, with the exception of non-current assets. Non-current assets are primarily valued applying the deprival method of valuation, as per the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'. Where the deprival value has not been adopted, historical cost has been used.

These accounting policies have been consistently applied by each Entity in the Economic Entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

2. Summary of Accounting Policies (continued)

2.2 Principles of Consolidation

The consolidated financial statements of the Economic Entity include the financial statements of the Parent Entity, being TransAdelaide and its controlled entities, being AUSTRICS and Hills Transit (the Economic Entity). All inter-entity balances and transactions have been eliminated as at the reporting date in line with Australian Accounting Standard AAS 24 'Consolidated Financial Reports'.

2.3 Recognition of Revenue

Sales of Goods and Services represent:

- Contract Income earned from the provision of passenger transport services provided on behalf of the Passenger Transport Board.
- Other revenue earned from the provision of products, advertising and property to entities outside the Economic Entity.

All revenue is recognised when the service and/or goods are provided.

2.4 Taxation Equivalents

The Economic Entity adopts the liability method of tax-effect accounting for income tax equivalents whereby the income tax expense is based on the operating profit adjusted for any permanent differences. Timing differences which arise due to the different accounting periods in which items of revenue and expenses are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a 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 taxation legislation and the assumption 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 relevant legislation.

The Economic Entity 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 entity, with the exception of those goods which in the normal course of business would be exempt from Commonwealth sales taxes.

The Economic Entity is also required to pay land tax and council rate equivalents. Land tax and council rate equivalents have been calculated by the Department of Treasury and Finance, based on valuations supplied by the Valuer-General.

2.5 Financial Instruments included in Liabilities

All financial instruments included within the liabilities category are recognised when they are incurred.

2.6 Financial Instruments included in Assets

Receivables are initially recorded at the current value of the sales proceeds.

Provision for doubtful debts is recognised to the extent the recovery of outstanding amounts is less than likely. The provision is based on a review of all outstanding amounts at balance date.

Dividend revenue is recognised when dividends are declared.

Investment in subsidiary is included at cost.

Investment in Joint Venture is included at the discounted cash flow of anticipated future cash flows over the life of the contract.

2.7 Non-Current Assets

(a) Basis of Valuation

Rollingstock, property, rail and tram infrastructure and major plant and equipment are included at deprival value. Minor plant and equipment are included at cost. Valuations are provided by either an independent valuer, by the Valuer-General or at a Director's valuation in accordance with applicable accounting policy statements.

The cost of property, plant and equipment constructed by the Economic Entity includes the cost of materials and direct labour and an appropriate proportion of fixed and variable overheads.

(b) Revaluations

All non-current assets are required to be independently valued every three years on an existing use basis and included in the financial statements at the revalued amounts. Railcars were revalued at a Director's valuation as at 30 June 2000 by the use of an indexation method.

(c) 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 Operating Statement in the year of disposal.

Where a revalued asset is disposed of, the balance of the Asset Revaluation Reserve which relates to that asset has been transferred from the Asset Revaluation Reserve to current year profits to convert an unrealised gain to a realised status. (Refer Note 10.1).

2.7 Non-Current Assets (continued)**(d) Depreciation and Amortisation**

Rollingstock, property, plant and equipment, including buildings and leasehold property, but excluding freehold land are depreciated/amortised over their estimated useful lives. The straight-line method is used.

Assets are depreciated or amortised from the date of acquisition.

Estimated useful lives applicable to each class of asset is detailed below:

	Useful Life Range (Years)
Rollingstock:	
Buses	17 - 22
Railcars	30 - 42
Tramcars	20 - 70
Buildings	50
Permanent way	20 - 125
Machinery, plant and equipment	3 - 15
Artworks	99

(e) Leases

Leases of plant and equipment, under which TransAdelaide 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.

(i) Finance 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. Capitalised leased assets are amortised on a straight-line basis over the term of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Operating Statement. (Refer Note 15).

(ii) Operating Leases

Lease payments for assets under leasing agreements where the risk and rewards incidental to ownership rest with the lessor (operating lease), are treated as expenses. (Refer Note 13).

2.8 Inventories

Stores inventories are valued on a weighted average cost basis. As they are only held for use in providing services, net realisable value, as specified in Australian Accounting Standard AAS 2 'Inventories', is not applicable.

2.9 Work in Progress

Work in progress is valued at cost plus on-charges.

2.10 Receivables

Trade debtors to be settled in 30 days are carried at amounts due. The collectibility is assessed at balance date and specific provision is made for any doubtful accounts.

2.11 Investment in Controlled Entity

Investments in Controlled Entities are carried 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.

2.12 Employee Entitlements**(a) Annual Leave**

Liabilities arising in relation to Annual Leave are accrued on the basis of statutory or contractual obligations. On-costs associated with this provision are included as a payable in the Statement of Financial Position as per the Department of Treasury and Finance Accounting Policy Statement APS 9 'Employee Entitlements'.

(b) Long Service Leave

Entitlements to Long Service Leave are based on legislation applicable to government employees. Provision has been made for those employees who have completed seven or more years service with government. In addition, an actuarial based provision for employees with less than seven years service at 30 June 2000 has been made. On-costs associated with this provision are included as a payable in the Statement of Financial Position as per the APS 9.

(c) Retiring and Death Gratuity

Provision is made for the Retiring and Death Gratuity payable under a scheme, which applies to daily paid employees of the former Municipal Tramways Trust. The amount provided covers benefits accrued to all members of the scheme.

(d) Workers Compensation

A provision has been established relating to claims under the *Workers Rehabilitation and Compensation Act 1986* and the repealed *Workers Compensation Act 1971*.

(e) Superannuation

During 1999-2000 the Economic Entity paid amounts to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of its employees. There is no liability for payments to beneficiaries as they have been assumed by the superannuation funds.

(f) Sick Leave

No provision has been made for sick leave as entitlements are non-vesting and it is considered leave is taken from the current year's accrual.

2. Summary of Accounting Policies (continued)

2.13 Insurance

The Parent Entity is self-insured for the following risks:

- Workers compensation claims;
- Public liability claims relating to all self owned assets, except for claims covered by Motor Accident Commission insurance;
- Property claims for all self owned assets;

The above self-insurance (excluding workers compensation) is for amounts up to \$1.0 million for the total of each incident. Insurance cover for amounts above \$1.0 million is arranged through SAICORP.

AUSTRICS is externally insured for risks associated with workers' compensation.

2.14 Comparative Figures

Where necessary, comparative figures have been adjusted to conform to changes of presentation in 1999-2000.

3. Investment in Related Entities

	Principal Activities	Balance Date	Ownership Interest		Investment at Cost	
			2000 percent	1999 percent	2000 \$'000	1999 \$'000
Controlled Entities:						
Hills Transit ⁽¹⁾	Provision of bus services	30 June	100	100	-	-
AUSTRICS	Software marketing and development	30 June	100	100	3 080	3 079
Associate:						
Transitplus Pty Ltd ⁽²⁾	Provision of bus services	30 June	50	-	-	-
Joint Venture:						
Adelaide Hills ⁽²⁾	Contract Management	30 June	50	-	250	-

(1) Hills Transit ceased trading on 27 May 2000, and was formally dissolved on 30 June 2000.

(2) Transitplus Pty Ltd and the Adelaide Hills Joint Venture commenced operations on 28 May 2000.

4. Revenue

	Economic Entity		Parent Entity	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Revenue from Operating Activities:				
Sale of goods and services:				
Contract income	163 522	175 129	158 889	170 287
Advertising	1 011	1 441	1 011	1 370
Track access	591	18	591	18
Other sundry items	2 533	2 101	1 493	119
Government funding	11 502	6 070	11 502	5 985
Dividend revenue	-	-	498	61
Revenue outside Operating Activities:				
Sale of goods and services:				
Property rental	2 497	2 275	2 497	2 275
Other sundry items	4 701	4 276	3 627	5 421
Fair value of assets received free of charge or for nominal value	234	801	234	801
Other revenue:				
Investment revenue	1 354	513	1 319	466
Total Revenue	187 945	192 624	181 661	186 803

5. Operating Expenses

Transfers to provisions for employee entitlements:				
Annual leave	6 234	6 250	6 085	6 052
Long service leave	1 453	2 320	1 496	2 249
Retiring and death gratuity	(112)	81	(112)	81
Transfer to workers compensation provision	1 032	5 622	1 032	5 622
Other employee expenses	74 977	79 870	72 365	77 234
Operating lease rentals	19 029	20 103	18 040	19 000
Other supplies and services	45 351	46 276	42 969	44 566
Other expenses	218	-	129	-
Loss on disposal of assets	-	434	-	434
	148 182	160 956	142 004	155 238

6. Depreciation and Amortisation

Depreciation and Amortisation:				
Rolling Stock:				
Buses	5	1 225	5	1 225
Railcars	4 550	4 550	4 550	4 550
Tramcars	155	294	155	294
Permanent Way	7 722	7 540	7 722	7 540
Buildings	2 740	2 862	2 740	2 862
Machinery, plant and equipment	2 068	1 953	1 964	1 889
Amortisation of railcars	1 083	1 083	1 083	1 083
	18 323	19 507	18 219	19 443

7. Interest and Other Finance Expenses

Ordinary borrowings	11 231	12 434	11 220	12 419
Treasury guarantee fee	986	1 073	986	1 073
Interest on borrowings	12 217	13 507	12 206	13 492
Interest on leases	155	137	155	137
	12 372	13 644	12 361	13 629

8.	Income Tax	Economic Entity		Parent Entity	
		2000	1999	2000	1999
8.1	Income Tax Expense (Benefit) Attributable to Operating Profit (Loss)	\$'000	\$'000	\$'000	\$'000
	Operating profit (loss) after abnormal items	1 226	(2 150)	1 146	(2 174)
	Prima facie tax thereon	441	(752)	413	(783)
	Prior year adjustments	(4 977)	81	(4 977)	81
	Tax effect of permanent differences:				
	Non-deductible expenses	(180)	41	(180)	41
	Fair value of assets received free of charge	(84)	(288)	(84)	(288)
	Grant funding	(93)	-	(93)	-
	Dividend	-	-	(179)	-
	Restating opening balances due to change in taxation rates	1 539	-	1 535	-
	Reduction in current year balances due to change in taxation rates	209	-	206	-
	Total Income Tax Expense (Benefit) Attributable to Operating Profit	(3 145)	(918)	(3 359)	(949)
	Total Income Tax Expense comprises of movements in:				
	Provision for income tax	-	74	-	-
	Provision for deferred income tax	418	3 626	454	3 629
	Future income tax benefit	(3 563)	(4 618)	(3 813)	(4 578)
		(3 145)	(918)	(3 359)	(949)
8.2	Income Tax Expense (Benefit) Attributable to Extraordinary Items	2 307	801	2 587	801
	Profit on extraordinary items	830	288	931	288
	Prima facie tax thereon at 36 percent				
	Tax effect of permanent differences:				
	Write off of tax losses due to loss of bus business	7 629	-	7 571	-
	Contributed assets	-	(2 459)	-	(2 459)
	Income Tax Expense (Benefit) Attributable to Extraordinary Items	8 459	(2 171)	8 502	(2 171)
	Total Income Tax Expense comprises of movements in:				
	Provision for income tax	-	-	-	-
	Provision for deferred income tax	-	-	-	-
	Future income tax benefit	8 459	(2 171)	8 502	(2 171)
		8 459	(2 171)	8 502	(2 171)
9.	Abnormal and Extraordinary Items				
9.1	Abnormal Items				
	Separation Packages and Incentive Payments:				
	Recoveries	37 840	6 419	37 840	6 419
	Payments	(37 840)	(6 406)	(37 840)	(6 406)
		-	13	-	13
	Wage claim	-	(284)	-	(284)
	Profit (Loss) on disposal of assets ⁽¹⁾	(7 842)	(396)	(7 931)	(396)
	Net Abnormal Items	(7 842)	(667)	(7 931)	(667)
	(1) Following the bus tender announcement in January 2000, TransAdelaide sold assets associated with the bus business through tender and/or auction processes, at values less than written down values. Some assets consisting of depot improvements were also written off during the year.				
9.2	Extraordinary Items				
		2000	1999	2000	1999
		\$'000	\$'000	\$'000	\$'000
	Disengagement funding ⁽¹⁾	11 343	-	11 343	-
	Related income tax expense	(4 083)	-	(4 083)	-
	Disengagement expenses ⁽²⁾	(3 073)	-	(3 056)	-
	Related income tax benefit	1 106	-	1 100	-
	Fleet and depot restoration costs at disengagement ⁽³⁾	(5 899)	-	(5 700)	-
	Related income tax benefit	2 124	-	2 052	-
	Employee termination payments ⁽⁴⁾	(64)	-	-	-
	Related income tax benefit	23	-	-	-
	Write off of tax losses associated with the bus business ⁽⁵⁾	(7 629)	-	(7 571)	-
	Gain on assets received free of charge	-	6 831	-	6 831
	Loss on transfer of assets	-	(6 030)	-	(6 030)
	Related income tax benefit	-	2 171	-	2 171
	Extraordinary items	2 307	801	2 587	801
	Tax Attributable to Extraordinary Items	(8 459)	2 171	(8 502)	2 171

(1) Funding from the Department of Treasury and Finance for TransAdelaide's disengagement from the bus business.

(2) Direct costs associated with TransAdelaide's disengagement from the bus business.

(3) Costs associated with restoring lease assets to the conditions specified within the operating leases.

(4) Costs associated with termination payments for employees from Hills Transit.

(5) Write off of future income tax benefit due to inability to realise this benefit in the future.

10. Reserves		2000				Total	
		Land and Buildings	Infra-structure	Rolling Stock	Plant and Equipment	2000	1999
10.1	Asset Revaluation Reserve	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Balance at 1 July	88 193	169 193	53 741	409	311 536	326 202
	Add: Net increments for the year	386	(1)	6 335	-	6 720	3 415
	Less: Amounts transferred to current years profits	(5)	3 056	77	20	3 148	18 081
	Balance at 30 June	88 584	166 136	59 999	389	315 108	311 536
	Joint Venture Interest - Revaluation Reserve					2000	1999
						\$'000	\$'000
	Balance at 1 July					-	-
	Add: Net increments for the year					975	-
	Less: Amounts transferred to retained profits					-	-
	Balance at 30 June					975	-
10.2	Retained Profits			Economic Entity		Parent Entity	
				2000	1999	2000	1999
				\$'000	\$'000	\$'000	\$'000
	Balance at 1 July			112 299	111 714	114 676	114 084
	Add: - Transfers from reserves			3 148	-	3 148	-
	- Current year profits			(1 781)	1 740	(1 410)	1 747
	Less: - Dividends paid/provided for			-	1 155	-	1 155
	Balance at 30 June			113 666	112 299	116 414	114 676
11.	Receivables			14 190	6 281	13 697	5 704
	Receivables			271	40	183	40
	Less: Provision for doubtful debts			13 919	6 241	13 514	5 664
	Add: Prepayments			15	2 503	15	2 528
				13 934	8 744	13 529	8 192
12.	Non-Current Assets						
	ROLLINGSTOCK						
	Buses:						
	At cost			-	67	-	67
	Less: Accumulated depreciation			-	16	-	16
	Buses at Cost			-	51	-	51
	At independent valuation 30 June 1998			-	338	-	338
	Less: Accumulated depreciation			-	333	-	333
	Buses at Valuation			-	5	-	5
	Total Buses			-	56	-	56
	Railcars (Spare Parts):						
	At cost			6 475	6 464	6 475	6 464
	Less: Accumulated depreciation			1 217	989	1 217	989
	Railcars at Cost			5 258	5 475	5 258	5 475
	At independent valuation 30 June 1997			-	183 644	-	183 644
	Less: Accumulated depreciation			-	43 185	-	43 185
	At Directors valuation 30 June 2000			190 623	-	190 623	-
	Less: Accumulated depreciation			49 313	-	49 313	-
	Railcars at Valuation			141 310	140 459	141 310	140 459
	Leased Railcars:						
	At independent valuation 30 June 1997			-	46 012	-	46 012
	Less: Accumulated amortisation			-	12 027	-	12 027
	At Directors valuation 30 June 2000			47 760	-	47 760	-
	Less: Accumulated amortisation			13 608	-	13 608	-
	Leased Railcars at Valuation			34 152	33 985	34 152	33 985
	Total Railcars			180 720	179 919	180 720	179 919
	Tramcars:						
	At cost			162	55	162	55
	Less: Accumulated depreciation			15	7	15	7
	Tramcars at Cost			147	48	147	48
	At independent valuation 30 June 1998			48 300	48 300	48 300	48 300
	Less: Accumulated depreciation			48 097	47 950	48 097	47 950
	Tramcars at Valuation			203	350	203	350
	Total Tramcars			350	398	350	398
	TOTAL ROLLINGSTOCK			181 070	180 373	181 070	180 373

12. Non-Current Assets (continued)	Economic Entity		Parent Entity	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
PROPERTY, PLANT AND EQUIPMENT				
Land and Buildings:				
Freehold Land:				
At cost	243	244	243	244
At fair value	2 123	2 430	2 123	2 430
At independent valuation 30 June 1998	61 666	62 229	61 666	62 229
Total Land	64 032	64 903	64 032	64 903
Buildings:				
At cost	4 237	2 212	4 237	2 212
Less: Accumulated depreciation	570	476	570	476
Buildings at Cost	3 667	1 736	3 667	1 736
At independent valuation 30 June 1998	146 076	146 391	146 076	146 391
At independent valuation 1 July 1998	8 985	8 985	8 985	8 985
Less: Accumulated depreciation	86 625	84 364	86 625	84 364
Buildings at Valuation	68 436	71 012	68 436	71 012
Total Buildings	72 103	72 748	72 103	72 748
Total Land and Buildings	136 135	137 651	136 135	137 651
Permanent Way:				
At cost	12 203	2 790	12 203	2 790
Less: Accumulated depreciation	302	64	302	64
Permanent Way at Cost	11 901	2 726	11 901	2 726
At independent valuation 30 June 1998	325 142	332 447	325 142	332 447
Less: Accumulated depreciation	110 979	105 820	110 979	105 820
Permanent Way at Valuation	214 163	226 627	214 163	226 627
Total Permanent Way	226 064	229 353	226 064	229 353
Plant and Equipment:				
At cost	13 543	24 548	13 420	24 118
Less: Accumulated depreciation	9 350	16 036	9 305	15 871
Plant and Equipment at Cost	4 193	8 512	4 115	8 247
At independent valuation 30 June 1998	2 709	2 721	2 709	2 721
At independent valuation 1 July 1998	1 731	1 731	1 731	1 731
Less: Accumulated depreciation	2 202	2 119	2 202	2 119
Plant and Equipment at Valuation	2 238	2 333	2 238	2 333
Total Plant and Equipment	6 431	10 845	6 353	10 580
TOTAL PROPERTY, PLANT AND EQUIPMENT	368 630	377 849	368 552	377 584
Work in Progress:				
Rollingstock:				
Railcars	335	37	335	37
Tramcars	486	657	486	657
Corridor infrastructure, machinery and plant	7 398	12 526	7 398	12 526
Land and buildings	1 679	1 270	1 679	1 270
Total Work in Progress	9 898	14 490	9 898	14 490
NET ASSETS	559 598	572 712	559 520	572 447

On 30 June 2000, TransAdelaide conducted a Director's revaluation of the railcar fleet assets by the application of an indexation factor to the carrying value of the railcars. This revaluation was conducted in accordance with the deprival value concept as defined in Department of Treasury and Finance, Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'. Based on the above policy, the railcar fleet asset's carrying amount was increased by \$6.423 million with a corresponding increase in the Asset Revaluation Reserve.

13. Operating Lease Commitments	Economic Entity		Parent Entity	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Not later than one year	1 814	21 395	1 742	20 546
Later than one year but not later than five years	2 479	699	2 341	409
Later than five years	981	510	981	510
	5 274	22 604	5 064	21 465
Operating lease expenses paid	19 029	20 103	18 040	19 000

The economic entity leases property under operating leases expiring from one to eight years. The leases generally provide the economic entity with a right of renewal at which time all terms are negotiated. Contingent rental payments are based on either movements in the Consumer Price Index or operating criteria.

14. Borrowings	Economic Entity		Parent Entity	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Current Liability	-	39	-	-
Non-Current Liability	128 736	132 736	128 736	132 736
	128 736	132 775	128 736	132 736

14. Borrowings (continued)	Balance	Amount	Amount	Amount	Balance
Ordinary borrowings comprised:	1.7.99	Borrowed	Reduced	Repaid	30.6.00
	\$'000	\$'000	\$'000	\$'000	\$'000
Economic Entity	132 775	-	-	4 039	128 736
Parent Entity	132 736	-	-	4 000	128 736

15. Finance Lease Commitments		Economic Entity		Parent Entity	
The Economic Entity's finance lease commitments at 30 June are due as follows:		2000	1999	2000	1999
		\$'000	\$'000	\$'000	\$'000
Not later than one year		-	-	-	-
Later than one year but not later than five years		1 960	1 960	1 960	1 960
Later than five years		-	-	-	-
Minimum lease payments		1 960	1 960	1 960	1 960
Less: Future financing charges		660	811	660	811
Lease Liability		1 300	1 149	1 300	1 149

Classified as:					
Non-Current liability		1 300	1 149	1 300	1 149

The economic entity leases railcars under two finance leases.

Under the lease arrangements there is one final payment due in October 2003 at which time the railcar ownership transfers to the parent entity.

16. Capital Commitments					
Aggregate capital expenditure commitments contracted for:					
Not later than one year		400	1 009	400	1 009
Later than one year but not later than two years		-	100	-	100
Later than two years but not later than five years		-	100	-	100
		400	1 209	400	1 209

Net capital expenditure incurred		7 200	10 200	7 200	10 200
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17. Provisions		Economic Entity		Parent Entity	
Provisions at 30 June 2000 were:		Estimated	Estimated	Estimated	Estimated
		to fall	to fall	to fall	to fall
		due within	due after	due within	due after
		one year	one year	one year	one year
		\$'000	\$'000	\$'000	\$'000
Long service leave		1 920	6 766	1 920	6 683
Annual leave		4 162	681	4 100	681
Workers compensation claims		1 742	3 235	1 742	3 235
Third party accident damage		875	2 143	875	2 143
Retiring and death gratuities		50	206	50	206
		8 749	13 031	8 687	12 948

		Economic Entity		Parent Entity	
		2000	1999	2000	1999
		\$'000	\$'000	\$'000	\$'000
Long service leave		8 686	14 566	8 603	14 361
Annual leave		4 843	7 748	4 781	7 566
Workers compensation claims		4 977	8 973	4 977	8 973
Third party accident damage		3 018	3 290	3 018	3 290
Retiring and death gratuity		256	1 044	256	1 044
		21 780	35 621	21 635	35 234

18. Notes to the Statement of Cash Flows					
(a) Reconciliation of Cash					
TransAdelaide considers cash to be represented by cash at bank and cash on hand. Cash at 30 June 2000 as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position as follows:					
		Economic Entity		Parent Entity	
		2000	1999	2000	1999
		\$'000	\$'000	\$'000	\$'000
Cash as at 30 June		19 743	11 624	19 012	10 711

18. Notes to the Statement of Cash Flows (continued)**(b) Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Income Tax**

	Economic Entity		Parent Entity	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Operating profit after income tax	(1 781)	1 740	(1 410)	1 747
Depreciation	17 240	18 434	17 136	18 360
Amortisation	1 083	1 083	1 083	1 083
(Profit) Loss on sale of retired assets	7 842	434	7 931	434
(Profit) Loss on abnormal and extraordinary items	-	6 426	-	6 426
Fair value of assets received free of charge	(234)	(7 632)	(234)	(7 632)
Dividend receipts	-	-	(644)	-
Movements in:				
Receivables	(5 190)	(2 024)	(5 337)	(1 715)
Dividend receivable	-	-	146	(20)
Creditors	6 740	(1 861)	6 913	(2 297)
Provisions	(13 841)	(21)	(13 599)	(99)
Stores inventories	1 044	223	1 015	229
Work in progress	364	16	364	16
Future income tax benefit	4 898	(6 790)	4 689	(6 750)
Provision for income tax	(226)	74	-	-
Provision for deferred income tax	418	3 627	454	3 630
Net Cash provided by Operating Activities	18 357	13 729	18 507	13 412

19. Remuneration of Employees

The number of employees whose remuneration falls within the following bands were:

\$100 000 - \$109 999
 \$110 000 - \$119 999
 \$150 000 - \$159 999
 \$160 000 - \$169 999

	Economic Entity		Parent Entity	
	2000	1999	2000	1999
	Number of Employees	Number of Employees	Number of Employees	Number of Employees
\$100 000 - \$109 999	3	4	2	4
\$110 000 - \$119 999	1	-	1	-
\$150 000 - \$159 999	-	1	-	1
\$160 000 - \$169 999	1	-	1	-
	5	5	4	5

Executive remuneration

	Economic Entity		Parent Entity	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Executive remuneration	609	584	496	584

20. Remuneration of Auditors

Amounts received or due and receivable by the Auditors for auditing the accounts for the year were \$ 175 000 (\$190 000). The Auditors received no other benefits.

21. Separation Packages

Separation payments totalling \$37.84 million (\$6.406 million) related to the reduction of 935 (163) employees during 1999-2000. These payments were met by the Parent Entity and recovered from the Department of the Premier and Cabinet. Total accrued annual leave and long service leave entitlements amounting to \$11.382 million (\$2.313 million) were paid to those employees who received a separation package.

22. Consultants

During the financial year, the Economic Entity engaged Consultants for a total cost of \$257 000 (\$340 000).

23. Directors' Remuneration

Remuneration Band:

\$0 - \$9 999
 \$10 000 - \$19 999
 \$20 000 - \$29 999
 \$30 000 - \$39 999

	Parent Entity	
	2000	1999
	Number of Directors	Number of Directors
\$0 - \$9 999	-	6
\$10 000 - \$19 999	2	-
\$20 000 - \$29 999	3	-
\$30 000 - \$39 999	1	-
	6	6

	Economic Entity		Parent Entity	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Directors' remuneration	163	62	131	13

The names of the parent entity directors who have held office during the financial year are:

Ron Griffiths
 Susan Law
 Rex Phillips

Kevin Bengler
 Elizabeth Kosmala
 Kevin Lyons (resigned May 2000)

24. Related Party Disclosures**(a) Director Transactions**

Details of Directors' remuneration payments are set out in Note 23. The Economic Entity carried out transactions with Directors during the year within a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to members of the public.

24. **Related Party Disclosures (continued)****(b) Transactions with Related Parties in the Economic Entity**

The Parent Entity entered into the following transactions during the year with related parties to the Economic Entity:

Payable to Controlled Entities:

Hills Transit	-	21
AUSTRICS	-	11
Total Payable	-	32

Receivable from Controlled Entities:

Hills Transit	-	28
AUSTRICS	3	161
Total Receivable	3	189

Prepayments to Controlled Entities:

AUSTRICS	-	97
Total Prepayments	-	97

Sales of Goods and Services:

Hills Transit	17	230
AUSTRICS	1 472	1 022
Total Sales of Goods and Services	1 489	1 252

Purchases of Goods and Services:

Hills Transit	-	49
AUSTRICS	84	293
Total Purchases of Goods and Services	84	342

Loans to Subsidiary Companies:

AUSTRICS	481	-
Loans to Subsidiary Companies	481	-

25. **Financial Instruments****Interest Rate Risk Exposure**

The economic entity is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the economic entity, together with effective interest rates as at balance date.

	2000						Total \$'000	Weighted Average Interest Rate Percent
	Floating Interest Rate ⁽¹⁾ \$'000	Fixed Interest Rate Maturing In			Non- Interest Bearing \$'000			
		1 year or less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000				
Financial Assets:								
Cash	19 743	-	-	-	-	19 743	8.45	
Receivables	-	-	-	-	13 934	13 934	-	
Financial Liabilities:								
Payables	-	-	-	-	21 475	21 475	-	
Borrowings	128 736	-	-	-	-	128 736	9.25	
Lease liability ⁽²⁾	-	-	1 300	-	-	1 300	12.7	
	1999							Weighted Average Interest Rate Percent
	Floating Interest Rate ⁽¹⁾ \$'000	Fixed Interest Rate Maturing In			Non- Interest Bearing \$'000	Total \$'000		
		1 year or less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000				
Financial Assets:								
Cash	11 624	-	-	-	-	11 624	4.63	
Receivables	-	-	-	-	8 744	8 744	-	
Financial Liabilities:								
Payables	-	-	-	-	14 738	14 738	-	
Borrowings	132 736	39	-	-	-	132 775	9.35	
Lease liability ⁽²⁾	-	-	1 149	-	-	1 149	12.7	

(1) Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.

(2) The fixed rate on the lease liability represents the rate implicit in the lease agreements.

Credit Risk Exposure

Credit exposure represents the extent of credit related losses the economic entity may be subject to in respect of amounts to be received from financial assets. The total credit risk on Financial Assets is the carrying amounts net of any provision for doubtful debts.

The economic entity, while exposed to credit related losses in the event of non-performance by counterparties to financial instruments does not expect any counterparties to fail to meet their obligation.

In addition the economic entity does not have a significant exposure to any individual counterparty.

Receivables due from major counterparties are not normally secured by collateral, however the credit worthiness of counterparties is monitored.

Therefore based on the above, no losses are expected.

Credit Risk Exposure (continued)

The concentration of credit risk on financial assets is indicated in the following table by percentage of the total balance receivable from customers in the specified categories:

Customer/Industry classification:	2000 Percent	1999 Percent
Transport industry	35	35
Federal, State Governments and Councils	62	62
Private business and individuals	3	3

Net Fair Value of Financial Assets and Liabilities

The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or a liability settled in a current transaction between willing parties after allowing for transaction costs.

The carrying amounts and estimated net fair values of financial assets and financial liabilities held at balance date are as per the previous table. The carrying amounts shown in the table are those included in the Statement of Financial Position.

The following methods and assumptions were used to estimate the net fair value of each class of financial instrument.

The non-current borrowings are a static amount that change by the occurrence of specific events, for example, increased borrowings, repayment of borrowings and debt reduction through the transfer of assets to other government departments. As such events are not determinable, the carrying amount and the Net Fair Value have been reported as the same.

In relation to the non-current lease liability the net fair value is estimated by discounting the future cash flow to its present value, based on the interest rate applicable to the lease, and is equivalent to the amount as reported in the table.

26. Contingent Liabilities

TransAdelaide has entered into a financing arrangement in respect of railcar assets with unrelated overseas-based investors for which it received a facilitation fee. As part of these arrangements, certain indemnities and undertakings have been agreed to by TransAdelaide with third parties. The risk of these indemnities or undertakings being invoked is considered remote and relates to amounts that might become payable by TransAdelaide to third parties in the event of early termination of the arrangement. No amount has been recognised, because it is considered unlikely that any liability will arise.

AUSTRICS has a contingent liability in relation to the warranty of products and the provision of annual support. As at balance date this could not be reliably measured.

27. Events Subsequent to Balance Date

There have been no events subsequent to balance date.

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